

CENTRAL JERSEY ARTS CHARTER SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

CENTRAL JERSEY ARTS CHARTER SCHOOL

**Central Jersey Arts Charter School
Board of Trustees
Plainfield, New Jersey**

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF
CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Prepared by

*Central Jersey Arts Charter School
Business Office*

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CENTRAL JERSEY ARTS CHARTER SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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Introductory Section

December 4, 2014

Honorable President and
Members of the Board of Trustees
Central Jersey Arts Charter School
Plainfield, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (“CAFR”) of the Central Jersey Arts Charter School (“Charter School”) for the fiscal year ended June 30, 2014. As you know, the responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Central Jersey Arts Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory Section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The Financial Section includes the general-purpose financial statements and schedules, as well as the auditors’ report thereon. The Statistical Section includes selected financial and demographic information generally presented on a multiyear basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the U.S. Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to this single audit, including the auditors’ report on the internal control and compliance with applicable laws and regulations, and findings and recommendations, are included in the Single Audit Section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Charter School is an independent reporting entity within the criteria adopted by the *Governmental Accounting Standards Board* (“GASB”). The Central Jersey Arts Charter School constitutes the Charter School’s reporting entity.

The Charter School provides a full range of education services appropriate to grade levels, kindergarten through 8. These services include enhancing the academic learning opportunities through the integrated use of available technologies. The program is structured around small class size, a dynamic and integrated curriculum, which has been aligned with the New Jersey Core Curriculum Content Standards and the infusion of technology to stimulate student enthusiasm and interest in the learning process.

The Charter School completed the 2013-2014 fiscal year; its eighth in operation, with an average daily enrollment of 378 students, an increase of 0.6 students from the previous year’s enrollment.

Member of



An association of legally independent firms

2. ECONOMIC CONDITION AND OUTLOOK: School funding is somewhat constrained in the current economic climate. Even more problematic is the fact that the Charter School funding under New Jersey law has been inequitable in that charter schools only receive approximately 90% of the per pupil funding available to traditional public school students. Central Jersey Arts Charter School (“CJACS”) has a largely inactive allied foundation—Friends of CJACS, which the Charter School hopes to mobilize in the year ahead to become a greater fundraiser and contributor to the CJACS community, albeit in a challenging environment for nonprofit fundraising. The Charter School’s management company, Renaissance School Services (“Renaissance” or “RSS”), intends to fully examine the Charter School’s providers, structures and processes in order to reduce expenses and maximize revenue.

3. MAJOR INITIATIVES: The Charter School’s most significant initiative was the engagement of Renaissance School Service’s, one of the country’s leading turnaround school operators, to manage the Charter School effective October 15, 2012. Renaissance is restructuring virtually all of the Charter School’s operations—academic and non-academic. In addition, Renaissance is leading the effort to satisfy the conditions to remove the Charter School from New Jersey Department of Education’s probation. This includes working with the Board of Trustees to restructure how the Charter School’s Board of Trustees operates and to assist in recruiting new Board members.

On the business front, Renaissance is revamping all of the Charter School’s internal control systems and procedures and has brought in a new school business administrator. Organizationally, Renaissance has restructured positions and duties to better align them to work flow and compliance requirements. Academically, Renaissance is working with the Charter School’s achievement specialist and faculty to make more rigorous classroom instruction at CJACS and to align the Charter School’s curriculum more closely to the State’s core curriculum standards.

4. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”). The internal control system 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 awards, the Charter School is also responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system 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 the internal control system, including that portion related to major federal and state award programs, as well as to determine that the Charter School has complied with applicable laws, regulations, contracts and grants.

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

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

6. ACCOUNTING SYSTEM AND REPORTS: The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in the Notes to the Basic Financial Statements, Note 2.

7. CASH MANAGEMENT: The investment policy of the Charter School is guided, in large, by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with 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.

8. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability, and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of the Charter School's insurance coverage is found on Exhibit J-20.

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Sobel & Co., 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 NJOMB Circular Letter 04-04, *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' report, related specifically to the single audit and *Governmental Auditing Standards*, are included in the single audit section of this report.

9. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Central Jersey Arts 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.

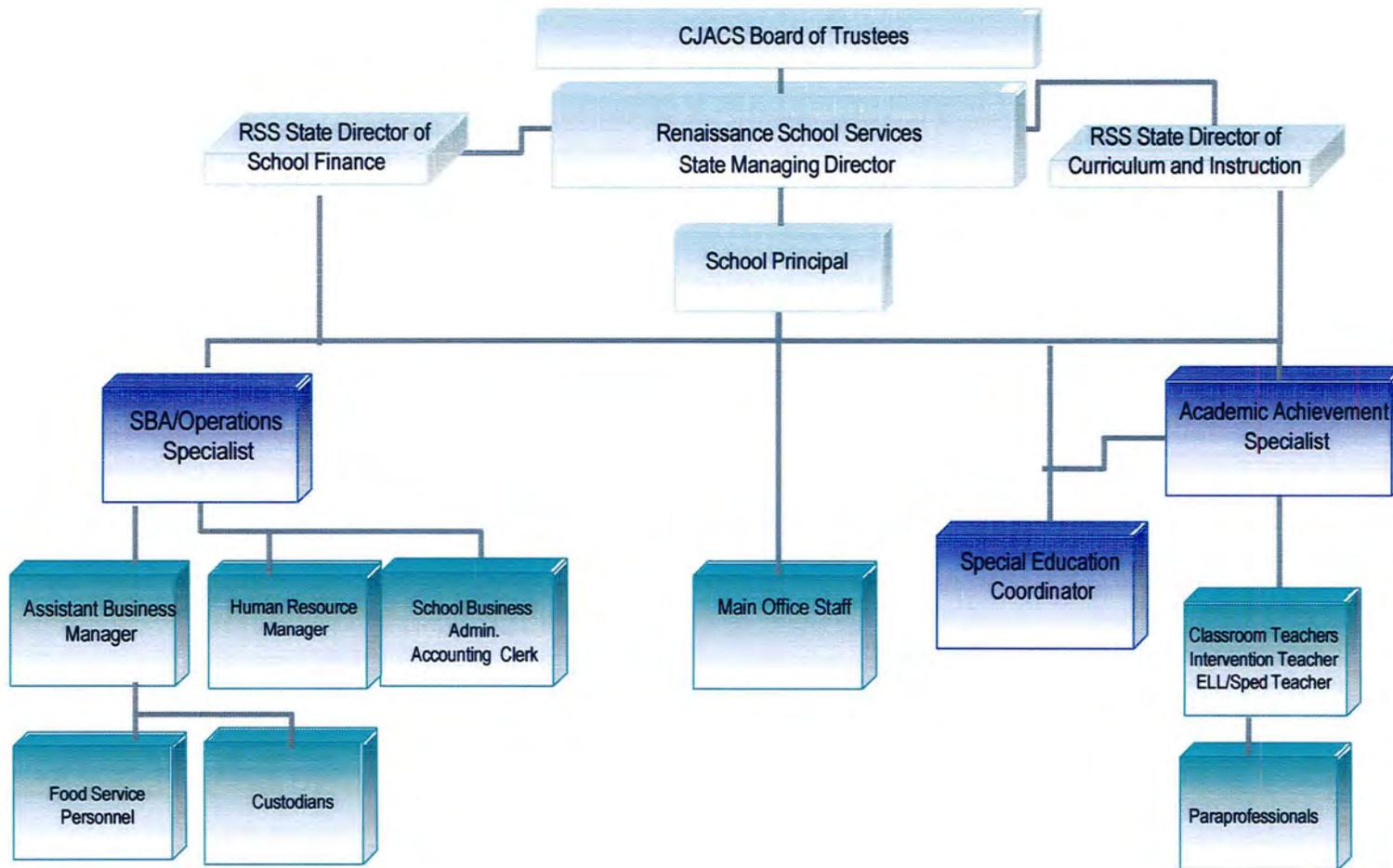
Respectfully submitted,



Robert Green, Business Administrator

CENTRAL JERSEY ARTS CHARTER SCHOOL

2014 ORGANIZATIONAL CHART



CENTRAL JERSEY ARTS CHARTER SCHOOL

PLAINFIELD, NEW JERSEY

CONSULTANTS AND ADVISORS

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North Plainfield, NJ 07062

Financial Section

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Central Jersey Arts Charter School
Plainfield, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities; business-type activities, the aggregate, discretely presented component units, each major fund; and the aggregate remaining funding information of the Board of Trustees of Central Jersey Arts Charter School ("Charter School"), in the county of Union, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on governmental activities, business-type activities and the aggregate remaining funds-proprietary funds and unmodified audit opinions on the major funds and aggregate remaining fund information not affected by the qualification.

Basis of Qualified Opinion on Governmental Activities, Business-type Activities and the Aggregate Remaining Fund Information – Proprietary Funds

As discussed in Note 2 to the financial statements, management has not recorded the Charter School's capital assets in the governmental activities, the business-type activities, and the aggregate remaining fund information – proprietary funds and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities, the business-type activities, and the aggregate remaining fund information – proprietary funds. The amount by which this departure would affect the assets, net position and expenses of the governmental activities, the business-type activities, and the aggregate remaining fund information – proprietary funds is not reasonably determinable.

Qualified Opinion on Governmental Activities, Business-type Activities and on the Aggregate Remaining Fund Information – Proprietary Funds

In our opinion, except for the matter described in the Basis for Qualified Opinion Governmental Activities, Business-type Activities and the Aggregate Remaining Funds – Proprietary Funds paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information – proprietary funds of the Central Jersey Arts Charter School, in the County of Union, as of June 30, 2014, and the respective changes in the financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United State of America.

Unmodified Opinion on the Major Funds and Aggregate Remaining Fund Information not Affected by the Qualification

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, the aggregate remaining funds, discretely presented, component units, each major fund, and the aggregate remaining fund information not affected by the qualification of Central Jersey Arts Charter School, in the county of Union, 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.

Prior-Period Financial Statements

The financial statements of Central Jersey Arts Charter School as of and for the year ended June 30, 2013, were audited by other auditors whose report, dated November 27, 2013, expressed a Qualified Opinion on Governmental Activities, Business-type Activities and on the Aggregate Remaining Fund Information – Proprietary Funds and an unmodified opinion on the Major Funds and Aggregate Remaining Fund Information not Affected by the Qualification.

Other Matters***Required Supplementary Information***

Accounting Principles generally accepted in the United States of America require that Management's Discussion and Analysis, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, other supplementary information, such as the combining and individual fund financial statements, and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory section, financial schedules and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Management's Discussion and Analysis (pages 15-24) and Budgetary Comparison Information (pages 64-67) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Schools*; and NJOMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 4, 2014, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Charter School's internal control over financial reporting and compliance.



Bridget Hartnett
Public School Accountant
License No. 20CS00243300



SOBEL & CO., LLC
Certified Public Accountants

Livingston, New Jersey
December 4, 2014

Required Supplementary Information Part I

CENTRAL JERSEY ARTS CHARTER SCHOOL

PLAINFIELD, NEW JERSEY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of Central Jersey Arts Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis ("MD&A") section is an element of required supplementary Information specified in GASB Statement 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2013-2014 are as follows:

- General revenues accounted for \$5,288,802 or 88% of all revenues. Program-specific revenues in the form of charges for services, operating grants and contributions accounted for \$730,281 or 12% of total revenues of \$6,019,083.
- The Charter School had \$6,373,492 in expenses; \$730,281 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,288,802 were not adequate to provide for these programs.
- Among governmental funds, the General Fund had \$5,288,802 in revenues and \$5,526,548 in expenditures. The General Fund's fund balance totaled \$68,550.

Key financial highlights for 2012-2013 are as follows:

- General revenues accounted for \$4,997,363 or 85% of all revenues. Program-specific revenues in the form of charges for services, operating grants, and contributions accounted for \$873,678 or 15% of total revenues of \$5,871,046.
- The Charter School had \$5,811,653 in expenses; \$873,678 of these expenses were offset by program-specific charges for services, grants or contributions. General revenues of \$4,997,363 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$5,419,682 in revenues and \$5,168,706 in expenditures. The General Fund's fund balance totaled \$306,296.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Central Jersey Arts Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position (Deficit) and statement of activities provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show the method in which services were financed in the short-term, as well as remaining for future spending. The fund financial statements also look at the Charter School's most significant funds with all other nonmajor funds presented in total in one column. In the case of Central Jersey Arts Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position (Deficit) and the Statement of Activities

While this document contains a large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013-2014?"

Both the Statement of Net Position (Deficit) and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Charter School's net position (deficit) and changes in those assets. This change in net position (deficit) is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Nonfinancial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Statement of Net Position (Deficit) and the Statement of Activities (Continued)

In the Statement of Net Position (Deficit) and the Statement of Activities, the Charter School is divided into two kinds of activities:

- Governmental activities - All of the Charter School's programs and services are reported here including instruction, administration, support services and capital outlay.
- Business-type activities - This service is provided on a charge-for-goods-or-services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund and the Aftercare program are reported as business activities.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and the Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on the method in which money flows in to and out of those funds and the balances left at yearend available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed, short-term view of the Charter School's general government operations and the basic services it provides. Governmental funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Position (Deficit) and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Enterprise Fund

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 40 of this report.

The Charter School as a Whole

Recall that the Statement of Net Position (Deficit) provides the perspective of the Charter School as a whole. Net position (deficit) may serve over time as a useful indicator of the governmental financial position.

The Charter School's financial position (deficit) is the product of several financial transactions including the net results of activities.

The Charter School's combined net deficit was \$(55,044) on June 30, 2014.

The Charter School's combined net position was \$299,365 on June 30, 2013.

Governmental Activities

The Charter School's total revenues generated from governmental activities were \$5,769,608 and \$5,836,268 for the years ended June 30, 2014 and June 30, 2013, respectively.

The total cost of all programs and services was \$6,036,206 and \$5,590,967 for 2014 and 2013, respectively. Instruction costs comprise 34% of Charter School expenses in 2014 while the instruction costs comprised 55% of Charter School expenses in 2013.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Business-type Activities

Revenues for the Charter School's business-type activities, Food Service and Aftercare program, were comprised of charges for services and federal and state reimbursements.

- Food service expenses exceeded revenue by \$77,741 for 2014.
- Charges for food services represent \$7,581 of revenue for 2014. This represents amounts paid by patrons for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfasts, were \$194,211 for 2014.
- Aftercare expenses exceeded revenue by \$10,070 for 2014.

Prior Year:

- Food service expenses exceeded revenue by \$139,176 for 2013.
- Charges for food services represent \$975 of revenue for 2013. This represents amounts paid by patrons for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfasts, were \$24,768 for 2013.
- Aftercare revenues exceeded expenses by \$46,737 for 2013.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital outlay represents instructional and noninstructional equipment purchases.

All governmental funds (i.e., general fund and special revenue fund, presented in the fund-based statements) are accounted for using the modified-accrual basis of accounting. Total revenues amounted to \$5,769,608 and expenditures were \$6,036,206 for 2014.

The Charter School's Funds

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management.

The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2014.

<u>REVENUE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Local Sources	\$ 1,032,746	17.9%
State Sources	4,250,054	73.7%
Federal Sources	<u>486,808</u>	<u>8.4%</u>
Total	<u>\$ 5,769,608</u>	<u>100%</u>

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2013.

<u>REVENUE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Local Sources	\$ 967,019	16.6%
State Sources	4,446,409	76.2%
Federal Sources	422,840	7.2%
Total	<u>\$ 5,836,268</u>	<u>100%</u>

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2014.

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Instruction	\$ 2,065,689	34.22%
Administration	535,992	8.88%
Support services	3,424,862	56.74%
Capital outlay	9,663	0.16%
Total	<u>\$ 6,036,206</u>	<u>100%</u>

**CENTRAL JERSEY ARTS CHARTER SCHOOL
PLAINFIELD, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

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

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Instruction	\$ 2,943,988	52.66%
Administration	660,761	11.82%
Support services	1,958,125	35.02%
Capital outlay	<u>28,093</u>	<u>0.50%</u>
Total	<u>\$ 5,590,967</u>	<u>100%</u>

General Fund Budgeting Highlights

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

Over the course of the year, the Charter School revised the annual operating budget in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line-item accounts.

For the Future

The Central Jersey Arts Charter School is in fair financial condition and is making progress toward being stable to very healthy in its financial condition. Improvement has already begun in many areas and the District plans to aggressively address all items found in the Auditor's Management Report.

As we work to strengthen our community ties, the Charter School will continue its mission of assuring educational excellence and character development for all students in grades kindergarten through 8, cultivating both learning and empathy by providing them with a stable, rigorous, unbroken continuum of classical academic instruction and formal character education, resulting in the highest levels of student achievement, ethical behavior, and cultural literacy, delivered within a productive, consistent, and supportive school environment.

In conclusion, Central Jersey Arts Charter School has committed itself to improving financial stability and educational excellence.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Robert A. Green, Jr., School Business Administrator, at Central Jersey Arts Charter School, 1225 South Plainfield, New Jersey 07062.

Basic Financial Statements

Section A – *Charter School-wide Financial Statements*

Both the statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between governmental and business-type activities of the Charter School.

CENTRAL JERSEY ARTS CHARTER SCHOOL
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents:			
Unrestricted	\$ 257,095	\$ -	\$ 257,095
Interfunds receivables	439,814	119,792	559,606
Receivables, net	115,676	43,772	159,448
Total Assets	<u>812,585</u>	<u>163,564</u>	<u>976,149</u>
LIABILITIES			
Interfund payable	297,585	250,599	548,184
Deferred revenue	5,000	-	5,000
Accounts payable	387,988	776	388,764
Payable to state government	53,462	-	53,462
Long-term liabilities, due beyond one year	35,783	-	35,783
Total Liabilities	<u>779,818</u>	<u>251,375</u>	<u>1,031,193</u>
NET ASSETS (DEFICIT):			
Unrestricted	32,767	(87,811)	(55,044)
Total Net Position (Deficit)	<u>\$ 32,767</u>	<u>\$ (87,811)</u>	<u>\$ (55,044)</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

A-2

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	\$ 2,065,689	\$ -	\$ 223,828	\$ (1,841,861)	\$ -	\$ (1,841,861)
Administration	535,992	-	-	(535,992)	-	(535,992)
Support services	3,424,862	-	256,978	(3,167,884)	-	(3,167,884)
Capital outlay	9,663	-	-	(9,663)	-	(9,663)
	<u>6,036,206</u>	<u>-</u>	<u>480,806</u>	<u>(5,555,400)</u>	<u>-</u>	<u>(5,555,400)</u>
Business-type Activities:						
Food service	279,533	7,581	194,211	-	(77,741)	(77,741)
Aftercare	57,753	47,683	-	-	(10,070)	(10,070)
Total Business-type Activities	<u>337,286</u>	<u>55,264</u>	<u>194,211</u>	<u>-</u>	<u>(87,811)</u>	<u>(87,811)</u>
Total Primary Governmental	<u>\$6,373,492</u>	<u>\$ 55,264</u>	<u>\$ 675,017</u>	<u>(5,555,400)</u>	<u>(87,811)</u>	<u>(5,643,211)</u>
General Revenues:						
Local Charter School Aid				935,116	-	935,116
Unrestricted federal and state aid				4,256,056	-	4,256,056
Miscellaneous				97,630	-	97,630
Total General Revenues and Transfers				<u>5,288,802</u>	<u>-</u>	<u>5,288,802</u>
Change in Net Position (Deficit)				(266,598)	(87,811)	(354,409)
Net Position - beginning				299,365	-	299,365
Net Position (Deficit) - ending				<u>\$ 32,767</u>	<u>\$ (87,811)</u>	<u>\$ (55,044)</u>

The accompanying notes are an integral part of these financial statements.

Section B – *Fund Financial Statements*

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by type.

Governmental Funds

CENTRAL JERSEY ARTS CHARTER SCHOOL
COMBINING BALANCE SHEET
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

B-1

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 257,095	\$ -	\$ 257,095
Interfunds receivables	235,281	204,533	439,814
Receivables from other governments	69,093	35,327	104,420
Other receivables	11,256	-	11,256
Total Assets	<u>\$ 572,725</u>	<u>\$ 239,860</u>	<u>\$ 812,585</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:

Interfund payable	\$ 98,052	\$ 199,533	\$ 297,585
Deferred revenue	-	5,000	5,000
Accounts payable	352,661	35,327	387,988
Payable to state government	53,462	-	53,462
Total Liabilities	<u>504,175</u>	<u>239,860</u>	<u>744,035</u>

FUND BALANCES:

Unassigned:			
General fund	68,550	-	68,550
Total Fund Balances	<u>68,550</u>	<u>-</u>	<u>68,550</u>

Total Liabilities and Fund Balances	<u>\$ 572,725</u>	<u>\$ 239,860</u>	<u>\$ 812,585</u>
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Amounts reported for *Governmental Activities* in the *Statement of Net Position (A-1)* are different because:

Total Fund Balances - Governmental Funds (above)	\$ 68,550
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the Funds.	(35,783)
Net Position of Governmental Activities	<u>\$ 32,767</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

B-2

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local tax levy	\$ 935,116	\$ -	\$ 935,116
Miscellaneous	97,630	-	97,630
Total Local Sources	1,032,746	-	1,032,746
State sources	4,250,054	-	4,250,054
Federal sources	6,002	480,806	486,808
 Total Revenues	 5,288,802	 480,806	 5,769,608
EXPENDITURES			
Instruction	1,841,861	223,828	2,065,689
Support services and undistributed costs			
Administrative services	535,992	-	535,992
Support services	2,225,403	256,978	2,482,381
Unallocated benefits	913,629	-	913,629
Capital outlay	9,663	-	9,663
Total Expenditures	5,526,548	480,806	6,007,354
NET CHANGE IN FUND BALANCES	(237,746)	-	(237,746)
Fund Balance - July 1	306,296	-	306,296
Fund Balance - June 30	\$ 68,550	\$ -	\$ 68,550

CENTRAL JERSEY ARTS CHARTER SCHOOL
RECONCILIATION OF 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

B-3

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (237,746)

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 are measured by amounts earned during the year and legal settlements. 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 amount paid exceeds the earned amount the difference is an addition to the reconciliation.

(28,852)

Change in Net (Deficit) of Governmental Activities

\$ (266,598)

Proprietary Funds

CENTRAL JERSEY ARTS CHARTER SCHOOL
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

B-4

	Business-type Activities - Enterprise Funds		
	Food Service	Aftercare Program	Totals
ASSETS			
CURRENT ASSETS:			
Interfund receivable	\$ 37,838	\$ 81,954	\$ 119,792
Intergovernmental accounts receivable:			
Federal	40,160	-	40,160
State	615	-	615
Other receivables	-	2,997	2,997
Total Current Assets	<u>78,613</u>	<u>84,951</u>	<u>163,564</u>
 Total Assets	 <u>78,613</u>	 <u>84,951</u>	 <u>163,564</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	-	776	776
Interfund payable	156,354	94,245	250,599
Total Current Liabilities	<u>156,354</u>	<u>95,021</u>	<u>251,375</u>
 Total Liabilities	 <u>156,354</u>	 <u>95,021</u>	 <u>251,375</u>
NET DEFICIT:			
Unrestricted	<u>(77,741)</u>	<u>(10,070)</u>	<u>(87,811)</u>
 Total Net Deficit	 <u>\$ (77,741)</u>	 <u>\$ (10,070)</u>	 <u>\$ (87,811)</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

B-5

	Business-type Activities - Enterprise Fund		
	Food Service	Aftercare Program	Total
Operating revenues:			
Charges for services	\$ 7,581	\$ 47,683	\$ 55,264
Total Operating Revenues	<u>7,581</u>	<u>47,683</u>	<u>55,264</u>
Operating expenses:			
Cost of sales	208,897	-	208,897
Salaries	65,367	57,753	123,120
Other purchased professional services	2,905	-	2,905
General supplies	2,364	-	2,364
Total Operating Expenses	<u>279,533</u>	<u>57,753</u>	<u>337,286</u>
Operating loss	<u>(271,952)</u>	<u>(10,070)</u>	<u>(282,022)</u>
Nonoperating revenues:			
State sources:			
State school breakfast/lunch program	3,041	-	3,041
Federal sources:			
National school breakfast/lunch program	186,940	-	186,940
Child and Adult Care Food Program	4,230	-	4,230
Total nonoperating revenues	<u>194,211</u>	<u>-</u>	<u>194,211</u>
Change in net assets	(77,741)	(10,070)	(87,811)
Total Net (Deficit) - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Total Net (Deficit) - ending	<u>\$ (77,741)</u>	<u>\$ (10,070)</u>	<u>\$ (87,811)</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

B-6

	Business-type Activities		
	Enterprise Funds		
	Food Service	Aftercare Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to employees	\$ (65,367)	\$ (57,753)	\$ (123,120)
Receipts from customers	7,581	44,686	52,267
Payments to suppliers	(113,047)	(28,717)	(141,764)
Net Cash Used for Operating Activities	<u>(170,833)</u>	<u>(41,784)</u>	<u>(212,617)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State sources	2,856	-	2,856
Federal sources	167,977	-	167,977
Net Cash Provided by Noncapital Financing Activities	<u>170,833</u>	<u>-</u>	<u>170,833</u>
Net Decrease in Cash and Cash Equivalents	-	(41,784)	(41,784)
Balances - beginning of year	-	41,784	41,784
Balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:			
Operating loss	\$ (271,952)	\$ (10,070)	\$ (282,022)
Change in assets and liabilities:			
Increase in other receivables	-	(2,997)	(2,997)
Decrease in accounts payable	(12,536)	776	(11,760)
Increase in interfund payables	113,655	(29,493)	84,162
Net Cash Used for Operating Activities	<u>\$ (170,833)</u>	<u>\$ (41,784)</u>	<u>\$ (212,617)</u>

Fiduciary Funds

Notes to Basic Financial Statements

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - REPORTING ENTITY:

Central Jersey Arts Charter School (“Charter School”) and the Board of Trustees (“Board”) are an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. An Administrative Principal is appointed by the Board and is responsible for the administrative control of the Charter School.

The primary criteria for including activities within the Charter School's reporting entity is set forth in Section 2100 of the GASB Codification of Government Statement 14 entitled "The Financial Reporting Entity". GASB Statement 14 is codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Charter School include a kindergarten-through grade-8 school located in the township of Plainfield.

There are 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Presentation:

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

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Charter School-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 overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements:

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities into 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 its 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 Statement 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 models.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Charter School reports the following *governmental* funds:

General Fund: The general fund is the general operating fund of the Charter 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 equipment and movable instructional or noninstructional equipment, which are classified in the capital outlay subfund.

As required by the NJDOE, the 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 New Jersey state aid and appropriated fund balance. Expenditures are those that result in the acquisition of, or additions to fixed assets for land, existing buildings, improvement 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 School Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from state and federal government (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

Proprietary Fund Types:

These funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Charter School reports the following *proprietary* funds:

Enterprise Fund: The Enterprise Fund accounts for all revenues and expenses pertaining to the Charter School's Food Service operations, as well as the Aftercare Program. This fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis is financed or recovered primarily through user charges.

Fiduciary Funds: These funds are used to account for assets held by the Charter School on behalf of others.

The Charter School reports the following *fiduciary* funds:

Agency Funds: The agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments, or on behalf of other funds within the Charter School. The agency funds included are as follows:

Payroll and Student Activities Funds: These are agency funds used to account for the assets that the Charter School, acting as agent, holds on behalf of others. Agency funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting – Measurement Focus:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School-wide, Proprietary, and Fiduciary Funds Financial Statements:

The Charter School-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Fund and the fiduciary funds. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an accounts receivable. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The Charter School considers all revenue reported in the Governmental Funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the Charter School's policy that when an expenditure is incurred for purposes for only which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance could be used.

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resource to such programs, followed by general revenue.

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. They are submitted to the county office. 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 defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C. 6:20-2A.2(m)1*. All budget amendments and transfers must be approved by School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which has been adjusted for legally authorized revisions of the annual budget during the year).

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgets/Budgetary Control: (Continued)

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. 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 U.S. GAAP with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the U.S. GAAP basis of accounting:

Total Revenues and Expenditures (Budgetary Basis)	\$ 391,987
Adjustments:	
Less encumbrances at June 30, 2014	-
Plus encumbrances at June 30, 2013	-
Total Revenues and Expenditure (U.S. GAAP Basis)	<u>\$ 391,987</u>

Encumbrance Accounting:

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as restricted, committed and/or assigned of fund balances 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 the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred 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.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalent and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey Charter Schools are limited as to the type of investments and types of financial institutions they may invest in. *N.J.S.A* 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Charter Schools. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of Governmental Unit Deposit Protection Act (GUPDA). GUPDA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, bank (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percentage 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.

Interfund Transactions:

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after nonoperating revenue/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Position, except for amounts due between Governmental and Business-type activities, which are presented as internal balances.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible. The allowance is based on historical experience and management evaluation of outstanding receivables at the end of each year.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Inventories and Prepaid Expenses:

Inventories and prepaid expenses which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as expenditures in the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) methods. Prepaid expenses in the Enterprise Funds represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

Short term Interfund Receivables/Payables:

Short term 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.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets, however, balances were not recorded. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by charter schools in the state of New Jersey is \$2,000. All reported capital assets except for land and construction-in-progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
School Buildings	50 years
Furniture and equipment	10 to 15 years
Computer and related technology	5 years
Vehicles	8 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Long-Term Liabilities:

In the Charter School-wide and Enterprise Funds Statements of Net Position (Deficit), long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental activities, Business-type activities or Enterprise Funds.

Accrued Salaries and Wages:

The Charter School does not allow employees, who provide services to the Charter School over the ten-month academic year, the option to have their salaries evenly disbursed during the entire twelve-month year. Therefore, there are no accrued salaries and wages for this purpose at June 30, 2014.

Compensated Absences:

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

Employees are granted varying amounts of vacation and personal leave in accordance with the Charter School's policies and employee contracts. Upon separation, certain employees are paid for accrued vacation. Employees can also accumulate unused personal days which will be paid, within certain limits, upon the employee's retirement or separation pursuant to the Charter School's policy or employee contracts.

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

Net Position (Deficit):

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

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Position (Deficit): (Continued)

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

Net position (deficit) is displayed in three components – net investment in capital assets, restricted and unrestricted.

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

The restricted component of net position (deficit) consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

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

Fund Balance Reserves:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts assigned in the fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned. The Charter School has not established any fund balance restrictions as of June 30, 2014.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Balance Reserves: (Continued)

The Charter School Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by the majority of the Members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the Member of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2014.

The assignment of resources is generally made by the Charter School Board of Trustees through a motion or a resolution passed by a majority of the Members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restricted as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources in the General Fund at June 30, 2014.

Revenues – Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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, the term available means within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measureable and available at fiscal year-end: property taxes, interest and tuition.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the Charter School, these revenues are sales in the Enterprise Fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Charter School follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Charter School's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Charter School's policy is to recognize interest and penalties on unrecorded tax benefits in income tax expense. No interest and penalties were recorded during the year ended June 30, 2014. Since this is the third year the Charter School was required to file federal and state tax returns, the tax years subject to audit by federal and state jurisdictions are 2012 and forward. At June 30, 2014, there are no significant income tax uncertainties that are expected to have a material impact on the Charter School's financial statements.

Subsequent Events:

The Charter School has evaluated its subsequent events and transactions occurring after June 30, 2014 through December 4, 2014, the date that the financial statements were available to be issued.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - CONTINUING OPERATIONS:

The Charter School has generated a decrease in net position of \$546,825 for the year ended June 30, 2014, due to a significant increase in expenses in the General Fund. In October 2012, the Charter School engaged Renaissance School Services (“RSS”), one of the country’s leading turnaround school operators, to manage the Charter School. RSS has been restructuring both the academic and non-academic operations of the Charter School and has made significant changes to the Charter School’s Board of Trustees and management. RSS is currently monitoring the efficiencies and evaluating various options to increase cash flow. However, there can be no assurance that the Charter School will be able to generate sufficient cash flow to achieve or sustain operations in the future. The ability of the Charter School to continue operations depends on the success of management’s efforts and the continued support and renewal of their charter by the New Jersey Department of Education.

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS:

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

Investments are stated at cost, which approximates market. The Charter School classified certificates of deposit which have original maturity dates of more than three months, but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Charter School ensures that any deposit or investment mature within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Charter School limits its investments to those authorized in its cash management plan, which are those permitted under state statute as detailed further down.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits:

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Governmental money market mutual funds.
- c. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- d. Bonds or other obligations, having a maturity not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units.
- e. Local government investment pools.
- f. Deposits with the State of new Jersey Cash Management Fund, or

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments: (continued)

- g. Agreements for repurchase of fully collateralized securities if:
1. the underlying securities are permitted investments pursuant to paragraphs (a) and (c) above;
 2. the custody of collateral is transferred to a third party;
 3. the maturity of the agreement is not more than 30 days;
 4. the underlying securities are deposited through a public deposits as defined in statute; and
 5. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2014, cash and cash equivalents and investments of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	\$ 64,679	\$ -	\$ -	\$ 26,694	\$ 91,373

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB Statement 31, participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2014, was \$91,373 and the bank balance was \$807,833. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category:

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

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

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

Category 3 — Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

As of June 30, 2014, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions as defined by GASB Statement 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund:

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

As of June 30, 2014, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 5 - OPERATING LEASE:

The Charter School entered into a five (5) year lease commencing May 20, 2010 and ending May 19, 2015 to lease classroom and office space at 1225 South Avenue, Plainfield, New Jersey. Lease payments commenced on July 1, 2011 in the amount of \$64,417 per month, and the Charter School negotiated annual increases beginning on January 1, 2012 at a rate equal to the lessor of 3% or the year over year change in the U.S. Department of Labor Consumer Price Index. Total lease payments made during the year ended June 30, 2014 amounted to \$815,489.

Future minimum lease payments are as follows:

Year ending June 30,	Amount
2015	<u>\$ 784,847</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 - LONG TERM LIABILITIES:

During the fiscal year ended June 30, 2014, the following changes occurred in liabilities reported in the Charter School-wide financial statements:

	Balance June 30, 2013	Accrued	Retired	Balance June 30, 2014
Compensated				
Absences Payable	\$ 6,931	\$ -	\$ 1,148	\$ 5,783
Accounts Payable	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total Long Term Liabilities	<u>\$ 6,931</u>	<u>\$ 30,000</u>	<u>\$ 1,148</u>	<u>\$ 35,783</u>

The Charter School's compensated absences payable of its Governmental activities will be liquidated through the General Fund. There is no current portion payable; therefore, the entire balance of \$5,783 as of June 30, 2014 is included in the long-term portion of long-term liabilities. The Charter School has no accrued compensated absences payable in its Proprietary Funds.

The Charter School also \$30,000 of expenses payable in subsequent years.

NOTE 7 - DEFERRED COMPENSATION:

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which administered by Equitable Financial Companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, detail or unforeseeable emergency.

NOTE 8 - ECONOMIC DEPENDENCY:

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

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - PENSION PLANS:

Description of Plans:

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

Teachers' Pension and Annuity Fund ("TPAF"):

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement, death, disability and medical benefits to certain qualified members. The TPAF is considered a cost-sharing, multiemployer plan with a special funding situation, as under current statute, all employer contributions are made by the state of New Jersey on behalf of the Charter School and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System ("PERS"):

The Public Employees' Retirement System was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. PERS is a cost-sharing, multiemployer plan. Membership is mandatory for substantially all full-time employees of the state of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions:

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the system.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - PENSION PLANS: (Continued)

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

Significant Legislation:

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market-related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the charter schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements:

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the Charter School is a noncontributing employer of TPAF.

Three-year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/14	None	100%	None

Three-year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/14	None	100%	None

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 - POST RETIREMENT BENEFITS:

Chapter 384 of *Public Laws 1987* and Chapter 6 of *Public Laws 1990* required TPAF and PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or who are on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the state contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer-paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education of a county college with 25 years of services. The state paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

NOTE 11 - RISK MANAGEMENT:

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

Property and Liability Insurance:

The Charter School maintains commercial insurance coverage for property, liability, student accidents, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance:

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the benefit reimbursement method. Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the state. The Charter School is billed quarterly for amounts due to the state.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES:

The following interfund balances remained on the balance sheet at June 30, 2014:

Fund	Interfund Receivable	Interfund Payable
General fund	\$ 153,253	\$ -
Special revenue fund	5,000	-
Food service fund	-	118,517
Aftercare program fund	-	12,291
Student activities fund	-	11,410
Payroll agency fund	-	16,035
	\$ 158,253	\$ 158,253

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Routine Litigation Matters:

The Charter School is involved with certain claims, including equal opportunity employment issues, and other routine litigation matters in the normal course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Charter School's financial position or results of operations.

Grant Programs:

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School is potentially liability for expenditures, which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Encumbrances:

At June 30, 2014, the Charter School had no encumbrances payable.

Required Supplementary Information Part II

Section C - Budgetary Comparison Schedule

CENTRAL JERSEY ARTS CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

C-1

	<u>Original Budget</u>	<u>New Appropriations/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Equalization aid - Local share	\$ 876,012	\$ 69,155	\$ 945,167	\$ 935,116	\$ (10,051)
Contributions	3,566	-	3,566	-	(3,566)
Miscellaneous	2,229	(10,274)	(8,045)	97,630	105,675
Total Local Sources	<u>881,807</u>	<u>58,881</u>	<u>940,688</u>	<u>1,032,746</u>	<u>92,058</u>
State Sources:					
Equalization aid - State share	3,831,373	59,840	3,891,213	3,866,537	(24,676)
Special education categorical aid	116,728	(28,058)	88,670	85,883	(2,787)
Security aid	145,292	960	146,252	144,020	(2,232)
Non-budgeted:					
On-behalf TFAF Contributions	-	-	-	153,614	153,614
Total State Sources	<u>4,093,393</u>	<u>32,742</u>	<u>4,126,135</u>	<u>4,250,054</u>	<u>123,919</u>
Federal Sources:					
Special Education Medicaid Reimbursement (SEMI)	8,105	-	8,105	6,002	(2,103)
Total Federal Sources	<u>8,105</u>	<u>-</u>	<u>8,105</u>	<u>6,002</u>	<u>(2,103)</u>
Total Revenues	<u>4,983,305</u>	<u>91,623</u>	<u>5,074,928</u>	<u>5,288,802</u>	<u>213,874</u>
EXPENDITURES:					
Instruction:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	144,139	1,688	145,827	146,515	(688)
Grades 1 to 5 - Salaries of Teachers	681,973	24,726	706,699	714,426	(7,727)
Grades 6 to 8 - Salaries of Teachers	248,450	51,030	299,480	343,073	(43,593)
Regular Programs - Undistributed Instruction:					
Substitute services	37,000	(17,800)	19,200	11,550	7,650
Other salaries for instruction	112,482	76,037	188,519	233,953	(45,434)
Educational supplies	27,594	(21,416)	6,178	2,188	3,990
Textbooks	71,141	(63,630)	7,511	-	7,511
Miscellaneous	5,000	382	5,382	14,289	(8,907)
Total Regular Programs - Instruction	<u>1,327,779</u>	<u>51,017</u>	<u>1,378,796</u>	<u>1,465,994</u>	<u>(87,198)</u>
School-Sponsored Cocurricular Activities - Instruction					
Salaries	444,182	(71,075)	373,107	375,667	(2,560)
Purchased services	8,000	(7,900)	100	200	(100)
Total school-sponsored cocurricular activities - instructio	<u>452,182</u>	<u>(78,975)</u>	<u>373,207</u>	<u>375,867</u>	<u>(2,660)</u>
Total Instruction	<u>1,779,961</u>	<u>(27,958)</u>	<u>1,752,003</u>	<u>1,841,861</u>	<u>(89,858)</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

C-1

	<u>Original Budget</u>	<u>New Appropriations/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
Support Services and Undistributed Costs:					
Administrative Services:					
Health Services:					
Salaries	186,105	(59,210)	126,895	131,521	(4,626)
Purchased professional and technical services	9,500	(5,215)	4,285	3,054	1,231
Health supplies	2,000	1,295	3,295	3,295	-
Total Health Services	<u>197,605</u>	<u>(63,130)</u>	<u>134,475</u>	<u>137,870</u>	<u>(3,395)</u>
Other Support Services - Child Study Team:					
Salaries of other professional staff	205,632	(6,194)	199,438	199,400	38
Purchased professional - educational	13,077	(12,083)	994	11,438	(10,444)
Supplies	15,000	(14,563)	437	1,670	(1,233)
Total Other Support Services - Child Study Team	<u>233,709</u>	<u>(32,840)</u>	<u>200,869</u>	<u>212,508</u>	<u>(11,639)</u>
Educational Training Services:					
Training	-	257	257	257	-
Total Educational Training Services	<u>-</u>	<u>257</u>	<u>257</u>	<u>257</u>	<u>-</u>
General Administration:					
Purchased professional services - administrative	20,000	27,255	47,255	47,153	102
Legal services	25,000	17,545	42,545	41,963	582
Audit fees	30,000	-	30,000	30,000	-
Communications/telephone	15,197	(1,209)	13,988	15,199	(1,211)
BOE other purchased services	4,000	(3,952)	48	48	-
General supplies	25,000	1,099	26,099	8,561	17,538
Miscellaneous expenses	1,000	52,965	53,965	33,004	20,961
BOE membership dues and fees	13,000	(792)	12,208	9,429	2,779
Total General Administration	<u>133,197</u>	<u>92,911</u>	<u>226,108</u>	<u>185,357</u>	<u>40,751</u>
Total Administrative Services	<u>564,511</u>	<u>(2,802)</u>	<u>561,709</u>	<u>535,992</u>	<u>25,717</u>
Support Services:					
School Administration:					
Salaries of principals/assistant principals	123,500	(123,500)	-	-	-
Salaries of other professional staff	15,150	34,088	49,238	48,606	632
Salaries of secretarial and clerical assistants	107,800	24,700	132,500	133,887	(1,387)
Total School Administration	<u>246,450</u>	<u>(64,712)</u>	<u>181,738</u>	<u>182,493</u>	<u>(755)</u>
Central Services:					
Salaries	143,750	30,902	174,652	179,234	(4,582)
Purchased professional services	686,162	12,787	698,949	624,288	74,661
Total Central Services	<u>829,912</u>	<u>43,689</u>	<u>873,601</u>	<u>803,522</u>	<u>70,079</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

C-1

	<u>Original Budget</u>	<u>New Appropriations/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
Support Services and Undistributed Costs: (continued)					
Support Services: (continued)					
Administrative Information Technology:					
Purchased technical services	40,418	6,490	46,908	51,186	(4,278)
General supplies	61,500	(52,348)	9,152	15,239	(6,087)
Total Administrative Information Technology	<u>101,918</u>	<u>(45,858)</u>	<u>56,060</u>	<u>66,425</u>	<u>(10,365)</u>
Custodial Services:					
Cleaning, repair and maintenance services	98,000	106,618	204,618	220,288	(15,670)
Rental of land and building	825,104	(13,943)	811,161	807,644	3,517
Insurance	40,000	(4,678)	35,322	35,322	-
General supplies	10,000	(8,642)	1,358	1,358	-
Utilities	85,000	17,889	102,889	106,883	(3,994)
Non-instructional equipment	-	1,468	1,468	1,468	-
Total Custodial Services:	<u>1,058,104</u>	<u>98,712</u>	<u>1,156,816</u>	<u>1,172,963</u>	<u>(16,147)</u>
Total Support Services	<u>2,236,384</u>	<u>31,831</u>	<u>2,268,215</u>	<u>2,225,403</u>	<u>42,812</u>
Unallocated benefits:					
Unallocated benefits					
Social security contributions	31,522	2,700	34,222	48,602	(14,380)
Other retirement contribution - PERS	56,000	9,347	65,347	65,347	-
Unemployment compensation	11,399	852	12,251	152,447	(140,196)
Workmen's compensation	20,867	10,429	31,296	31,291	5
Health benefits	460,925	(32,029)	428,896	457,661	(28,765)
Other fringe benefits	-	300	300	4,667	(4,367)
Total unallocated benefits	<u>580,713</u>	<u>(8,401)</u>	<u>572,312</u>	<u>760,015</u>	<u>(187,703)</u>
Unbudgeted benefits:					
Reimbursed T.P.A.F. social security contributions	-	-	-	153,614	(153,614)
Total unbudgeted benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,614</u>	<u>(153,614)</u>
Total unallocated benefits	<u>580,713</u>	<u>(8,401)</u>	<u>572,312</u>	<u>913,629</u>	<u>(341,317)</u>
Capital Outlay:					
Non-instructional equipment	-	-	-	9,663	(9,663)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,663</u>	<u>(9,663)</u>
Total Expenditures	<u>5,161,569</u>	<u>(7,330)</u>	<u>5,154,239</u>	<u>5,526,548</u>	<u>(372,309)</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(178,264)</u>	<u>98,953</u>	<u>(79,311)</u>	<u>(237,746)</u>	<u>(158,435)</u>
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(178,264)</u>	<u>98,953</u>	<u>(79,311)</u>	<u>(237,746)</u>	<u>(158,435)</u>
	<u>(178,264)</u>	<u>98,953</u>	<u>(79,311)</u>	<u>(237,746)</u>	<u>(158,435)</u>
FUND BALANCE JULY 1	<u>232,817</u>	<u>-</u>	<u>232,817</u>	<u>306,296</u>	<u>73,479</u>
FUND BALANCE JUNE 30	<u>\$ 54,553</u>	<u>\$ 98,953</u>	<u>\$ 153,506</u>	<u>\$ 68,550</u>	<u>\$ (84,956)</u>
Recapitulation of excess (deficiency) of revenues over (under) Expenditures Budgeted Fund Balance	<u>\$ 54,553</u>	<u>\$ 98,953</u>	<u>\$ 153,506</u>	<u>\$ 68,550</u>	<u>\$ (84,956)</u>
Total	<u>\$ 54,553</u>	<u>\$ 98,953</u>	<u>\$ 153,506</u>	<u>\$ 68,550</u>	<u>\$ (84,956)</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

C-2

	Original Budget	New Appropriations/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Federal	\$ 342,345	\$ 219,804	\$ 562,149	\$ 480,806	\$ 81,343
Total - Federal Sources	342,345	219,804	562,149	480,806	81,343
Total Revenues	342,345	219,804	562,149	480,806	81,343
EXPENDITURES:					
Instruction:					
Salaries of teachers	102,578	15,916	118,494	71,174	47,320
Purchased professional - educational services	-	150	150	150	-
Other purchased services	-	5,478	5,478	5,478	-
General supplies	27,359	90,816	118,175	147,026	(28,851)
Total Instruction	129,937	112,360	242,297	223,828	18,469
Support Services:					
Salaries of other professional staff	45,450	(38,719)	6,731	8,501	(1,770)
Personal services - employee benefits	34,047	(10,454)	23,593	19,116	4,477
Purchased professional and technical services	132,911	134,335	267,246	224,554	42,692
Other purchased services	-	6,881	6,881	1,203	5,678
Supplies and materials	-	14,461	14,461	2,664	11,797
Other objects	-	940	940	940	-
Total Support Services	212,408	107,444	319,852	256,978	62,874
Capital Outlay:					
Instructional equipment	-	-	-	-	-
Total Capital Outlay	-	-	-	-	-
Total Expenditures	342,345	219,804	562,149	480,806	81,343
Excess (Deficiency) of Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Notes to Required Supplementary Schedule

**CENTRAL JERSEY ARTS CHARTER SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET TO U.S. GAAP RECONCILIATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

C-3

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "total revenue" from the budgetary comparison schedule	[C-1] \$ 5,288,802	[C-2] \$ 480,806
Difference - budget to U.S. GAAP:		
Grant accounting budgetary basis differs from U.S. GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
State aid payment(s) recognized for budgetary purposes, not recognized for U.S. GAAP statements	-	-
	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>\$ 5,288,802</u>	[B-2] <u>\$ 480,806</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	[C-1] \$ 5,526,548	[C-2] \$ 480,806
Differences - budget to U.S. GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources, but are not expenditures for financial reporting purposes.		
Net transfers (outflows) to general fund	-	-
	<u>-</u>	<u>-</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2] <u>\$ 5,526,548</u>	[B-2] <u>\$ 480,806</u>

Other Supplementary Information

Section E - Special Revenue Fund

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

CENTRAL JERSEY ARTS CHARTER SCHOOL

E-1

SPECIAL REVENUE FUND**BUDGETARY BASIS****COMBINING SCHEDULE OF REVENUES AND EXPENDITURES****FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	NCLB			Grand
	Title I	Title II	IDEA	Total
	Part A	Part A	Part B	
REVENUES:				
Federal sources	\$ 382,094	\$ 1,582	\$ 97,130	\$ 480,806
Total Revenues	382,094	1,582	97,130	480,806
EXPENDITURES:				
Instruction:				
Salaries of teachers	71,175	-	-	71,175
General supplies	102,305	-	-	102,305
Total Instruction	173,480	-	-	173,480
Support Services:				
Employee benefits	19,116	-	-	19,116
Purchased services	189,498	1,582	97,130	288,210
Total support services	208,614	1,582	97,130	307,326
Total Expenditures	382,094	1,582	97,130	480,806
Total Outflows	382,094	1,582	97,130	480,806
Excess (Deficiency) of Revenues Under Uses	\$ -	\$ -	\$ -	\$ -

Section F - Capital Projects Fund

Section G - Proprietary Fund

Proprietary 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's Board is that the costs of providing goods or services be financed through user charges.

Food Services Fund - This fund provides for the operation of food service in the Charter School.

Aftercare Fund - This fund provides the operation of the after-school program in the Charter School.

This section has already been included in schedules B-4, B-5, and B-6.

Section H - Fiduciary Fund

Fiduciary funds are used to account for funds received by the Charter School for a specific purpose.

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

Payroll Agency Fund - This agency fund is used to account for payroll deductions and withholdings of the Charter School.

CENTRAL JERSEY ARTS CHARTER SCHOOL
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

H-1

	<u>Agency Fund</u>		<u>Total Agency Fund</u>
	<u>Payroll Agency</u>	<u>Student Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 16,035	\$ 10,659	\$ 26,694
Due from student groups	-	751	751
Total Assets	<u>\$ 16,035</u>	<u>\$ 11,410</u>	<u>\$ 27,445</u>
LIABILITIES			
Interfund payables	\$ 16,035	\$ 11,410	\$ 27,445
Total Liabilities	<u>\$ 16,035</u>	<u>\$ 11,410</u>	<u>\$ 27,445</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITIES AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

H-3

	<u>Balance</u> <u>July 1, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS				
Cash and cash equivalents	\$ 13,712	\$ 17,395	\$ 20,448	\$ 10,659
Interfund receivables	420	-	420	-
Due from student groups	-	751	-	751
Total Assets	<u>\$ 14,132</u>	<u>\$ 18,146</u>	<u>\$ 20,868</u>	<u>\$ 11,410</u>
LIABILITIES				
Interfund payable - general	\$ 3,775	\$ 7,848	\$ 453	\$ 11,170
Interfund payable - food service	-	240	-	240
Due to student groups	10,357	10,058	20,415	-
Total Liabilities	<u>\$ 14,132</u>	<u>\$ 18,146</u>	<u>\$ 20,868</u>	<u>\$ 11,410</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

H-4

	<u>Balance</u> <u>July 1, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS				
Cash and cash equivalents	\$ 61,931	\$ 3,156,150	\$ 3,202,046	\$ 16,035
Total Assets	<u>\$ 61,931</u>	<u>\$ 3,156,150</u>	<u>\$ 3,202,046</u>	<u>\$ 16,035</u>
LIABILITIES				
Payroll deductions and withholdings	\$ 35,335	\$ 3,156,150	\$ 3,191,485	\$ -
Interfund payables	26,596	-	10,561	16,035
Total Liabilities	<u>\$ 61,931</u>	<u>\$ 3,156,150</u>	<u>\$ 3,202,046</u>	<u>\$ 16,035</u>

Statistical Section (Unaudited)

Central Jersey Arts Charter School has been in operation for eight years. GASB requires ten years of statistical data be presented. Therefore, only statistical data for eight years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.

Introduction to Statistical Section

Contents

Financial Trends

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

Revenue Capacity (Not Applicable to Charter School)

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

Debt Capacity (Not Applicable)

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

Demographic and Economic Information (Not Applicable)

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Charter School implemented GASB Statement 34 in the fiscal year ending June 30, 2007; schedules presenting Charter School-wide information include information beginning in that year.*

Financial Trends

CENTRAL JERSEY ARTS CHARTER SCHOOL
NET POSITION BY COMPONENT (Unaudited)

J-1

	Fiscal Year Ended June 30,							
	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:								
Unrestricted	\$ 32,767	\$ 299,365	\$ 239,977	\$ (253,210)	\$ 664,510	\$ 353,253	\$ 307,166	\$ 357,286
Total Governmental Activities Net Assets	<u>\$ 32,767</u>	<u>\$ 299,365</u>	<u>\$ 239,977</u>	<u>\$ (253,210)</u>	<u>\$ 664,510</u>	<u>\$ 353,253</u>	<u>\$ 307,166</u>	<u>\$ 357,286</u>
Business-type Activities:								
Unrestricted	\$ (87,811)	\$ -	\$ -	\$ (6,793)	\$ (174,184)	\$ (45,758)	\$ (2,214)	\$ 1,433
Total Business-type Activities Net Deficit	<u>\$ (87,811)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,793)</u>	<u>\$ (174,184)</u>	<u>\$ (45,758)</u>	<u>\$ (2,214)</u>	<u>\$ 1,433</u>
Charter School-wide:								
Unrestricted	\$ (55,044)	\$ 299,365	\$ 239,977	\$ (260,003)	\$ 490,326	\$ 307,495	\$ 304,952	\$ 358,719
Total Charter School-wide Net Assets	<u>\$ (55,044)</u>	<u>\$ 299,365</u>	<u>\$ 239,977</u>	<u>\$ (260,003)</u>	<u>\$ 490,326</u>	<u>\$ 307,495</u>	<u>\$ 304,952</u>	<u>\$ 358,719</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL
CHANGES IN NET POSITION (Unaudited)

J-2

	Fiscal Year Ended June 30,							
	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:								
Governmental Activities:								
Instruction	\$ 2,065,689	\$ 3,054,914	\$ 2,797,733	\$ 2,558,497	\$ 2,130,047	\$ 2,020,542	\$ 1,595,661	\$ 1,368,546
Administration	535,992	677,736	868,787	1,038,697	751,173	687,067	382,787	247,212
Support services	3,424,862	1,830,224	1,656,224	1,973,497	1,319,711	1,153,796	1,081,597	865,613
Capital outlay	9,663	28,093	-	120,801	10,927	19,865	-	-
Total Governmental Activities Expenses	<u>6,036,206</u>	<u>5,590,967</u>	<u>5,322,744</u>	<u>5,691,492</u>	<u>4,211,858</u>	<u>3,881,270</u>	<u>3,060,045</u>	<u>2,481,371</u>
Business-type Activities:								
Food service	279,533	164,949	248,979	233,255	231,266	180,644	161,038	100,925
Aftercare	57,753	55,767	15,384	17,050	-	-	-	-
Total Business-type Activities Expense	<u>337,286</u>	<u>220,716</u>	<u>264,363</u>	<u>250,305</u>	<u>231,266</u>	<u>180,644</u>	<u>161,038</u>	<u>100,925</u>
Total Charter School Expenses	<u>\$ 6,373,492</u>	<u>\$ 5,811,683</u>	<u>\$ 5,587,107</u>	<u>\$ 5,941,797</u>	<u>\$ 4,443,124</u>	<u>\$ 4,061,914</u>	<u>\$ 3,221,083</u>	<u>\$ 2,582,296</u>
Program Revenues:								
Governmental Activities:								
Operating grants and contributions	\$ 480,806	\$ 838,905	\$ 756,255	\$ 610,095	\$ -	\$ -	\$ 49,431	\$ 34,375
Total Governmental Activities Program Revenues	<u>480,806</u>	<u>838,905</u>	<u>756,255</u>	<u>610,095</u>	<u>-</u>	<u>-</u>	<u>49,431</u>	<u>34,375</u>
Business-type Activities:								
Charges for services:								
Food service	7,581	975	6,892	7,335	10,364	40,184	68,501	42,681
Aftercare	47,683	9,030	18,919	20,090	-	-	-	-
Operating grants and contributions	194,211	24,768	78,411	96,737	92,476	96,916	58,890	58,903
Total Business-type Activities Program Revenues	<u>249,475</u>	<u>34,773</u>	<u>104,222</u>	<u>124,162</u>	<u>102,840</u>	<u>137,100</u>	<u>127,391</u>	<u>101,584</u>
Total Charter School Program Revenue	<u>\$ 730,281</u>	<u>\$ 873,678</u>	<u>\$ 860,477</u>	<u>\$ 734,257</u>	<u>\$ 102,840</u>	<u>\$ 137,100</u>	<u>\$ 176,822</u>	<u>\$ 135,959</u>
Net (Expense):								
Governmental activities	\$ (5,555,400)	\$ (4,752,062)	\$ (4,566,489)	\$ (5,081,397)	\$ (4,211,858)	\$ (3,881,270)	\$ (3,010,614)	\$ (2,446,996)
Business-type activities	(87,811)	(185,913)	(160,141)	(126,143)	(128,426)	(43,544)	(33,647)	659
Total District-wide Net Expense	<u>\$ (5,643,211)</u>	<u>\$ (4,937,975)</u>	<u>\$ (4,726,630)</u>	<u>\$ (5,207,540)</u>	<u>\$ (4,340,284)</u>	<u>\$ (3,924,814)</u>	<u>\$ (3,044,261)</u>	<u>\$ (2,446,337)</u>
General Revenues and Other Changes in Net Position:								
Governmental Activities:								
Charter school aid - local share	\$ 935,116	\$ 900,781	\$ 948,988	\$ 856,180	\$ 764,227	\$ 608,984	\$ 710,601	\$ 417,241
Unrestricted federal and state aid	4,256,056	4,030,344	4,148,734	3,635,641	3,729,759	3,318,143	2,236,941	2,366,543
Miscellaneous income	97,630	66,238	128,888	15,390	-	230	12,952	20,498
Transfers	-	(185,913)	(166,934)	(293,534)	-	-	-	-
Total Governmental Activities	<u>5,288,802</u>	<u>4,811,450</u>	<u>5,059,676</u>	<u>4,213,677</u>	<u>4,493,986</u>	<u>3,927,357</u>	<u>2,960,494</u>	<u>2,804,282</u>
Business-type Activities:								
Transfers	-	185,913	166,934	293,534	-	-	30,000	774
Total Business-type activities	<u>-</u>	<u>185,913</u>	<u>166,934</u>	<u>293,534</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>774</u>
Total Charter School-wide General Revenues and Other changes in Net Position	<u>5,288,802</u>	<u>4,997,363</u>	<u>5,226,610</u>	<u>4,507,211</u>	<u>4,493,986</u>	<u>3,927,357</u>	<u>2,990,494</u>	<u>2,805,056</u>
Change in Net Position (Deficit):								
Governmental activities	\$ (266,598)	\$ 59,388	\$ 493,187	\$ (867,720)	\$ 282,128	\$ 46,087	\$ (50,120)	\$ 357,286
Business-type activities	(87,811)	-	6,793	167,391	(128,426)	(43,544)	(3,647)	1,433
Total District	<u>\$ (354,409)</u>	<u>\$ 59,388</u>	<u>\$ 499,980</u>	<u>\$ (700,329)</u>	<u>\$ 153,702</u>	<u>\$ 2,543</u>	<u>\$ (53,767)</u>	<u>\$ 358,719</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL JERSEY ARTS CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS (Unaudited)

J-3

	Fiscal Year Ended June 30,							
	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:								
Reserved	\$ -	\$ -	\$ 10,927	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	32,767	306,296	230,306	(253,210)	664,510	432,282	307,166	357,286
Total General Fund	<u>\$ 32,767</u>	<u>\$ 306,296</u>	<u>\$ 241,233</u>	<u>\$ (253,210)</u>	<u>\$ 664,510</u>	<u>\$ 432,282</u>	<u>\$ 307,166</u>	<u>\$ 357,286</u>

Source: Charter School's Records

CENTRAL JERSEY ARTS CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (Unaudited)

J-4

	Fiscal Year Ended June 30,							
	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:								
Local sources	\$ 1,032,746	\$ 967,019	\$ 1,077,876	\$ 871,570	\$ 770,992	\$ 609,871	\$ 723,553	\$ 437,739
State sources	4,250,054	4,446,409	4,514,355	3,964,994	3,615,389	3,070,369	2,134,241	2,378,188
Federal sources	486,808	422,840	390,634	280,742	107,605	247,117	152,131	22,730
Total Revenues	<u>5,769,608</u>	<u>5,836,268</u>	<u>5,982,865</u>	<u>5,117,306</u>	<u>4,493,986</u>	<u>3,927,357</u>	<u>3,009,925</u>	<u>2,838,657</u>
Expenditures:								
Instruction	2,065,689	2,172,731	1,948,305	1,897,978	1,691,108	1,665,201	1,352,128	1,189,105
Administration	535,992	586,673	754,632	1,907,686	1,284,398	1,103,896	704,556	444,989
Support services	2,482,381	1,930,393	1,528,687	2,058,561	1,225,425	1,092,308	1,003,361	847,277
Unallocated benefits	913,629	867,402	1,089,864	-	-	-	-	-
Capital outlay	9,663	28,093	-	170,801	60,927	19,865	-	-
Total Expenditures	<u>6,007,354</u>	<u>5,585,292</u>	<u>5,321,488</u>	<u>6,035,026</u>	<u>4,261,858</u>	<u>3,881,270</u>	<u>3,060,045</u>	<u>2,481,371</u>
Excess of Revenues Over Expenditures	<u>(237,746)</u>	<u>250,976</u>	<u>661,377</u>	<u>(917,720)</u>	<u>232,128</u>	<u>46,087</u>	<u>(50,120)</u>	<u>357,286</u>
Other financing uses								
Transfers out	-	(185,913)	(166,934)	-	-	-	-	-
Net Change in Fund Balance	<u>\$ (237,746)</u>	<u>\$ 65,063</u>	<u>\$ 494,443</u>	<u>\$ (917,720)</u>	<u>\$ 232,128</u>	<u>\$ 46,087</u>	<u>\$ (50,120)</u>	<u>\$ 357,286</u>

Source: Charter School Records

CENTRAL JERSEY ARTS CHARTER SCHOOL**J-5****GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE (Unaudited)
LAST EIGHT FISCAL YEARS**

Fiscal Year	Interest Income	Other	Charter School Aid - Local Share	Cancellation Prior Year Accounts Payable	Total
2014	\$ -	\$ 97,630	\$ 935,116	\$ -	\$ 1,032,746
2013	-	66,238	900,781	-	967,019
2012	-	69,473	948,988	59,415	1,077,876
2011	-	15,390	-	-	15,390
2010	-	17,440	-	-	17,440
2009	230	657	-	-	887
2008	8,734	4,218	-	-	12,952
2007	15,969	4,529	-	-	20,498

Sources: Charter School Records

Operating Information

CENTRAL JERSEY ARTS CHARTER SCHOOL**J-16****FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION (Unaudited)****LAST EIGHT FISCAL YEARS**

<u>Function/Program</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	41	41	47	46	47	47	39
Support services	3	1	2	3	4	4	4
Administrative	9	9	12	11	5	5	5
Food Service	5	2.5	2	3	2	1	2
Total	<u>58</u>	<u>53.5</u>	<u>63</u>	<u>63</u>	<u>58</u>	<u>57</u>	<u>50</u>

Source: Charter School Personnel Records

CENTRAL JERSEY ARTS CHARTER SCHOOL
OPERATING STATISTICS (Unaudited)
LAST EIGHT FISCAL YEARS

J-17

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2014	386	\$ 6,026,543	\$ 15,613	8%	41	11%	378.00	356.0	1.11%	94.18%
2013	385	\$ 5,557,199	\$ 14,434	-4%	37	10%	377.40	352.1	11.14%	93.30%
2012	353	\$ 5,321,488	\$ 15,075	-2%	47	13%	335.50	316.8	-5.15%	94.43%
2011	362	\$ 5,592,521	\$ 15,449	12%	46	13%	359.00	334.0	22.34%	93.04%
2010	297	\$ 4,104,001	\$ 13,818	26%	47	16%	390.00	273.0	3.02%	70.00%
2009	330	\$ 3,614,388	\$ 10,953	9%	47	14%	292.00	265.0	4.99%	90.75%
2008	282	\$ 2,838,938	\$ 10,067	18%	39	14%	280.00	252.4	16.31%	90.14%
2007	223	\$ 1,902,007	\$ 8,529	N/A	*	*	223.00	217.0	N/A	97.31%

Sources: Charter School Records

Note: Enrollment based on annual final Charter School count.

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

CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHOOL BUILDING INFORMATION (Unaudited)
LAST EIGHT FISCAL YEARS

J-18

	2014	2013	2012	2011	2010	2009	2008	2007
<u>Charter School Building</u>								
<u>All Grades - (K-8)</u>								
School:								
Square feet	37,282	37,282	37,282	37,282	35,000	35,000	25,000	25,000
Capacity (students)	405	405	405	405	300	300	250	250
Enrollment	386	385	353	362	297	330	282	223

Number of Schools at June 30, 2014

Charter School (K-8) = 1

Source: Charter Schools Business Office

Note: Enrollment is based on the annual October Charter School count.

CENTRAL JERSEY ARTS CHARTER SCHOOL
INSURANCE SCHEDULE (Unaudited)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy Declaration		
New Jersey School Boards Association Insurance Group		
Article I - Property		
Real and Personal Property	\$350,000,000 per occurrence/NJSBAIG Limit	\$1,000 per occurrence
Extra Expense	\$50,000,000 per occurrence/NJSBAIG Limit	\$1,000 per occurrence
Valuable Papers and Records	\$10,000,000 per occurrence/NJSBAIG Limit	\$1,000 per occurrence
Demolition and Increased Cost of Construction	\$10,000,000 per occurrence/NJSBAIG Limit	
Loss of Rents	Not Covered	
Loss of Business Income/Tuition	\$500,000	
Builders' Risk	Not Covered	
Fire Department Service Charge	\$10,000 per occurrence	
Arson Reward	\$10,000 per occurrence	
Pollutant Cleanup and Removal	\$250,000 per occurrence	
Fine Arts	Not Covered	
	\$10,000,000 per occurrence/NJSBAIG annual aggregate	
Sublimits: Special Flood Hazard Area Flood Zones		\$500,000 per building
Sublimits: Special Flood Hazard Area Flood Zones		\$500,000 per building contents
Accounts Receivable	\$250,000 per occurrence	
	\$50,000,000 per occurrence/NJSBAIG annual aggregate	\$10,000 per member/per occurrence
All Flood Zones	\$50,000,000 per occurrence / NJSBAIG annual aggregate	
Earthquake		
Terrorism	\$1,000,000 per occurrence	
Article II - Electronic Data Processing		
Hardware/Software	\$250,000 per occurrence	
Extra Expense	Included	
Coverage Extensions:	Transit	\$25,000
	Loss of Income	\$10,000
	Terrorism	Included in Property
Deductible		\$1,000 per occurrence
		\$500,000 per building contents
Special Flood Hazard Area Flood Deductible		\$10,000 per member/per occurrence
All Other Flood Zones		

CENTRAL JERSEY ARTS CHARTER SCHOOL
INSURANCE SCHEDULE (Unaudited)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

J-20
(Continued)

	<u>Coverage</u>	<u>Deductible</u>
Article III- Equipment Breakdown		
Combined Single Limit per Accident per Property Damage And Business Income	\$100,000,000	\$1,000 per Accident for Property Damage 12 Hours per Accident for Business Interruption/Expense Locations Waiting Period 60 Days Waiting Period 24 Hours
Sublimits Property Damage	Included	
Off Premises Property Damage	\$100,000	
Business Income	Included	
Extra Expense	\$10,000,000	
Service Interruption	\$10,000,000	
Perishable Goods	\$500,000	
Data Restoration	\$100,000	
Contingent Business Income	\$100,000	
Demolition	\$1,000,000	
Ordinance or Law	\$1,000,000	
Expediting Expenses	\$500,000	
Hazardous Substances	\$500,000	
Newly Acquired Locations (60 Days Notice)	\$250,000	
Terrorism	Included	
Article IV- Crime		
Public Employee Dishonesty with Faithful Performance	\$250,000	\$1,000
Theft, Disappearance and Destruction, - Loss of Money & Securities On or Off Premises	\$100,000	\$1,000
Theft, Disappearance and Destruction, - Loss of Money Orders & Counterfeit Paper Currency	\$50,000	\$500
Forgery or Alteration	\$25,000	\$500
Computer Fraud	\$250,000	\$1,000
Public Office Officials Bond		
Treasurer	\$165,000	\$1,000
Business Administrator	\$50,000	\$500
Article V- Comprehensive General Liability		
Bodily Injury and Property Damage	\$11,000,000 per occurrence	
Bodily Injury from Products and Completed Operations	\$11,000,000 annual aggregate	
	\$11,000,000 per occurrence	
	\$17,000,000 annual NJSBAIG aggregate	
Sexual Abuse	\$11,000,000 per occurrence/annual aggregate	
Personal Injury and Advertising Injury	\$10,000,000 per occurrence/annual aggregate	
Employee Benefits Liability	\$10,000 each accident	\$1,000 each claim
Premises Medical Payments	\$1,000,000 per occurrence/annual NJSBAIG aggregate	\$5,000 limit per person
Terrorism		

CENTRAL JERSEY ARTS CHARTER SCHOOL
INSURANCE SCHEDULE (Unaudited)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

J-20
(Continued)

	<u>Coverage</u>	<u>Deductible</u>
Article VI- Automobile		
Liability		
Hired/Non-owned		
Bodily Injury and Property Damage	\$11,000,000 per accident	
Uninsured/Underinsured Motorists - Private Passenger Auto	Not Covered Per Accident	
	Not Covered Bodily Injury Per Person	
	Not Covered Bodily Injury Per Accident	
	Not Covered Property Damage Per Accident	
Uninsured/Underinsured Motorists - All Other Vehicles	Not Covered	
Personal Injury Protection (including pedestrians)	Not Covered	
Medical Payments	Not Covered private passenger vehicles	
	Not Covered all other vehicles	
	\$1,000,000 per occurrence/annual	
	NJSBAIG aggregate	
Terrorism	N/A	
Deductible		
Physical Damage (Scheduled vehicles only)		
Comprehensive	Not Covered	
Collision	Not Covered	
Hired Car Physical Damage \$110,000 limit	Not Covered	
Replacement Cost	Not Covered	
Garage Keepers	Not Covered	
Workers' Compensation and Employers' Liability Declarations		
New Jersey School Boards Association Insurance Group		
Limit of Liability under Part II, Employer's Liability Agreement		
Bodily Injury by Accident	\$2,000,000 each accident	
Bodily Injury by Disease	\$2,000,000 each employee	
Bodily Injury by Disease	\$2,000,000 each aggregate limit	
School Leaders Errors & Omissions Liability Policy Declarations		
New Jersey School Boards Association Insurance Group		
Coverage A		
Limit of Liability	\$11,000,000 each policy period	\$5,000 each claim
Coverage B		
Limit of Liability	\$100,000 each claim	
	\$300,000 each policy period	\$5,000 each claim

CENTRAL JERSEY ARTS CHARTER SCHOOL

J-21

FINANCIAL PERFORMANCE (Unaudited)

JUNE 30, 2014

	Fiscal Year Ended June 30,			3 Year Cumulative
	2014	2013	2012	
Cash	\$ 257,095	\$ 365,160	\$ 488,220	
Current assets	719,054	273,626	526,068	
Capital assets, net	-	-	-	
Total assets	<u>976,149</u>	<u>638,786</u>	<u>1,014,288</u>	
Current liabilities	1,031,193	336,856	773,055	
Long term liabilities	-	6,931	1,256	
Total Liabilities	<u>1,031,193</u>	<u>343,787</u>	<u>774,311</u>	
Net position	<u>\$ (55,044)</u>	<u>\$ 1,286,588</u>	<u>\$ 910,319</u>	
Total revenue	\$ 6,019,083	\$ 5,866,675	\$ 6,087,087	
Total expenses	<u>6,373,492</u>	<u>5,811,653</u>	<u>5,587,107</u>	
Change in Net position	<u>\$ (354,409)</u>	<u>\$ 55,022</u>	<u>\$ 499,980</u>	
Depreciation expense	-	-	-	
Final Average Daily Enrollment	378	358.00	335.50	
March 30th Budgeted Enrollment	405	403.00	373.00	
	2014	2013	2012	
Near Term Indicators:				
Current ratio	0.25	1.08	0.63	0.65
Unrestricted days cash	14.72	22.93	31.89	23.18
Enrollment variance	93%	89%	90%	0.91
Sustainability Indicators:				
Total margin	-5.89%	0.94%	8.21%	1.09%
Debt to asset	1.06	0.54	0.76	0.79
Cash flow	(108,065)	(123,060)	141,448	(29,892)

Source: Charter School Records

Single Audit Section

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

To the Board of Trustees
Central Jersey Arts Charter School
Plainfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and audit requirements as prescribed by the Office of School Finance, Department of Education, state of New Jersey, the financial statements of government activities and business-type activities, of Central Jersey Arts Charter School ("Charter School"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2014-01 and 2014-02.

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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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2014-03.

Compliance and Other Matters

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

Central Jersey Arts Charter School's Response to Findings

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

Purpose of this Report

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



Certified Public Accountants

Livingston, New Jersey
December 4, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04

To the Board of Trustees
Central Jersey Arts Charter School
Plainfield, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Central Jersey Arts Charter School (“Charter School”), in the county of Union, state of New Jersey in compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the NJOMB Circular Letter 04-04 *Compliance Supplement* that could have a direct and material effect on each of the Charter School’s major federal and state programs for the year ended June 30, 2014. The Charter School’s major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

Our responsibility is to express an opinion on the compliance for the Charter School’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Schools*; and NJOMB Letter Circular 04-04. Those standards and OMB Circular A-133 and NJOMB Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School’s compliance with those requirements.

Opinion on Each Major Federal and State Program

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

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and NJOMB Circular Letter 04-04, which are described in the accompanying schedule of findings and questioned costs. Our opinion on the major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
December 4, 2014

CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR THEN ENDED JUNE 30, 2014

K-3
Schedule A

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	Cash Received	Budgetary Expenditure	Balance at June 30, 2014		
							(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education									
Passed through State Department of Education									
Special Revenue Fund:									
Title I	84.010	NCLB510013	\$ 355,205	9/1/2012 - 8/31/2013	\$ 142,290	\$ 88,819	\$ -	\$ -	\$ -
Title I	84.010	NCLB510014	293,275	7/1/2013 - 6/30/2014	274,800	293,275	(18,475)	-	-
Title IIA	84.010	NCLB510014	1,582	7/1/2013 - 6/30/2014	1,582	1,582	-	-	-
I.D.E.A Part B Basic	84.367A	IDEA 2013	174,788	9/1/2012 - 8/31/2013	14,759	-	-	-	-
I.D.E.A Part B Basic	84.367A	IDEA 2014	97,130	7/1/2013 - 6/30/2014	80,278	97,130	(16,852)	-	-
Total Special Revenue Fund					513,709	480,806	(35,327)	-	-
U.S. Department of Agriculture									
Passed through State Department of Education									
Enterprise Fund:									
National School Lunch	10.555	N/A	17,631	7/1/2012 - 6/30/2013	12,464	-	-	-	-
National School Lunch	10.555	N/A	235,314	7/1/2013 - 6/30/2014	203,095	235,314	(32,219)	-	-
National School Breakfast	10.553	N/A	6,165	7/1/2012 - 6/30/2013	4,168	-	-	-	-
National School Breakfast	10.553	N/A	31,625	7/1/2013 - 6/30/2014	24,518	31,625	(7,107)	-	-
Child and Adult Care Food	10.558	N/A	362	7/1/2012 - 6/30/2013	335	-	-	-	-
Child and Adult Care Food	10.558	N/A	4,230	7/1/2013 - 6/30/2014	3,396	4,230	(834)	-	-
Total Enterprise Fund					\$ 247,976	\$ 271,169	\$ (40,160)	\$ -	\$ -
U.S. Department of Health and Human Services									
General Fund:									
Medicaid Reimbursement	93.778	N/A	6,002	7/1/2013 - 6/30/2014	6,002	6,002	-	-	-
Total General Fund					6,002	6,002	-	-	-
Total Federal Financial Awards					\$ 767,687	\$ 757,977	\$ (75,487)	\$ -	\$ -

The accompanying notes to schedule of expenditures of federal awards and state financial assistance are an integral part of this schedule.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR THEN ENDED JUNE 30, 2014**

**K-4
Schedule B**

Federal Grantor/ Pass-Through Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Cash Received	Budgetary Expenditure	Balance at June 30, 2014			MEMO Cumulative Total Expenditures
						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
State Department of Education									
General Fund:									
Charter School Aid - State Share	14-495-034-5120-078	\$4,801,653	7/1/2013 - 6/30/2014	\$ 4,815,264	\$ 4,801,653	\$ (13,611)	\$ -	\$ 48,496	\$ 4,801,653
Categorical Special Education Aid	14-495-034-5120-084	85,883	7/1/2013 - 6/30/2014	85,883	85,883	-	-	2,787	85,883
Categorical Security Aid	14-495-034-5120-089	144,020	7/1/2013 - 6/30/2014	144,125	144,020	(105)	-	2,337	144,020
Reimbursed TPAF - Social Security	13-495-034-5095-002	84,420	7/1/2012 - 6/30/2014	26,984	-	-	-	-	-
Reimbursed TPAF - Social Security	14-495-054-5095-003	153,614	7/1/2013 - 6/30/2014	140,102	153,614	(13,512)	-	-	153,614
Total General Fund				5,212,358	5,185,170	(27,228)	-	53,620	5,185,170
State Department of Agriculture									
Enterprise Fund:									
National School Lunch Program									
(State Share)	13-100-010-3350-023	610	7/1/2012 - 6/30/2013	431	-	-	-	-	-
(State Share)	14-100-010-3350-023	3,041	7/1/2013 - 6/30/2014	2,426	3,041	(615)	-	-	3,041
Total Enterprise Fund				2,857	3,041	(615)	-	-	3,041
Total State Financial Assistance				\$ 5,215,215	\$ 5,188,211	\$ (27,843)	\$ -	\$ 53,620	\$ 5,188,211

The accompanying notes to schedule of expenditures of federal awards and state financial assistance are an integral part of this schedule.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 1 - GENERAL:

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

NOTE 2 - BASIS OF ACCOUNTING:

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS:

The basic financial statements present the general fund and special revenue fund on a U.S. GAAP basis. Budgetary comparison statements or schedules 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 U.S. GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB Statement 34).

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the U.S. GAAP basis does not.

CENTRAL JERSEY ARTS CHARTER SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS: (Continued)

The net adjustment to reconcile from the budgetary basis to U.S. GAAP basis is \$110,687 for the general fund and none for the special revenue fund. See Note 1 (the Notes to Required Supplementary Schedule) for a reconciliation of the budgetary basis to the U.S. GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a U.S. GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 6,002	\$ 5,185,170	\$ 5,191,172
Special Revenue Fund	391,987	-	391,987
Proprietary Fund	271,169	3,041	274,210
Total Awards & Financial Assistance	<u>\$ 669,158</u>	<u>\$ 5,188,211</u>	<u>\$ 5,857,369</u>

NOTE 4 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

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

NOTE 5 - FEDERAL AND STATE LOAN OUTSTANDING:

Central Jersey Arts Charter School has no loan balances outstanding at June 30, 2014.

NOTE 6 - OTHER:

Revenues and expenditures reported under the Food Distribution Program represent current-year value received and current-year distributions, respectively. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2014**

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the basic financial statements of Central Jersey Arts Charter School was a qualified opinion as a result of the omission of the capital assets and related depreciation off the governmental and business-type activities and the aggregate fund information for the proprietary funds.

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? X Yes No

Federal Awards and State Financial Assistance

Internal control over major programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

The auditors' report issued on compliance for major programs was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 and NJ OMB Circular Letter 04-04

 X Yes No

The following federal and state programs were designated as major programs:

<u>CFDA Number</u>	<u>Grant Number</u>	<u>Name of Federal or State Program</u>
84.010	NCLB510014	Title I
	14-495-034-5120-078	State Department of Education General Fund: "Local Levy" – State Share – Charter School Aid

CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2014

Federal Awards and State Financial Assistance (Continued)

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

Auditee qualified as a low-risk auditee? X Yes No

II. Financial Statement Findings

Finding 2014-01: Material Weakness – Inadequate Financial Management

Criteria:

The Charter School is responsible for ensuring that accurate financial records are maintained for financial reporting as per *N.J.S.A 18A-17-9, Monthly Reconciliation of Bank Account Statements; Report by Secretary*, and *N.J.S.A 18A-17-36, Accounting Monthly and Annual Reports* (Treasurer).

Condition:

Certain transactions and journal entries were not accurately posted and, in some cases, not recorded in the financial records, the Board Secretary's and Treasurer's Reports were not prepared and reconciled on a monthly basis, adequate documentation was not maintained on file to support and identify all transactions.

Cause:

There are no policies and procedures in place to ensure that transactions and journal entries are properly recorded and reviewed and financial reports are prepared and reviewed and that adequate documentation is maintained on file to support and identify all transactions.

Effect or Potential Effect:

Without policies and procedures in place to ensure that transactions and journal entries are properly recorded and reviewed and financial reports are prepared and reviewed and that adequate documentation is maintained on file to support and identify all transactions, there is an increased risk that errors and fraud related to financial transactions and reporting, including misappropriation of assets, could occur and not be detected in a timely fashion.

Recommendation:

It is recommended that policies and procedures be implemented to ensure that the financial transactions and entries are accurately posted to the financial records and reviewed, the Board Secretary's and Treasurer's Reports are prepared and reconciled, and adequate documentation is maintained on file to support and identify all transactions.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2014**

II. Financial Statement Findings (Continued)

Finding 2014-01: Material Weakness – Inadequate Financial Management (Continued)

Management Response:

The Charter School will implement policies and procedures to ensure that the financial transactions and entries are accurately posted to the financial records and reviewed, and the Board Secretary's and Treasurer's Reports are prepared and reconciled, and adequate documentation is maintained.

Finding 2014-02: Material Weakness – Lack of Timely Reporting

Criteria:

Board Secretary's and Treasurer's Reports are required to be prepared each month and presented to the Board of Trustees for acceptance and approval as per *N.J.S.A 18A-17-9, Monthly Reconciliation of Bank Account Statements; Report by Secretary* and *N.J.S.A. 18A-17-36, Accounting, Monthly and Annual Reports* (Treasurer).

Condition:

The Board Secretary's and Treasurer's Reports were not consistently prepared and presented to the Board of Trustees for acceptance and approval on a regular monthly basis.

Cause:

Policies and procedures have not been implemented to ensure that the Board Secretary's and Board Treasurer's Reports are prepared on a monthly basis.

Effect or Potential Effect:

The Board of Trustees is not able to effectively monitor and review operations, detect possible errors or irregularities, or make informed financial decisions without monthly Board Secretary's and Treasurer's Reports.

Recommendation:

It is recommended that policies and procedures are implemented to ensure that the Board Secretary's and Treasurer's Reports are prepared and submitted to the Board for approval on a monthly basis.

Management's Response:

The Charter School will implement procedures to reconcile the Board Secretary's and Treasurer's Reports prior to Board approval.

**CENTRAL JERSEY ARTS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FISCAL YEAR ENDED JUNE 30, 2014**

II. Financial Statement Findings (Continued)

Finding 2014-03: Significant Deficiency – Approval/Oversight of Payroll

Criteria:

Payroll registers are not properly approved in accordance with State Regulations.

Condition:

Payroll duties are primarily performed by one person, Assistant Business Administrator, without any apparent approval or oversight.

Cause:

The Charter School has not implemented a policy and procedure regarding the signed approval and certification of each payroll register.

Effect or Potential Effect:

Without approval or oversight, errors or irregularities in the preparation and payment of payroll could occur without being detected in a timely fashion.

Recommendation:

It is recommended that a policy and procedure be implemented to ensure that all payrolls are signed and approved and certified by the Board President, School Business Administrator, and Board Secretary on a regular basis.

Management's Response:

The Charter School will ensure that payroll registers are properly approved.

III. Compliance Findings

NONE

IV. Follow-up of Prior-year Audit Findings

The prior year findings regarding Capital Assets and State Charter School Aid have been fully addressed. The prior year findings of Inadequate Financial Management, Lack of Timely Reporting, and Approval/Oversight of Payroll have not been fully addressed and are included in the current year findings as Findings 2014-01, 2014-02, and 2014-03, respectively.

CENTRAL JERSEY ARTS CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

K-7

Status of Prior-year Audit Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, OMB Circular A-133 and NJOMB Circular Letter 04-04.

Findings:

The prior year finding regarding State Charter School Aid has been fully addressed in the current year.