

HOPE ACADEMY CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2014

HOPE ACADEMY CHARTER SCHOOL

***Hope Academy Charter School
Board of Trustees
Asbury Park, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Prepared by
Hope Academy Charter School
Finance Department

And
Barre & Company, CPAs

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David C. Hespe, Acting Commissioner of Education
Secretary, State Board of Education

**HOPE ACADEMY CHARTER SCHOOL
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INTRODUCTORY SECTION

**HOPE ACADEMY CHARTER SCHOOL
601 GRAND AVENUE
ASBURY PARK, NEW JERSEY 07712
(732) 988-4227**

November 21, 2014

Honorable President and
Members of the Board of Trustees
Hope Academy Charter School
601 Grand Avenue
Asbury Park, New Jersey 07712

Dear Board Members:

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

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An elected five-member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Director is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The School Business Administrator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

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

The Hope Academy Charter School provides a full range of educational services appropriate to grade levels Kindergarten through Grade 8. These services include regular, as well as special education, ELL and basic skills instruction. The Charter School completed the 2013-2014 school year with an enrollment of 205 students. The following details the student enrollment of the Charter School:

REPORTING ENTITY AND ITS SERVICES (CONTINUED):

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2013-2014	204.6	-0.92%
2012-2013	206.5	5.79%
2011-2012	195.2	4.95%
2010-2011	186	4.61%
2009-2010	177.8	31.70%
2008-2009	135	N/A

2. ECONOMIC CONDITION AND OUTLOOK: Asbury Park continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Asbury Park will continue to prosper.

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

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

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

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

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

5. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statement” Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

6. RISK MANAGEMENT: The Charter School 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.

7. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPA’s, was appointed by the Board. 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-Profits Organizations*” and New Jersey Circular Letter 04-04 OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.” The auditor’s report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

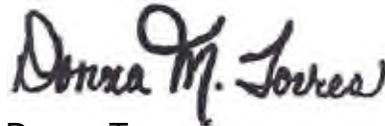
8. ANTI-BULLYING: On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2011-2012 training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

Respectfully submitted,

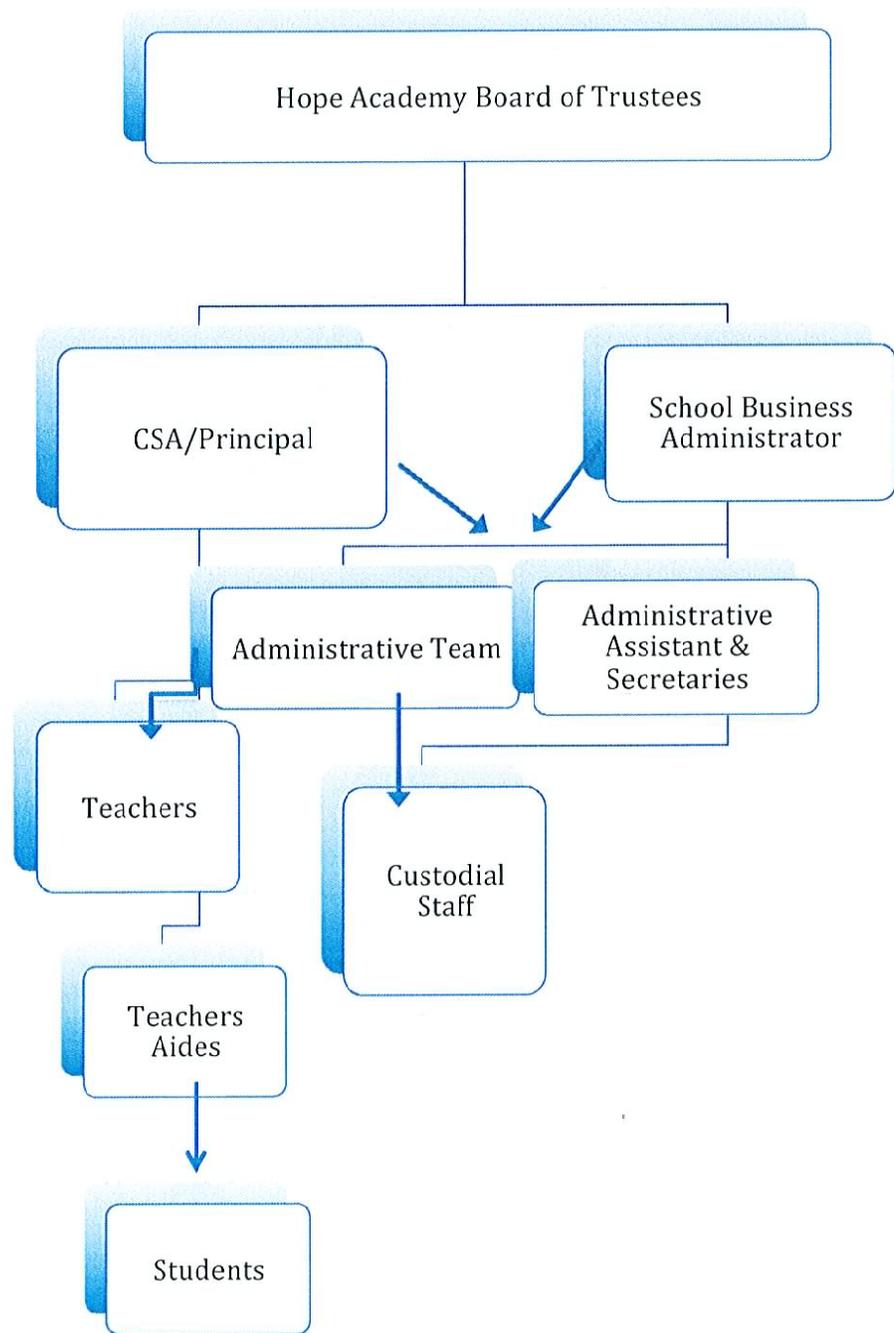


DaVisha T. Pratt
Principal / CSA



Donna Torres
Business Administrator/Board Secretary

Hope Academy Charter School Organizational Chart



**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2014**

MEMBERS OF THE BOARD OF TRUSTEES

Claudia Morgan, President

Frankie Winrow, Vice President

Sheree Jones, Trustee

Dennis Carroll, Trustee

OTHER OFFICIALS

Donna Torres, Board Secretary/Business Administrator

Alexis Harris, Director

DaVisha Pratt, Principal

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, New Jersey 07083

Attorney

(until June 30, 2014)
Richard Stanzione
Hiering, Dupignac, Stanzione, Dunn & Beck, P.C.
64 Washington Street
Toms River, New Jersey 08753

(Current Attorney)
Frederick Neimann, P.C.
3499 Route 9 North
Suite 1-F
Freehold, New Jersey 07728

Official Depository

TD Bank
2200 Highway 66
Neptune, New Jersey 07753

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

908.686.3484

FAX - 908.686.6055

Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Hope Academy Charter School
County of Monmouth
Asbury Park, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 14 and 61 respectively, 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit

Organizations,” and New Jersey OMB’s Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,”* respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 on our consideration of the Hope Academy Charter School’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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* in considering the Charter School’s internal control over financial reporting and compliance.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA’s

November 21, 2014

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

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

The discussion and analysis of Hope Academy 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) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 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 2014 are as follows:

- ❖ General revenues accounted for \$3,841,915 in revenue or 95% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$217,537 or 5% percent of total revenues of \$4,059,452.
- ❖ The Charter School had \$3,889,801 in expenses; only \$217,537 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,841,915 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$3,209,716 in revenues and \$3,024,098 in expenditures. The General Fund's fund balance increased \$185,618 from 2013. This increase was anticipated by the Board of Trustees.

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 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 Hope Academy 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* 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Hope Academy Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the 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 ask the question, "How did we do financially during 2014?" The *Statement of Net Position* 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.

Statement of Net Position and the Statement of Activities

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

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

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

In the *Statement of Net Position* 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** — These services are 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 is reported as a business activity.

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 Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the 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 fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund 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 (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds are reconciled in the financial statements.

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 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 basic financial statements can be found starting on page 37 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

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

The Charter School's combined net position were \$1,149,210 for 2014 and \$979,559 for 2013.

Governmental Activities

The Charter School's total revenues were \$3,913,278 for 2014 and \$3,977,878 for 2013, this includes \$93,772 for 2014 and \$101,256 for 2013 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$3,746,679 for 2014 and \$3,829,106 for 2013. Instruction comprises 45% for 2014 and 44% for 2013 of Charter School expenditures.

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

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

Business-Type Activities

Revenues for the Charter School's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service revenues exceeded expenditures by \$3,052 for 2014 and \$13,953 for 2013.
- ❖ Charges for services represent \$3,696 for 2014 and \$4,859 for 2013 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, and state snack program were \$142,440 for 2014 and \$131,871 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.

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/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

The Charter School's Funds

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 \$3,913,278 for 2014 and \$3,977,878 for 2013 and expenditures were \$3,727,660 for 2014 and \$3,810,087 for 2013. The net change in fund balance was most significant in the general fund, an increase of \$185,618 for 2014 and a increase of \$167,791 for 2013.

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

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

The Charter School's Funds (Continued)

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, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2013</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 634,868	16.22%	\$ 9,544	1.53%
State Sources	2,603,485	66.53%	(95,847)	-3.55%
Federal Sources	674,925	17.25%	21,703	3.32%
Total	\$ 3,913,278	100.00%	\$ (64,600)	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2014, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2013</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 1,347,742	36.16%	\$ 5,476	0.41%
Administration	1,151,952	30.90%	(12,823)	-1.10%
Support Services	1,227,966	32.94%	(75,080)	-5.76%
Total	\$ 3,727,660	100.00%	\$ (82,427)	

Changes in expenditures were the results of varying factors. Current expense increased due to salary increases, additional staff and students, and increased health benefits and utility costs.

**HOPE ACADEMY CHARTER SCHOOL
ASBURY PARK, NEW JERSEY**

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

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.

Capital Assets

At the end of the fiscal year 2014, the Charter School had \$199,709 (net of depreciation) invested in capital assets and \$218,728 for 2013.

For the Future

The Hope Academy Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, the Hope Academy Charter School has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact the School Business Administrator/Board Secretary at Hope Academy Charter School, 601 Grand Avenue, Asbury Park, New Jersey 07712.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL–WIDE FINANCIAL STATEMENTS

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 the governmental and business-type activities of the Charter School.

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 692,334	\$ 42,108	\$ 734,442
Interfund Receivables	219,637		219,637
Receivables	172,966	11,056	184,022
Prepaid Expenses	112,749		112,749
Capital Assets, Net	199,709		199,709
Total Assets	1,397,395	53,164	1,450,559
LIABILITIES:			
Interfund Payable	133,629	13,701	147,330
Payable to State Government	127,953		127,953
Accounts Payable	2,434		2,434
Deferred Revenue	23,632		23,632
Total Liabilities	287,648	13,701	301,349
NET POSITION:			
Net Investment in Capital Assets			
Invested in Capital Assets, Net of Related Debt	199,709		199,709
Unassigned	910,038	39,463	949,501
Total Net Position	\$ 1,109,747	\$ 39,463	\$ 1,149,210

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

HOPE ACADEMY CHARTER SCHOOL
 Statement of Activities
 For The Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 1,347,742	\$ 347,519	\$ -	\$ 71,401	\$ -	\$ (1,623,860)	\$ -	\$ (1,623,860)
Administration	559,067	156,709				(715,776)		(715,776)
Support Services	1,227,966	88,657				(1,316,623)		(1,316,623)
Unallocated Depreciation	19,019					(19,019)		(19,019)
Total Governmental Activities	3,153,794	592,885	-	71,401	-	(3,675,278)	-	(3,675,278)
BUSINESS-TYPE ACTIVITIES:								
Food Service	143,122		3,696	142,440		-	3,014	3,014
Total Business-Type Activities	143,122		3,696	142,440		-	3,014	3,014
Total Primary Government	\$ 3,296,916		\$ 3,696	\$ 213,841	\$ -	\$ (3,675,278)	\$ 3,014	\$ (3,672,264)
GENERAL REVENUES								
General Purposes						\$ 590,882	\$ -	\$ 590,882
Federal and State Aid Not Restricted						3,207,009		3,207,009
Investment Earnings							38	38
Miscellaneous Income						43,986		43,986
Total General Revenues						3,841,877	38	3,841,915
Change in Net Position						166,599	3,052	169,651
Net Position - Beginning						943,148	36,411	979,559
Net Position - Ending						\$ 1,109,747	\$ 39,463	\$ 1,149,210

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 fund type.

GOVERNMENTAL FUNDS

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

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 630,406	\$ 61,928	\$ 692,334
Interfund Receivables	219,637		219,637
Receivables From Other Governments	10,009	95,333	105,342
Tax Levy Receivable	67,624		67,624
Prepaid Expenses	38,583		38,583
Other Assets	74,166		74,166
Total Assets	\$ 1,040,425	\$ 157,261	\$ 1,197,686
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	\$ -	\$ 133,629	\$ 133,629
Payable to State Government	127,953		127,953
Accounts Payable	2,434		2,434
Deferred Revenue		23,632	23,632
Total Liabilities	130,387	157,261	287,648
Fund Balances:			
Unassigned:			
General Fund	910,038		910,038
Total Fund Balances	910,038	-	910,038
Total Liabilities and Fund Balances	\$ 1,040,425	\$ 157,261	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$380,390 and the accumulated depreciation is \$180,681.

199,709

Net Position of Governmental Activities

\$ 1,109,747

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

HOPE ACADEMY CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For The Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 590,882	\$ -	\$ 590,882
Miscellaneous	15,349	28,637	43,986
Total Local Sources	606,231	28,637	634,868
State Sources	2,603,485		2,603,485
Federal Sources		674,925	674,925
Total Revenues	<u>3,209,716</u>	<u>703,562</u>	<u>3,913,278</u>
EXPENDITURES:			
Instruction	930,541	417,201	1,347,742
Administration	1,151,952		1,151,952
Support Services	941,605	286,361	1,227,966
Total Expenditures	<u>3,024,098</u>	<u>703,562</u>	<u>3,727,660</u>
NET CHANGE IN FUND BALANCES	185,618	-	185,618
FUND BALANCE, JULY 1	<u>724,420</u>	<u>-</u>	<u>724,420</u>
FUND BALANCE, JUNE 30	<u>\$ 910,038</u>	<u>\$ -</u>	<u>\$ 910,038</u>

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

HOPE ACADEMY CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For The Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental fund (from B-2)		\$ 185,618
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets, if capitalized is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current fiscal year.</p>		
Depreciation Expense	(19,019)	
Capital Outlays Capitalized	-	(19,019)
Change in net position of governmental activities		\$ 166,599

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

PROPRIETARY FUNDS

HOPE ACADEMY CHARTER SCHOOL
 Proprietary Fund
 Statement of Net Position
 June 30, 2014

	Business-Type Activities
	Food Service
	<u> </u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 42,108
Intergovernmental Accounts Receivable:	
Federal	10,924
State	<u>132</u>
Total Current Assets	<u>53,164</u>
Total Assets	<u><u>\$ 53,164</u></u>
LIABILITIES AND NET POSITION:	
Liabilities:	
Interfund Accounts Payable	<u>\$ 13,701</u>
Total Liabilities	13,701
Net Position:	
Unassigned	<u>39,463</u>
Total Liabilities and Net Position	<u><u>\$ 53,164</u></u>

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

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

	Business-Type Activities
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 3,696
Total Operating Revenues	3,696
OPERATING EXPENSES:	
Salaries	5,064
Cost of Sales	138,058
Total Operating Expenses	143,122
OPERATING LOSS	(139,426)
NONOPERATING REVENUES:	
Interest Earned	38
State Source:	
State School Lunch Program	1,702
Federal Source:	
National School Breakfast Program	49,468
National School Lunch Program	90,214
National School Snack Program	1,056
Total Nonoperating Revenues	142,478
CHANGE IN NET POSITION	3,052
TOTAL NET POSITION, JULY 1	36,411
TOTAL NET POSITION, JUNE 30	\$ 39,463

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

HOPE ACADEMY CHARTER SCHOOL
 Proprietary Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2014

	Business-Type Activities
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 3,152
Cash Payments to Suppliers and Employees	(146,673)
	(143,521)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	142,440
	142,440
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Deposits and Investments	38
	38
Net Decrease In Cash And Cash Equivalents	(1,043)
Cash And Cash Equivalents, Beginning Of Year	43,151
Cash And Cash Equivalents, End Of Year	\$ 42,108
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss Used in Operating Activities	\$ (139,426)
Change In Assets And Liabilities:	
Decrease In Intergovernmental Accounts Receivable	(544)
Decrease In Interfund Payable	(3,551)
	(3,551)
Net Cash Used In Operating Activities	\$ (143,521)

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

FIDUCIARY FUNDS

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

	<u>Total Agency Fund</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 89,060</u>
Total Assets	<u><u>\$ 89,060</u></u>
LIABILITIES:	
Interfund Accounts Payable	\$ 72,307
Payroll Deductions and Withholdings	16,265
Due to Student Groups	<u>488</u>
Total Liabilities	<u><u>\$ 89,060</u></u>

NOTES TO THE FINANCIAL STATEMENTS

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hope Academy Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal year ending 2002 (for larger governments). In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2004.

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The Hope Academy Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

B. Basis of Presentation, Basis of Accounting

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.

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 activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange 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 activity 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 activity 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

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

particular program. Revenues that are not classified as program revenues 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 in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including 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 No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

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 vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay subfund.

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

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: Not applicable.

The Charter School reports the following proprietary fund:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service 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 are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes Student Activities Fund, Payroll and Payroll Agency Funds.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Basis of Accounting

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

Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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. General 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.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. 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/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 have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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 generally accepted accounting principles (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 GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)		\$ 703,562
Adjustments:		
Less Encumbrances at June 30,2014		-
Plus Encumbrances at June 30,2013		-
		-
Total Revenues and Expenditures (GAAP Basis)		\$ 703,562

D. Encumbrances 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 revenues fund are reported as reservations 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.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School – wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. 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 non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. 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:

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & Computer Equipment	5-10

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 recorded as deferred revenue.

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School – wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. There is no fund balance reserve for the current year.

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, 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 grants, entitlements, and donations. 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: state and local revenues available as an advance, interest, and tuition.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (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 for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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 generally accepted accounting principles 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.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

NOTE 2: CASH AND CASH EQUIVALENTS

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

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies 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. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

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.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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 five percent 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. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
- c. Bonds or other obligations of the charter school.

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 Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 630,406</u>	<u>\$ 61,928</u>	<u>\$ 42,108</u>	<u>\$89,060</u>	<u>\$ 823,502</u>

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 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 \$823,502 and the bank balance was \$876,887. 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.

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 No. 3 and are classified as Category 1, both at year-end and throughout the year.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 risks 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 3: RECEIVABLES

Receivables at June 30, 2014 consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 172,966	\$ 173,098
Federal Aid	-	10,924
Other	-	-
Total Receivables, Net	\$ 172,966	\$ 184,022

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2014:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 219,637	\$ -
Special Revenue Fund		133,629
Proprietary Fund		13,701
Fiduciary Fund		72,307
Total	<u>\$ 219,637</u>	<u>\$ 219,637</u>

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 380,390	\$ -	\$ -	\$ 380,390
Totals at Historical Cost	380,390	-	-	380,390
Less Accumulated Depreciation For:				
Building and Building Improvements	161,662	19,019	-	180,681
Total Accumulated Depreciation	161,662	19,019	-	180,681
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	218,728	(19,019)	-	199,709
Government Activity Capital Assets, Net	\$ 218,728	\$ (19,019)	\$ -	\$ 199,709

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense of \$19,019 was charged to an unallocated function.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6: RENTAL LEASES

In April 2008, the school entered into a lease for five (5) years requiring a minimum base rent plus a portion of the operating costs of the building commencing on July 1, 2008 and ending June 30, 2013. In July 2011, the school entered into a new lease after the building was sold. The lease is for ten (10) years commencing on November 1, 2012 and ending October 31, 2021. The base rent is \$34,583 per month (\$415,000 annual). In year six (6) rent is increased to \$435,750 per year until the end of the lease. The new lease requires a security deposit of \$74,166 and tenant has the option to purchase the building in the future upon \$50,000 option payment made during the first year of the initial lease term. The purchase price for the building shall be reasonably determined by landlord and subject to tenant's acceptance and board approval. Total rental payments amounted to \$431,164 for this year. The future minimum base rental payments are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 415,000

NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASES

The Charter School is leasing three (3) copiers for a period of 48 months with monthly payments in the amount of \$569 commencing May 2013 and expiring April 2017. The following is a schedule of the future minimum lease payments under the capital leases at June 30, 2014:

<u>Year</u>	<u>Amount</u>
2015	\$ 6,828
2016	6,828
2017	<u>5,690</u>
Total minimum lease payments	<u><u>\$ 19,346</u></u>

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8: PENSION PLANS

Description of Plans

All required employees of the 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 benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the 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. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, 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.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8: PENSION PLANS (CONTINUED)

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

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent 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 one percent to 4.5 percent 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 Schools' normal contributions to the Fund may be reduced based on the revaluation of assets. From fiscal year 1997 to fiscal year 2003, state and local government employers were not required to make contributions to the pension funds. The use of surplus pension assets replaced the annual payments that would otherwise have been made by employers. Subsequent law, P.L. 2003, c.108, led to the resumption of contributions, on a phased-in approach. In 2009, employer contributions to PERS were further amended by P.L.2009, c.19.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8: PENSION PLANS (CONTINUED)

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 6.64% 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 School is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/14	\$33,244	100%	\$33,244
06/30/13	\$26,718	100%	\$26,718
06/30/12	\$17,339	100%	\$17,339

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

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/14	\$154,271	100%	\$154,271
06/30/13	\$183,080	100%	\$183,080
06/30/12	\$115,999	100%	\$115,999

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9: POST-RETIREMENT BENEFITS

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

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

NOTE 10: 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 accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 11: FUND BALANCE APPROPRIATED

General Fund

The General Fund fund balance in the fund financial statements at June 30, 2014, in the amount of \$910,038, is unassigned and undesignated.

**HOPE ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 21, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

HOPE ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
"Local Levy" Local Share-Charter School Aid	\$ 590,882	\$ -	\$ 590,882	\$ 590,882	\$ -
Total Local Sources	590,882	-	590,882	590,882	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	2,173,360		2,173,360	2,173,360	-
Security Aid	95,366		95,366	95,366	-
State Adjustment	15,315	15,315	30,630	15,315	(15,315)
Special Education	71,401		71,401	71,401	-
Total Categorical Aid	2,355,442	15,315	2,370,757	2,355,442	(15,315)
Other Sources:					
Donations and Contributions				4,969	4,969
Miscellaneous Revenue				10,380	10,380
On-Behalf TPAF Pension Contributions (Non-Budgeted)				154,271	154,271
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				93,772	93,772
Total Other Sources	-	-	-	263,392	263,392
Total Revenues	2,946,324	15,315	2,961,639	3,209,716	248,077
EXPENDITURES:					
Instruction:					
Salaries of Teachers	562,243	6,000	568,243	561,319	6,924
Other Salaries for Instruction	346,985		346,985	337,130	9,855
General Supplies	27,000		27,000	7,545	19,455
Textbooks	28,000		28,000	19,002	8,998
Miscellaneous	17,750	(5,000)	12,750	5,545	7,205
Total Instruction	981,978	1,000	982,978	930,541	52,437
Administration:					
Salaries - General Administration	130,515	10,000	140,515	140,514	1
Salaries of Principals	188,707	7,000	195,707	178,588	17,119
Salaries of Secretarial/Clerical Assistants	87,540		87,540	86,040	1,500
Total Benefits Cost	452,350	(40,000)	412,350	344,078	68,272
Purchases Prof/Tech Services	13,775		13,775	9,915	3,860
Other Purchased Professional Services	43,907	45,000	88,907	72,893	16,014
Other Purchased Services		3,000	3,000		3,000
Communications/Telephone	20,000		20,000	16,233	3,767
Supplies and Materials	30,249	(2,200)	28,049	16,457	11,592
Interest on Current Loans		200	200	151	49
Miscellaneous Expenses	45,977	(3,000)	42,977	39,040	3,937
Total Administration	1,013,020	20,000	1,033,020	903,909	129,111

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

HOPE ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued From Prior Page)					
Support Services:					
Salaries	\$ 289,374	\$ 4,000	\$ 293,374	\$ 229,207	\$ 64,167
Purchased Prof/Tech Services	3,350		3,350	2,690	660
Purchased Prof/Ed Services	36,650	35,000	71,650	59,945	11,705
Cleaning, Repair, and Maintenance Services	81,865	(5,391)	76,474	76,474	-
Rental of Land and Buildings	435,000		435,000	431,164	3,836
Transportation-Other Than To/From School	4,000		4,000	2,108	1,892
Insurance for Property, Liability and Fidelity	60,500	20,000	80,500	68,144	12,356
Supplies and Materials	24,000		24,000	16,334	7,666
Energy Costs (Heat and Electricity)	57,000		57,000	55,539	1,461
Total Support Services	991,739	53,609	1,045,348	941,605	103,743
On-Behalf TPAF Pension Contributions (Non-Budgeted)				154,271	(154,271)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				93,772	(93,772)
Total Expenditures	2,986,737	74,609	3,061,346	3,024,098	37,248
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,413)	(59,294)	(99,707)	185,618	285,325
FUND BALANCE, JULY 1	724,420	-	724,420	724,420	-
FUND BALANCE, JUNE 30	<u>\$ 684,007</u>	<u>\$ (59,294)</u>	<u>\$ 624,713</u>	<u>\$ 910,038</u>	<u>\$ 285,325</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures: Budgeted Fund Balance	<u>\$ 684,007</u>	<u>\$ (59,294)</u>	<u>\$ 624,713</u>	<u>\$ 910,038</u>	<u>\$ 285,325</u>
Total	<u>\$ 684,007</u>	<u>\$ (59,294)</u>	<u>\$ 624,713</u>	<u>\$ 910,038</u>	<u>\$ 285,325</u>

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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Local	\$ 17,164	\$ 11,473	\$ 28,637	\$ 28,637	\$ -
Federal	421,711	253,214	674,925	674,925	-
Total Revenues	438,875	264,687	703,562	703,562	-
EXPENDITURES:					
Instruction:					
Salaries	396,812	(70,290)	326,522	326,522	-
Purchased Prof/Tech Services	14,012	(289)	13,723	13,723	-
Other Purchased Services	17,500	(4,501)	12,999	12,999	-
General Supplies	31,452	20,592	52,044	52,044	-
Other Objects	8,700	3,213	11,913	11,913	-
Total Instruction	468,476	(51,275)	417,201	417,201	-
Support Services:					
Salaries	126,740	20,604	147,344	147,344	-
Personal Services - Employee Benefits	67,134	(5,054)	62,080	62,080	-
Purchased Professional Services	39,910	(2,895)	37,015	37,015	-
Travel	3,279	(422)	2,857	2,857	-
Other Purchased Services	23,263	(5,831)	17,432	17,432	-
Supplies and Materials	16,717	2,916	19,633	19,633	-
Indirect Costs	3,478	(3,478)	-	-	-
Total Support Services	280,884	5,477	286,361	286,361	-
Total Expenditures	749,360	(45,798)	703,562	703,562	-
Total Outflows	749,360	(45,798)	703,562	703,562	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (310,485)	\$ 310,485	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HOPE ACADEMY CHARTER SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2014

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 3,209,716	[C-2] \$ 703,562
 Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	-	-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ 3,209,716	[B-2] \$ 703,562
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 3,024,098	[C-2] \$ 703,562
 Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	-	-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 3,024,098	[B-2] \$ 703,562

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

HOPE ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	Title I	I.D.E.A. Basic	Title II Part A	21st Century Grant	21st Century Grant 2012-2013	Bully Grant	F. Forgoison Grant	Borden Grant
REVENUE SOURCES:								
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,104	\$ 10,000
Federal	175,328	51,540	3,495	330,852	110,894	2,816		
Total Revenues	175,328	51,540	3,495	330,852	110,894	2,816	9,104	10,000
EXPENDITURES:								
Instruction:								
Salaries		41,902		114,753	34,535	2,816		
Purchased Prof/Tech Services	132,516			6,673	6,950			
Other Purchased Services				10,679	2,320			
General Supplies				16,429	21,927			10,000
Other Objects				8,625	2,788			
Total Instruction	132,516	41,902	-	157,159	68,520	2,816	-	10,000
Support Services:								
Salaries				125,747	21,597			
Personal Services - Employee Benefits	33,893	9,638		18,398	151			
Purchased Professional Services	8,919		3,495	10,713	13,888			
Travel				2,857				
Other Purchased Services				11,086	4,525		9,104	
Supplies and Materials				4,892	2,213			
Total Support Services	42,812	9,638	3,495	173,693	42,374	-	9,104	-
Total Expenditures	175,328	51,540	3,495	330,852	110,894	2,816	9,104	10,000
Total Outflows	175,328	51,540	3,495	330,852	110,894	2,816	9,104	10,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

HOPE ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2014

	TD Bank Foundation Grant	Crayola	Community Foundation of Monmouth County	FEMA	Target Grant	Smarter Charter Grant	Grand Total
REVENUE SOURCES:							
Local	\$ 2,934	\$ 1,338	\$ 274	\$ 1,812	\$ 2,075	\$ 1,100	\$ 28,637
Federal							674,925
Total Revenues	2,934	1,338	274	1,812	2,075	1,100	703,562
EXPENDITURES:							
Instruction:							
Salaries							326,522
Purchased Prof/Tech Services						100	13,723
Other Purchased Services							12,999
General Supplies	2,934				254	500	52,044
Other Objects						500	11,913
Total Instruction	2,934	-	-	-	254	1,100	417,201
Support Services:							
Salaries							147,344
Personal Services - Employee Benefits							62,080
Purchased Professional Services							37,015
Travel							2,857
Other Purchased Services		1,338	274	1,812	1,821		17,432
Supplies and Materials							19,633
Total Support Services	-	1,338	274	1,812	1,821	-	286,361
Total Expenditures	2,934	1,338	274	1,812	2,075	1,100	703,562
Total Outflows	2,934	1,338	274	1,812	2,075	1,100	703,562
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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 services in all schools within the school district.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND
B-6.**

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENTS**

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

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

Payroll Fund – This agency fund is used to account for the payroll transactions of the school.

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

	Agency			Total Agency Fund
	Payroll Agency	Net Payroll	Student Activities	
ASSETS:				
Cash and Cash Equivalents	\$ 86,210	\$ 2,362	\$ 488	\$ 89,060
Total Assets	<u>\$ 86,210</u>	<u>\$ 2,362</u>	<u>\$ 488</u>	<u>\$ 89,060</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 69,945	\$ 2,362	\$ -	\$ 72,307
Payroll Deductions and Withholdings	16,265			16,265
Due to Student Groups			488	488
Total Liabilities	<u>\$ 86,210</u>	<u>\$ 2,362</u>	<u>\$ 488</u>	<u>\$ 89,060</u>

HOPE ACADEMY CHARTER SCHOOL
 Fiduciary Fund
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2014</u>
Student Groups	\$ 607	\$ 2,861	\$ 2,980	\$ 488
Total	<u>\$ 607</u>	<u>\$ 2,861</u>	<u>\$ 2,980</u>	<u>\$ 488</u>

HOPE ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For The Fiscal Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2014</u>
ASSETS:				
Cash	\$ 46,835	\$ 812,148	\$ 772,773	\$ 86,210
Total Assets	<u>\$ 46,835</u>	<u>\$ 812,148</u>	<u>\$ 772,773</u>	<u>\$ 86,210</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 46,835	\$ 23,110	\$ -	\$ 69,945
Payroll Deductions and Withholdings	<u>-</u>	<u>789,038</u>	<u>772,773</u>	<u>16,265</u>
Total Liabilities	<u>\$ 46,835</u>	<u>\$ 812,148</u>	<u>\$ 772,773</u>	<u>\$ 86,210</u>

**STATISTICAL SECTION
(UNAUDITED)**

GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

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

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

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 (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

HOPE ACADEMY CHARTER SCHOOL
 Net Assets/Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 199,709	\$ 218,728	\$ 237,747	\$ 256,766	\$ 275,785	\$ 294,804	\$ 313,823	\$ 332,842	\$ 351,861	\$ 370,880
Restricted									8,100	8,713
Unassigned	910,038	724,420	556,629	460,529	500,973	204,868	147,204	122,092	196,816	173,170
Total Governmental Activities Net Assets/Position	<u>\$ 1,109,747</u>	<u>\$ 943,148</u>	<u>\$ 794,376</u>	<u>\$ 717,295</u>	<u>\$ 776,758</u>	<u>\$ 499,672</u>	<u>\$ 461,027</u>	<u>\$ 454,934</u>	<u>\$ 556,777</u>	<u>\$ 552,763</u>
Business-Type Activities										
Unassigned	\$ 39,463	\$ 36,411	\$ 22,458	\$ 20,673	\$ 18,741	\$ 17,617	\$ 19,755	\$ 18,529	\$ 13,078	\$ 6,021
Total Business-Type Activities Net Assets/Position	<u>\$ 39,463</u>	<u>\$ 36,411</u>	<u>\$ 22,458</u>	<u>\$ 20,673</u>	<u>\$ 18,741</u>	<u>\$ 17,617</u>	<u>\$ 19,755</u>	<u>\$ 18,529</u>	<u>\$ 13,078</u>	<u>\$ 6,021</u>
Charter School-wide										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 199,709	\$ 218,728	\$ 237,747	\$ 256,766	\$ 275,785	\$ 294,804	\$ 313,823	\$ 332,842	\$ 351,861	\$ 370,880
Restricted									8,100	8,713
Unassigned	949,501	760,831	579,087	481,202	519,714	222,485	166,959	140,621	209,894	179,191
Total Charter School-wide Net Assets/Position	<u>\$ 1,149,210</u>	<u>\$ 979,559</u>	<u>\$ 816,834</u>	<u>\$ 737,968</u>	<u>\$ 795,499</u>	<u>\$ 517,289</u>	<u>\$ 480,782</u>	<u>\$ 473,463</u>	<u>\$ 569,855</u>	<u>\$ 558,784</u>

HOPE ACADEMY CHARTER SCHOOL
 Changes in Net Assets/Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities:										
Instruction	\$ 1,695,261	\$ 1,703,768	\$ 1,781,206	\$ 1,647,919	\$ 1,688,085	\$ 1,226,422	\$ 1,313,265	\$ 1,068,450	\$ 955,744	\$ 1,002,251
Administration	715,776	699,182	678,559	709,133	408,142	376,961	438,530	432,795	396,460	373,537
Support Services	1,316,623	1,407,137	1,192,613	1,140,525	758,776	573,750	555,417	420,082	408,971	338,391
Capital Outlay			2,589							32,995
Unallocated Depreciation	19,019		19,019	19,019	19,019	19,019	19,019	19,019	19,939	47,147
Total Governmental Activities Expenses	\$ 3,746,679	\$ 3,829,106	\$ 3,673,996	\$ 3,516,596	\$ 2,874,022	\$ 2,196,152	\$ 2,326,231	\$ 1,940,346	\$ 1,781,114	\$ 1,794,321
Business-Type Activities:										
Food Service	143,122	122,817	95,369	87,515	86,477	64,670	65,337	57,455	51,258	48,837
Total Business-Type Activities Expenses	143,122	122,817	95,369	87,515	86,477	64,670	65,337	57,455	51,258	48,837
Total Charter School Expenses	\$ 3,889,801	\$ 3,951,923	\$ 3,769,365	\$ 3,604,111	\$ 2,960,499	\$ 2,260,822	\$ 2,391,568	\$ 1,997,801	\$ 1,832,372	\$ 1,843,158
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 71,401	\$ 74,893	\$ 60,465	\$ 45,047	\$ 19,477	\$ 20,318	\$ 31,048	\$ 33,492	\$ 65,723	\$ 83,596
Total Governmental Activities Expenses	71,401	74,893	60,465	45,047	19,477	20,318	31,048	33,492	65,723	83,596
Business-Type Activities:										
Charges for Services	3,696	4,859	6,045	9,815	7,027	6,352	5,576	5,002	7,020	5,004
Operating Grants and Contributions	142,440	131,871	91,088	79,570	80,505	56,073	60,368	56,909	51,295	47,377
Total Business-Type Activities Expenses	146,136	136,730	97,113	89,385	87,532	62,425	65,944	61,911	58,315	52,381
Total Charter School Program Revenues	\$ 217,537	\$ 211,623	\$ 157,578	\$ 134,432	\$ 107,009	\$ 82,743	\$ 96,992	\$ 95,403	\$ 124,038	\$ 135,977
Net (Expense)/Revenue										
Governmental Activities	\$ (3,675,278)	\$ (3,754,213)	\$ (3,613,531)	\$ (3,471,549)	\$ (2,854,545)	\$ (2,175,834)	\$ (2,285,183)	\$ (1,906,854)	\$ (1,715,391)	\$ (1,710,725)
Business-Type Activities	3,014	13,913	1,744	1,870	1,055	(2,245)	607	4,456	7,057	3,544
Total Charter School-wide Net Expense	\$ (3,672,264)	\$ (3,740,300)	\$ (3,611,787)	\$ (3,469,679)	\$ (2,853,490)	\$ (2,178,079)	\$ (2,284,576)	\$ (1,902,398)	\$ (1,708,334)	\$ (1,707,181)
General Revenues and Other Changes in Net Assets/Position										
Governmental Activities:										
General Purposes	\$ 590,882	\$ 563,194	\$ 548,462	\$ 503,303	\$ 462,972	\$ 324,798	\$ 396,749	\$ 311,099	\$ 398,052	\$ 374,150
Federal and State Aid Not Restricted	3,207,009	3,276,761	3,129,914	2,890,121	2,626,269	1,883,359	1,780,246	1,488,870	1,296,569	1,240,819
Miscellaneous Income	43,986	63,030	12,236	28,662	42,390	6,322	124,281	5,042	24,777	10,115
Total Governmental Activities	\$ 3,841,877	\$ 3,902,985	\$ 3,690,612	\$ 3,412,086	\$ 3,131,631	\$ 2,214,479	\$ 2,301,276	\$ 1,805,011	\$ 1,719,398	\$ 1,625,084
Business-Type Activities:										
Investment Earnings	38	40	41	62	69	107	619	995	-	-
Total Business-Type Activities	38	40	41	62	69	107	619	995	-	-
Total Charter School-wide	\$ 3,841,915	\$ 3,903,025	\$ 3,690,653	\$ 3,412,148	\$ 3,131,700	\$ 2,214,586	\$ 2,301,895	\$ 1,806,006	\$ 1,719,398	\$ 1,625,084
Change in Net Assets/Position										
Governmental Activities	\$ 166,599	\$ 148,772	\$ 77,081	\$ (59,463)	\$ 277,086	\$ 38,645	\$ 6,093	\$ (101,843)	\$ 4,007	\$ (85,641)
Business-Type Activities	3,052	13,953	1,785	1,932	1,124	(2,138)	1,226	5,451	7,057	3,544
Total Charter School	\$ 169,651	\$ 162,725	\$ 78,866	\$ (57,531)	\$ 278,210	\$ 36,507	\$ 7,319	\$ (96,392)	\$ 11,064	\$ (82,097)

HOPE ACADEMY CHARTER SCHOOL
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund Reserved Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	910,038	724,420	556,629	460,529	500,973	204,868	147,204	122,092	204,916	180,970
Total General Fund	\$ 910,038	\$ 724,420	\$ 556,629	\$ 460,529	\$ 500,973	\$ 204,868	\$ 147,204	\$ 122,092	\$ 204,916	\$ 180,970
All Other Governmental Funds										
Unassigned: Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 913
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 913

HOPE ACADEMY CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year Ending June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local Sources:										
Local Tax Levy	\$ 590,882	\$ 563,194	\$ 548,462	\$ 530,587	\$ 487,112	\$ 324,798	\$ 396,749	\$ 311,099	\$ 245,015	\$ 233,736
Interest in Investments	43,986	63,030	12,236	1,378	42,390	6,322	124,281	5,042	23,857	432
Miscellaneous	2,603,485	2,699,332	2,543,673	2,197,274	2,047,343	1,702,719	1,629,410	1,365,609	1,334,683	1,011,115
State Sources	674,925	652,322	646,706	727,894	574,263	200,958	181,884	156,753	180,646	1,300,957
Federal Sources	3,913,278	3,977,878	3,751,077	3,457,133	3,151,108	2,234,797	2,332,324	1,838,503	1,784,208	1,633,872
Total Revenues	3,727,660	3,810,087	3,654,977	3,497,577	2,855,003	2,177,133	2,307,212	1,921,327	1,761,175	1,774,457
Expenditures:										
Instruction	1,347,742	1,342,266	1,418,329	1,380,032	1,315,608	1,005,787	1,099,278	886,607	804,642	858,692
Administration	1,151,952	1,164,775	1,115,352	1,030,218	737,094	637,044	688,080	628,520	559,479	530,213
Support Services	1,227,966	1,303,046	1,118,697	1,087,327	802,301	534,302	519,854	406,200	397,054	325,274
Capital Outlay	-	-	2,599	-	-	-	-	-	-	60,278
Total Expenditures	3,727,660	3,810,087	3,654,977	3,497,577	2,855,003	2,177,133	2,307,212	1,921,327	1,761,175	1,774,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	185,618	167,791	96,100	(40,444)	296,105	57,664	25,112	(82,824)	23,033	(65,345)
Other Financing Sources (Uses):										
State Repayment	-	-	-	-	-	-	-	-	-	(37,206)
Transfers In	-	-	-	-	-	-	-	-	920	-
Transfers Out	-	-	-	-	-	-	-	-	(920)	(429)
Total Other Financing Sources (Uses)	-	(37,637)								
Net Change in Fund Balance	\$ 185,618	\$ 167,791	\$ 96,100	\$ (40,444)	\$ 296,105	\$ 57,664	\$ 25,112	\$ (82,824)	\$ 23,033	\$ (102,982)

Source: Charter School records

HOPE ACADEMY CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Donations	Miscellaneous Revenue	Annual Total
2014	\$ 4,969	\$ 10,380	\$ 15,349
2013	3,812	33,662	37,474
2012		5,075	5,075
2011	-	1,378	1,378
2010	12,240	30,150	42,390
2009	-	6,322	6,322
2008	12,500	84,581	97,081
2007		5,042	5,042
2006		23,857	23,857
2005		10,115	10,115

Source: Charter School records

DEMOGRAPHIC AND ECONOMIC INFORMATION

HOPE ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2014	N/A	N/A	N/A	N/A
2013	16,116	26,370	13,516	7.4
2012	N/A	N/A	N/A	N/A
2011	16,132	N/A	N/A	N/A
2010	16,116	N/A	20,368	N/A
2009	16,862	N/A	N/A	9.8
2008	16,894	N/A	N/A	10.7
2007	16,923	N/A	N/A	10.5
2006	16,903	N/A	N/A	11.2
2005	16,901	N/A	N/A	13.2

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2010 Census published by the US Bureau of Economic Analysis.

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

HOPE ACADEMY CHARTER SCHOOL
Principal Employers
Last Year and Fifteen Years Ago

Employer	2012			1997		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Asbury Park School District	732	1	7.91%	500	1	6.14%
Townco Consultants, Inc.	400	2	4.32%	0		0.00%
City of Asbury Park	280	3	3.03%	292	2	3.58%
Keystone Laundries	100	4	1.08%	100	3	1.23%
Asbury Park Post Office	85	5	0.92%	89	4	1.09%
Jersey Central Power & Light	0		0.00%	81	5	0.99%
Jersey Shore Addiction Services	55	6	0.59%	67	6	0.82%
Malo & Weste Corp	0		0.00%	53	7	0.65%
Asbury Park Housing Authority	52	7	0.56%	52	8	0.64%
Monmouth County Probation Dept.	50	8	0.54%	0		0.00%
Grand Union	0		0.00%	50	9	0.61%
Interfaith Neighbors	39	9	0.42%	50	10	0.61%
Our Lady of Mount Carmel School	21	10	0.23%	0		0.00%
	<u>1,814</u>		<u>19.60%</u>	<u>1,334</u>		<u>16.36%</u>

OPERATING INFORMATION

HOPE ACADEMY CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Instruction	19	20.7	21	21	22	18	22	21	13	14
Administrative	3.8	4.8	4.5	4	4	3	3	4	4	3
Support Services	1.7	8.6	4.5	10.5	3.5	4.5	4	1	1	1
Food Service		0.5	0.5	0.5	0.5	0.5				
Total	<u>24.5</u>	<u>34.6</u>	<u>30.5</u>	<u>36.0</u>	<u>30.0</u>	<u>26.0</u>	<u>29.0</u>	<u>26.0</u>	<u>18.0</u>	<u>18.0</u>

Source: Charter School Personnel Records

HOPE ACADEMY CHARTER SCHOOL
 Operating Statistics
 Last Ten Fiscal Years

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	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary/Middle	School				
2014	209	\$ 3,727,660	17,836	-3.57%	19	11:1	204.6	194.7	-0.93%	95.16%	
2013	206	3,810,087	18,496	0.77%	21	10:1	206.5	195.9	5.47%	94.87%	
2012	199	3,652,378	18,354	-2.39%	20	9:1	195.2	188.4	4.71%	96.52%	
2011	186	3,497,577	18,804	16.58%	21	8:1	186	182.4	4.41%	98.06%	
2010	177	2,855,003	16,130	0.02%	22	8:1	177.8	169.6	24.07%	95.39%	
2009	135	2,177,133	16,127	-5.64%	18	7:1	135	128	0.00%	94.81%	
2008	135	2,307,212	17,090	28.81%	22	7:1	135	128	0.74%	94.81%	
2007	133	1,764,574	13,267	12.99%	21	7:1	134	125	0.00%	93.28%	
2006	134	1,573,487	11,742	-0.24%	13	7:1	134	127	0.00%	94.78%	
2005	134	1,577,296	11,771	N/A	14	7:1	134	127	N/A	94.78%	

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 certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

HOPE ACADEMY CHARTER SCHOOL
 School Building Information
 Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Charter School Building</u>										
601 Grand Avenue										
Square Feet	25,000	25,000	25,000	19,500	19,500					
Capacity (students)										
Enrollment	209	206	199	186	177					
<u>Lower School</u>										
700 Grand Avenue										
Square Feet						13,087	13,087	13,087	13,087	13,087
Capacity (students)										
Enrollment						90	90	89	74	104
<u>Middle School</u>										
610 Asbury Avenue										
Square Feet										1,408
Capacity (students)										
Enrollment										15
503 Asbury Avenue										
Square Feet						13,776	13,776	13,776		
Capacity (students)										
Enrollment						45	43	45		
Number of Schools at June 30, 2014										
1										

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of and additions.
 Enrollment is based on the annual October Charter School count.

HOPE ACADEMY CHARTER SCHOOL
SCHOOL ALLIANCE INSURANCE FUND (SAIF)
EXECUTIVE SUMMARY

"Blanket" Property Limit	\$ 250,000,000
Deductible	\$2,500
Boiler & Machinery	\$100,000,000
General Liability	
Per Occurrence Limit	\$5,000,000
Fund Aggregate	\$50,000,000
Employee Benefits Liability Limit	
Deductible	\$1,000
Automobile Liability	
Per Occurrence Limit	\$5,000,000
Fund Aggregate	\$50,000,000
Comprehensive / Collision Deductible	\$1,000
School Leaders Professional Liability	
Per Occurrence Limit	\$5,000,000
Aggregate	\$5,000,000
Deductible	\$5,000
Excess Liability Limit	
	\$15,000,000
Workers Compensation	
Employers Liability Limit	\$5,000,000

Property

Limit of Liability	\$250,000,000 Per Occurrence
Member Deductible	\$2,500 Per Occurrence
Perils Included	Coverage written on an "All Risk" basis including flood and earthquake

Property Included in the Coverage Limits/Sub-Limits:

Building, Contents, Valuable Papers	\$250,000,000
Extra Expense	\$50,000,000
Builders Risk (New Construction)	\$25,000,000
Property In Transit	\$25,000,000
Automobile Physical Damage	Included \$1,000 Deductible Applies
Unnamed Locations	\$25,000,000
Demolition & Increased Cost of Construction	\$25,000,000
Earthquake	\$25,000,000 Per Occurrence \$25,000,000 Annual Aggregate
Flood (Excluding Zones A&V)	\$10,000,000 Per Occurrence \$10,000,000 Annual Aggregate
Flood (Zone's A&V) *	\$25,000,000 Per Occurrence \$25,000,000 Annual Aggregate

Boiler & Machinery

Limit of Liability	\$100,000,000 Per Occurrence
Member Deductible	\$2,500 Per Occurrence

Crime and Fidelity

Money & Securities – Inside Premises	\$50,000 each loss
Money & Securities – Outside Premises	\$50,000 each loss
Blanket Dishonesty Bond (including faithful performance for elected officials) *	\$500,000 per loss
Member Deductible	\$1,000 each loss

* Statutory bond positions are excluded.

Comprehensive General Liability, Auto Liability and Employee Benefits Liability

Limit of Liability	\$5,000,000 Per Occurrence \$50,000,000 Fund Aggregate
Member Deductible	None
Sub-Limit applicable to Sexual Molestation Coverage	\$5,000,000 Per Occurrence/Aggregate Per Member

Workers Compensation

Limit of Liability	Statutory benefits as required by the State of New Jersey
Employers Liability	\$5,000,000 Per Occurrence/Aggregate
Member Deductible	NIL

Supplemental Indemnity

Limit of Liability	Statutory benefits as required by the State of New Jersey
Member Deductible	NIL

Environmental Impairment Liability

Limit of Liability	\$1,000,000 Per Incident \$25,000,000 Fund Annual Aggregate
Member Deductible	\$10,000 Per Incident
Insuring Agreement	Provides coverage for on site clean-up costs and third party claims for bodily injury, property damage and clean-up costs resulting from environmental impairment conditions

School Leaders Professional Liability

Limit of Liability	\$5,000,000 Per Claim / Aggregate Per Member Claims Made Form, Full Prior Acts
Member Deductible	\$5,000 per claim

Excess Liability

Limit of Liability	\$15,000,000 per occurrence/aggregate per member
SAIF Self Insured Retention	NIL
Member Retention Maintenance of	\$5,000,000 Auto & General Liability \$5,000,000 per claim/annual aggregate school leaders professional liability

HOPE ACADEMY CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Near Term and Sustainability Indicators
 Last Three Fiscal Years

	2012 Audit	2013 Audit	2014 Audit	Source
Cash	\$ 178,539	\$ 386,492	\$ 734,442	Audit: Exhibit A-1
Current Assets	879,054	973,740	1,250,850	Audit: Exhibit A-1
Total Assets	1,116,801	1,192,468	1,450,559	Audit: Exhibit A-1
Current Liabilities	299,967	212,909	301,349	Audit: Exhibit A-1
Total Liabilities	299,967	212,909	301,349	Audit: Exhibit A-1
Net Assets	816,834	979,559	1,149,210	Audit: Exhibit A-1
Total Revenue	3,848,231	4,114,648	4,059,452	Audit: Exhibit A-2
Total Expenses	3,769,365	3,951,923	3,889,801	Audit: Exhibit A-2
Change in Net Assets	78,866	162,725	169,651	Audit: Exhibit A-2
Depreciation Expense	19,019	19,019	19,019	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	188.40	195.90	194.70	DOE Enrollment Reports
March 30th Budgeted Enrollment	0	0	0	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2012	2013	2014	3 YR CUM
1a. Current Ratio	2.93	4.57	4.15	Source: Current Assets/Current Liabilities
1b. Unrestricted Days Cash	17.29	35.70	68.92	Cash/(Total Expenses/365)
1c. Enrollment Variance	0%	0%	0%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit
Sustainability Indicators				
2a. Total Margin	2%	4%	4%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.27	0.18	0.21	Total Liabilities/Total Assets
2c.** Cash Flow	\$ (30,746)	\$ 207,953	\$ 347,950	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2014 = 2014 Cash - 2013 Cash; 2013 = 2013 Cash - 2012 Cash; 2012 = 2012 Cash - 2011 Cash

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

BARRE & COMPANY
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Independent Auditor's Report

Honorable President and
Members of the Board of Trustees
Hope Academy Charter School
County of Monmouth
Asbury Park, 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; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hope Academy Charter School (Charter School), in the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 21, 2014.

Internal Control over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from 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 matter that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Restriction on Use

This report is intended solely for the information and use of management, the audit committee, Hope Academy Charter School Board of Trustees, others within the entity, and the New Jersey Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

November 21, 2014

BARRE & COMPANY
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Independent Auditor's Report

Honorable President and
Members of the Board of Trustees
Hope Academy Charter School
County of Monmouth
Asbury Park, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of the Hope Academy Charter School (Charter School), in the County of Monmouth, State of New Jersey, with the types of compliance requirements described in the *U.S. OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2014. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, U.S. OMB Circular A-133, and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Charter School's compliance.

Opinion on Each Major Federal and State Program

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

Report on Internal Control over Compliance

Management of Hope Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance*

is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Restriction on Use

This report is intended solely for the information and use of management, the audit committee, Hope Academy Charter School Board of Trustees, others within the entity, and the New Jersey Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

November 21, 2014

HOPE ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2014	
				From	To							Accounts Receivable	Deferred Revenue
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind Cluster:													
84.010A	NCLB - 6740 - 14		\$ 175,328	7/1/13	6/30/14	\$ -	\$ -	\$ (175,328)	\$ -	\$ -	\$ -	\$ (8,919)	\$ -
84.010A	NCLB - 6740 - 13		162,808	8/1/12	8/31/13	(27,672)	27,672	(3,495)	-	-	-	(3,495)	-
84.367A	NCLB - 6740 - 14		3,495	7/1/13	6/30/14	(27,672)	194,081	(178,823)	-	-	-	(12,474)	-
Total No Child Left Behind Cluster													
Individuals with Disabilities Cluster:													
84.027	IDEA - 6740 - 14		51,540	7/1/13	6/30/14	(16,272)	41,343	(51,540)	-	-	-	(10,197)	-
84.027	IDEA - 6740 - 13		50,541	9/1/12	8/31/13	(16,272)	16,272	(51,540)	-	-	-	(10,197)	-
Total Individuals with Disabilities Cluster													
Other Special Revenue Funds:													
84.287C	N/A		330,852	9/1/13	6/30/14	(35,606)	258,130	(330,852)	-	-	-	(72,722)	-
84.287C	N/A		110,894	9/1/12	8/31/13	(35,606)	146,500	(110,894)	-	-	-	(72,722)	-
N/A	N/A		2,816	9/1/13	6/30/14	(35,606)	2,816	(444,562)	-	-	-	(72,722)	-
Total Other Special Revenue Funds													
Total Special Revenue Fund													
Total U.S. Department of Education													
U.S. Department of Agriculture													
Passed-through State Department of Agriculture													
Enterprise Fund:													
10.553	N/A		49,468	7/1/13	6/30/14	(3,751)	45,572	(49,468)	-	-	-	(3,896)	-
10.553	N/A		3,751	7/1/12	6/30/13	(3,751)	3,751	-	-	-	-	-	-
10.555	N/A		90,214	7/1/13	6/30/14	(6,632)	83,186	(90,214)	-	-	-	(7,028)	-
10.555	N/A		6,632	7/1/12	6/30/13	(6,632)	6,632	-	-	-	-	-	-
10.556	N/A		1,056	7/1/13	6/30/14	(10,383)	1,056	(1,056)	-	-	-	(10,924)	-
Total Enterprise Fund													
Sub-Total Federal Financial Awards													
Total													
							\$ 799,339	\$ (815,663)	\$ -	\$ -	\$ -	\$ (106,257)	\$ -

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

HOPE ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2014

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013		Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2014		MEMO	
			From	To	Revised (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Due to Grantor		Budgetary Receivable
State Department of Education														
General Fund:														
"Local Levy, State Share - Charter School Aid	14-495-034-5120-071	\$ 2,173,360	7/1/13	6/30/14	\$ -	\$ -	\$ 2,105,736	\$ (2,173,360)	\$ -	\$ -	\$ (67,624)	\$ -	\$ 67,624	\$ 2,173,360
"Local Levy, State Share - Charter School Aid	13-495-034-5120-071	55,172	7/1/12	6/30/13	(65,172)	-	71,401	(71,401)	-	-	-	-	-	71,401
Special Education Aid	14-495-034-5120-089	71,401	7/1/13	6/30/14	-	-	95,366	(95,366)	-	-	-	-	-	95,366
Security Aid	14-495-034-5120-084	95,366	7/1/13	6/30/14	-	-	15,315	(15,315)	-	-	-	-	-	15,315
Adjustment Aid	14-495-034-5120-085	15,315	7/1/13	6/30/14	(24,093)	-	24,093	-	-	-	-	-	-	-
Adjustment Aid	13-495-034-5120-085	-	7/1/12	6/30/13	(5,277)	-	5,277	-	-	-	-	-	-	-
Nonpublic School Transportation Costs	13-100-034-5120-088	-	7/1/12	6/30/13	-	-	154,271	(154,271)	-	-	(10,009)	-	10,009	154,271
On-Behalf TPAF Pension Contributions	14-495-034-5095-006	154,271	7/1/13	6/30/14	-	-	93,772	(93,772)	-	-	-	-	-	93,772
Reimbursed TPAF - Social Security	14-495-034-5095-002	93,772	7/1/13	6/30/14	(4,816)	-	83,763	-	-	-	-	-	-	-
Reimbursed TPAF - Social Security	13-495-034-5095-002	-	7/1/12	6/30/13	(89,348)	-	2,615,200	(2,603,485)	-	-	(77,633)	-	77,633	2,603,485
Total General Fund														
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State Share)	14-100-010-3350-023	1,702	7/1/13	6/30/14	(129)	-	1,570	(1,702)	-	-	(132)	-	132	1,702
National School Lunch Program (State Share)	13-100-010-3350-023	1,667	7/1/12	6/30/13	-	-	129	-	-	-	-	-	-	-
Total Enterprise Fund														
Total State Financial Assistance														
					\$ (129)	\$ -	\$ 1,699	\$ (1,702)	\$ -	\$ -	\$ (132)	\$ -	\$ 132	\$ 1,702
					\$ (89,477)	\$ -	\$ 2,616,899	\$ (2,605,187)	\$ -	\$ -	\$ (77,765)	\$ -	\$ 77,765	\$ 2,605,187

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

HOPE ACADEMY CHARTER SCHOOL
Notes to Schedules of Expenditures of Awards and 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, Hope Academy 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 awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. 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 GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

HOPE ACADEMY CHARTER SCHOOL
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2014

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,603,485	\$ 2,603,485
Special Revenue Fund	674,925	-	674,925
Food Service Fund	140,738	1,702	142,440
Total Awards & Financial Assistance	<u>\$ 815,663</u>	<u>\$ 2,605,187</u>	<u>\$ 3,420,850</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 LOANS OUTSTANDING

Hope Academy Charter School has no loan balances outstanding at June 30, 2014.

HOPE ACADEMY CHARTER SCHOOL
Notes to Schedules of Expenditures of Awards and Financial Assistance
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. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2014. 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.

NOTE 7. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 162,908
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>10,814</u>
Total	<u>\$ 173,722</u>

HOPE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? _____ Yes X No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
_____	_____ <u>NCLB Cluster</u> _____
<u>84.010A</u>	_____ <u>Title I Part A</u> _____
<u>84.367A</u>	_____ <u>Title II Part A</u> _____
_____	_____
<u>84.287C</u>	_____ <u>21st Century Community Learning Center</u> _____

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

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

HOPE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section II –Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

Finding

There were no matters reported.

HOPE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

***Section III – Federal Awards and State Financial Assistance
Findings and Questioned Costs***

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

HOPE ACADEMY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
And Questioned Costs As Prepared by Management
For the Fiscal Year Ended June 30, 2014

STATUS OF PRIOR YEAR FINDINGS

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

Findings

There were no matters reported.