

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PEOPLE'S PREPARATORY CHARTER SCHOOL
NEW JERSEY
FOR THE YEAR ENDED JUNE 30, 2015**

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JUNE 30, 2015
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September 30, 2015

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the People’s Preparatory Charter School for the year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor’s report. The statistical section includes audited data from the school’s first fiscal period. The school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, “Audits of State and Local Governments and Non-Profit Organizations,” and the State Treasury Circular Letter 15-08 OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments.” Information related to this single audit, including the auditors’ reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

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

The People's Preparatory Charter School (People's Prep) constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

People's Prep received final approval for its charter from the state in July 2011, and the school opened its doors to the class of 2019 (named for the year in which we expect the students to graduate from college) on August 22, 2011. In the fall of 2012-13, People's Prep doubled in size and welcomed the school's second class of students and teachers. In August 2012 through June 2015, People's Prep continued to co-locate with another Newark Public School district high school at 321 Bergen Street, Newark. In 2014-15, People's Prep grew to capacity with approximately 380 students in grades 9-12.

2) **ENROLLMENT OUTLOOK:** People's Prep opened the 2014-15 academic year with a roster of 372 students in aggregate in the Classes of 2022, 2021, 2020, and 2019 (grades 9-12). The following is a demographic snapshot of our student population as per the October enrollment count for 2014-2015.

- 83.84% Black
- 15.04% Hispanic
- 0.56% Asian
- 89.14% Receiving free/reduced lunch
- 14.76% Receiving Special Education services

In 2014-15, People's Prep amended the school's original charter application for a second year to align lottery procedures and enrollment policies to ONE Newark's Universal Enrollment system ("ONE"). As a result, the school did not hold a lottery and students were matched to the school's program through a universal application for 2015-16. In addition, the system administrator, Newark Public Schools, maintains a waitlist for each grade, which consisted of 118 students for People's Prep as of fall 2015. In order to reach a diverse pool of applicants and to ensure full enrollment, People's Prep held open houses and began collecting paper applications using the enrollment system from the previous school year.

In order to reach Newark's hardest-to-reach students, the school Enrollment Team visited all five wards in Newark, posted applications at local businesses, posted advertisements on local bus shelters across the city, attended community events, visited local schools, and attended high school fairs. The anticipated incoming 2015-16 class consisted of a majority of students (64%) from Newark public district schools, as well as high percentages of students from the South and West Wards (77%), which are historically educationally disenfranchised with limited quality high school options.

For 2015-16, the anticipated final enrollment is 380 students in grades 9-12.

PEOPLE’S PREP’S UNIQUE PROGRAM

The mission of People’s Prep is to prepare students to graduate from the college of their choice as informed, involved and resilient citizens. We believe that all students can achieve at high academic levels, including those who have been pervasively educationally underserved, with a mindset that it takes hard work, effective effort, and support to become more skilled over time. Our educational program is built primarily upon four pillars: College Readiness, Unique Academic Programming, Student Supports, and Training/Retaining Great Teachers.

1. College Readiness

From their first moments at People’s Prep, students are inculcated with the belief that they can and will graduate from college. For example, each class of students is named not by the year they will graduate from high school, but the year they will graduate from college; our founders are referred to as the Class of 2019. This simple change in nomenclature helps students envision their future. We believe that effective college preparation is best achieved by cultivating academic excellence, positive character development, and leadership. As such, our entire educational program -- both inside and outside the classroom -- is centered on college readiness. The Office of College Placement (“OCP”) has quickly developed and transformed into the heart of People’s Prep. The OCP’s programming has four key components: exposure to career and college, standardized testing and preparation, co-curricular programming, and curriculum. In each of these areas, OCP staff actively collaborate with instructors, advisors, and support staff to ensure the school continues on a strong path towards breaking cycles of unequal education, inadequate opportunity, and poverty.

2. Unique Academic Programming

We believe that regardless of a student’s prior educational experience, he or she can achieve academic success and significant character development within four years and graduate ready for success in college. This belief fuels our programmatic decisions, which often require that school time and staffing assignments are configured in innovative ways.

Our welcomed challenge: Our program is designed to address the significant educational deficits that the majority of our students exhibit upon arrival at People’s Prep as 9th graders. Data from 2011-2015 reveal the following stark challenges facing our incoming classes:

- Over 50% of our incoming 9th graders test below a 5th grade level for math and English.
- The average composite ACT score for an incoming 9th grader is a 14.
- 95% of our students are first-time college goers.

Focus on literacy: We address these deficits with daily double time of English instruction, with one period focused on usage and the other on literature. All students also participate in 30 minutes daily of independent reading and journaling, which adds an additional 150 minutes of literacy practice each week.

Addressing numeracy: In math, our goal has consistently been to offer two sessions of instruction daily. We are currently fulfill this goal with our current 9th grade class where each student sees his/her math teacher twice daily. Efforts to compensate for this void in our other grades have included experimentation with various workarounds like math teaching assistants who offer daily small group tutoring.

Community Work: Our unique programming extends into our co-curricular offerings. In our third year, with the on-boarding of our first Community Program Coordinator (CPC), we initiated the community work component of the school design. Because we believe in a clear connection between off-campus work experience and success in college, and because we believe that equal academic, social, and behavioral development are crucial to success in and through college, our goal is to place an increasing number of students in year-long internships and volunteer positions throughout the community. In the program's inaugural year, the CPC cultivated strong relationships across the city of Newark, which only strengthened in its second year. Through these efforts, our team placed roughly 12% of students with companies, foundations, and organizations in over 25 partners across Newark. In Year 4 of the program, the program will expand to a target of 45 internships across four grades.

3. Diverse Student Supports

We design supports above and beyond standard offerings to cultivate college readiness. From the moment students enroll at People's Prep, a clear connection is made between school and home. Newly enrolled students and their families receive a home visit from two staff members. This visit initiates an involved process of getting to know students and families and understanding how each may need to be supported throughout the four-year path to college. With a 6:1 average student to staff ratio in our first four years, students have benefitted from watchful and caring adults around every corner, and staff have developed a heightened understanding of students' individual challenges.

Our Council program, a single-sex advisory program which meets twice daily, is employed to address the diverse array of supports required by students. Councils, which stay together for all four years of high school, are the family units of our school, and are deeply embedded in the school culture. Council is often considered the foundation upon which our suite of supports rests. Coaches mentor, mediate, and advocate for their students, making sure that they are set up for success in their studies and individual development. When students struggle, the Coach's motto is: It might not be my fault, but it is my responsibility.

4. Train/Retain Great Teachers

Beginning with a highly competitive screening and interview process, teachers and staff at People's Prep learn that we value mission alignment, a commitment to closing the achievement gap, an entrepreneurial spirit, a strong academic record, and a willingness to take feedback and incorporate it quickly into practice. Our approach to recruiting, training and retaining strong practitioners includes: intensive professional development, varied teacher supports, defined pathways to leadership, and sharing best practices with others.

Our summer professional development offerings have evolved over four years from two intensive weeks to a comprehensive month of training. In addition to summer development, our staff members also benefit from weekly professional development sessions and six additional full days over the course of the year, totaling more than 600 hours of learning annually. These sessions represent a minimum expectation, and our teachers and support staff members also pursue graduate degrees, additional certifications, and off-campus training opportunities.

Through the Board's tuition reimbursement policy, People's Prep has helped teachers, staff, and administrators earn advanced degrees and certificates. Both to attract the best talent to PPCS and to invest in those teachers already on campus, we've put considerable time and resources into hosting on and off-campus training sessions for teachers and leaders.

Highlights from Year 4 include: leading several sessions at the annual New Jersey Charter School Association Conference ("NJCSA"), hosting on-campus nighttime events for Newark teachers, hosting trainings at other charter schools throughout the state, and partnering with the National Center for Special Education in Charter Schools to increase programming on campus following a 110% increase in our population of students with disabilities.

3) MAJOR ACCOMPLISHMENTS

Highlights from our first state testing year, 2013-2014

- From Explore testing in the 9th grade to the actual ACT in the 11th, our current seniors increased English scores by 35% and math scores by 30%.
- The average ACT score fell only one point below the published college readiness standard in English (18) and only five points below in math (22).
- From the PSAT to the SAT, students on average increased total scores by 86 total points, and individual students achieved gains as high as 220 points in a single section.
- In the absence of state-wide assessments to measure the growth of our younger students, People's Prep administers the ACT Explore and Plan exams semi-annually. Although the class of 2021 has entered People's Prep with significant deficits reminiscent of the class of 2019's first year in high school, we've observed as many as 30% of students move out of the bottom quartiles across individual content areas.

The class of 2020 similarly has continued to propel upwards in English and Reading in 2013-14, moving 27% of students out of the bottom quartile nationally over time.

- % Change Explore to ACT – English: 35.16%; Math: 30.05%; Reading: 35.45%; Science: 6.80%; Composite: 25.67% - Percentile increase- English: 10.81%; Math: 12.86%
- SAT - average growth from first diagnostic to SAT- Reading: 22%; Math: 22%; Writing: 14%; Total: 17%

Results for our first class of 12th graders

- 84% of our first class graduated on time in June 2015. 90% graduated by August 2015.
- 90% of the class was accepted to a 2 or 4-year college.
- Currently, 78% of the class is enrolled in a 2 or 4-year college. 60% of the class is attending a 4-year college.
- Upon entering People’s Prep, the Class of 2019 had an average composite ACT score of 13. Their final average was a 17.

Staff development and retention

- On average over our first four years, the school has retained over 80% of teachers and over 85% of the staff. Over 70% of the school’s inaugural staff continued employment in 2014-2015 and this included the School Leader.
- To support teachers and staff, in 2014-15 the school transitioned to full-scale, team-based model where everyone benefitted from a coach and weekly team meetings.

Student retention and attendance

- In 2014-15, 95% of students enrolled on October 15th completed the academic year. Average daily attendance in FY15 was 91%. Student retention was as follows:
 - Class of 2019 (12th grade): 100%
 - Class of 2020 (11th grade): 83.5%
 - Class of 2021 (10th grade): 87.5
 - Class of 2022 (9th grade) 86.92%

Community and Family participation and satisfaction

- People’s Pre administers parent satisfaction surveys on an annual basis. The last survey conducted was given in 2015. In addition, People’s Prep solicits consistent feedback from all parents and families through Council Coaches and through quarterly conferences and parent workshops. Overall, 84% of parents were satisfied with the school’s education program (Satisfaction rate is based on response to the statement:” I am satisfied with the overall educational program.”)

- 80% of our community partners described that they were satisfied or very satisfied with the school's partnership. (20% reported they were neutral.)

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2015.

6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools' accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

- 7) **FINANCIAL INFORMATION AT YEAR END:** As demonstrated by the various statements and schedules included in the financial section of report, the school continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the year ended June 30, 2015.

Revenue	Amount	Percent of Total
Local	\$ 919,294	12%
State	6,475,905	81%
Other Local Revenue - General Fund	31,661	1%
Special Revenue - Federal Aid	375,523	2%
Other Local Revenue - Special Revenue	29,998	1%
Enterprise Fund	<u>240,968</u>	<u>3%</u>
Total	<u>\$8,073,349</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the year ended June 30, 2015.

Expenditures	Amount	Percent of Total
Current - General Fund	\$6,382,278	82%
Capital Outlay	570,135	8%
Special Revenue	405,221	6%
Enterprise Fund	<u>246,096</u>	<u>4%</u>
Total	<u>\$7,603,730</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

10) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor’s report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,



Jessica A. Rooney
School Leader

PEOPLE'S PREPARATORY CHARTER SCHOOL

**ROSTER OF TRUSTEES
JUNE 30, 2015**

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Mindy Propper, Board President	6/2016
Adam Goldfarb, Vice President	6/2015
Jozef Krakora	6/2015
Cameron Welch	6/2015
Detravius Bethea	6/2015
Travis Reid	8/2016
Chibunna Chimezie	8/2016

**CONSULTANTS AND ADVISORS
JUNE 30, 2015**

AUDIT FIRM

Scott J. Loeffler, CPA
12 Merry Lane
East Hanover, NJ 07936

ATTORNEYS

Porzio, Bromberg, & Newman, P.C.
100 Southgate Parkway
P.O. Box 1997
Morristown, NJ 07962-1997

OFFICIAL DEPOSITORY

Garden State Community Bank
36 Ferry Street
Newark, NJ 07102

FINANCIAL SECTION

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
12 MERRY LANE
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
People's Preparatory Charter School
County of Essex
Newark, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the People's Preparatory Charter School, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the People's Preparatory Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the People's Preparatory Charter School as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 6 to the financial statements, in the fiscal year ended June 30, 2015, the People's Preparatory Charter School adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the People's Preparatory Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2015 on my consideration of the People's Preparatory Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the People's Preparatory Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA
September 30, 2015

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

This section of People’s Preparatory Charter School annual financial report presents its discussion and analysis of the Board’s financial performance during the year ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the Board’s financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-15 year end include the following:

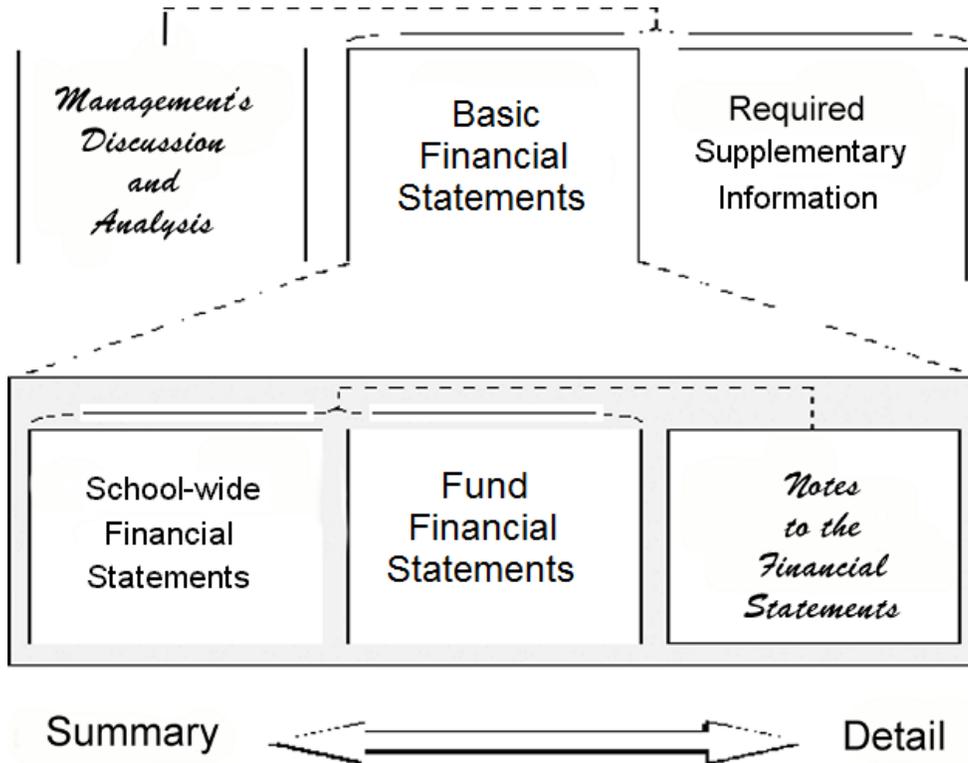
- Total Net Position was \$3,278,817, after pension adjustment of (\$329,576).
- The unrestricted General Fund balance at June 30, 2015 is \$1,224,323.
- Total Capital Reserve at June 30,2015 is \$1,300,000

OVERVIEW OF THE FINANCIAL STATEMENTS

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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



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

PEOPLE’S PREPARATORY CHARTER SCHOOL
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(Unaudited)

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

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

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

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School-wide Statements

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

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

In the school-wide financial statements, the People’s Preparatory Charter School’s activities are shown in two categories:

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

Fund Financial Statements

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

Funds are accounting devices the People’s Preparatory Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

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

The People’s Preparatory Charter School has three kinds of funds:

- **Governmental funds**- Most of the People’s Preparatory Charter School’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

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Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the People’s Preparatory Charter School’s programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- **Proprietary funds-** Services for which the People’s Preparatory Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The People’s Preparatory Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The People’s Preparatory Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the People’s Preparatory Charter School’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. I exclude these activities from the People’s Preparatory Charter School’s government-wide financial statements because the People’s Preparatory Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE PEOPLE’S PREPARATORY CHARTER SCHOOL AS A WHOLE

Net position. The People’s Preparatory Charter School’s net position is \$3,278,817 as of June 30, 2015. (See Table A-1).

Governmental	<u>\$3,278,817</u>
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The Statement of Net Position of \$1,046,652 reflects total capital assets at net of assumed depreciation from inception.

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The People's Preparatory Charter School's financial position is the product of these factors:

- Special Revenues and Expenditures for Governmental and Private Activities were \$405,221.
- General Fund Revenues were \$7,426,860.
- General Fund Expenditures were \$6,952,413.

Table A-1
PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2015

	<u>Total</u>
Current and Other Assets	\$3,034,234
Pension Deferred Outflows	719,135
Capital Assets (Including Business Activities)	1,046,632
Total Assets	<u>\$4,800,001</u>
Liabilities -Current	472,473
Net Pension Liability	989,729
Pension Deferred Inflows	58,982
Total Liabilities	<u>1,521,184</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	1,046,652
Capital Reserve	1,300,000
Unrestricted	932,185
Total Net Position	<u><u>\$3,278,837</u></u>
Fund Balance 06/30/15	\$2,561,761
Invested In Capital Assets, Net of Related Debt	1,046,632
Net Position before Pension Adjustment	<u>3,608,393</u>
Less: Pension Adjustment (Note 16)	<u>(329,576)</u>
Net Position	<u><u>\$3,278,817</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$2,308,393 as of June 30, 2015.

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Table A-2
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2015

Revenues	Total	%
Program revenues		
Charges for services	\$ -	
Operating grants and contributions		
General revenues		
Local Share	919,294	12%
State Aid-Unrestricted	6,475,905	81%
Federal Aid	375,523	5%
Other	61,359	1%
Enterprise Fund	240,968	1%
Total revenues	\$ 8,073,049	100%
Expenses		
Regular Instruction	3,614,663	48%
General Administrative	1,746,336	23%
School Administrative	1,044,842	14%
On-behalf TPAF Social Security	381,658	5%
Capital Outlay	570,135	8%
Enterprise Fund	246,096	2%
Total expenses	\$ 7,603,730	100%
Increase in net assets	469,319	
Net Position, Beginning July 1, 2014	2,940,093	
Increase in Capital Outlay	198,981	
Net Position, Before Pension Adjustment	\$ 3,608,393	
Less Pension Adjustment Net (Note 16)	(329,576)	
Net Position	\$3,278,817	

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Management's Discussion and Analysis
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(Unaudited)**

Table A-3 (See Exhibit A-2)
**PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 3,614,663	\$ 2,572,381
Support Services			
General Administrative Services	B-2	1,746,336	1,337,641
School Administrative Services	B-2	1,044,842	762,436
On-behalf TPAF Social Security	B-2	381,658	214,942
Capital Outlay	B-2	570,135	748,239
Enterprise Fund	G-2	246,096	160,522
Total Governmental Activities		\$ 7,603,730	\$ 5,796,161

FINANCIAL ANALYSIS OF THE PEOPLE'S PREPARATORY CHARTER SCHOOL FUNDS

The financial performance of the People's Preparatory Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the People's Preparatory Charter School completed the year, its general funds reported a combined fund balance of \$2,561,961.

Revenues for the People's Preparatory Charter School's governmental funds were \$8,073,049 while total expenses were \$7,603,730. (Table A-4) (Exhibit B-2 and G-2)

GENERAL FUND

The General Fund includes the primary operations of the People's Preparatory Charter School in providing educational services to students in grades 9 through 11.

PEOPLE'S PREPARATORY CHARTER SCHOOL
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The following schedule presents a summary of Government Revenues.

Table A-4 (See Exhibit B-2)
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Governmental Revenues - School Wide
For the Fiscal Years Ended June 30

General Fund Revenues	Year Ended June 30, 2015	Year Ended June 30, 2014	Increase (Decrease)
Local Sources:			
Local Share	\$ 919,294	\$ 677,196	\$ 242,098
Other Local Revenue	61,359	141,456	(80,097)
Total Local Sources	\$ 980,653	\$ 818,652	\$ 162,001
Intergovernmental			
State Sources	6,478,746	4,739,519	1,739,227
Federal Sources	613,650	656,577	(42,927)
Total Intergovernmental Sources	\$ 7,092,396	\$ 5,396,096	\$ 1,696,300
Total Revenue	\$ 8,073,049	\$ 6,214,748	\$ 1,858,301

The following schedule presents a summary of Governmental expenditures.

Table A-5 (See Exhibit B-2 and G-2)
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Governmental Expenditures - School Wide
For the Fiscal Years Ended June 30

General Fund Expenditures	Year Ended 06/30/2015	Year Ended 06/30/2014	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 3,614,663	\$ 2,572,381	\$ 1,042,282
General Administrative Services	1,746,336	1,337,641	408,695
School Administration	1,044,842	762,436	282,406
On-behalf TPAF Social Security	381,658	214,942	166,716
Capital outlay	570,135	748,239	(178,104)
Food Service	246,096	160,522	85,574
Total Expenditures	\$ 7,603,730	\$ 5,796,161	\$ 1,807,569

**PEOPLE'S PREPARATORY CHARTER SCHOOL
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UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

**Table A-6
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Unreserved-Undesignated Fund Balance - School Wide
For the Fiscal Years Ended June 30**

General Fund	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unreserved-Undesignated				
Fund Balance	1,261,961	749,876	355,694	281,349
Expenditures	7,603,730	5,796,161	3,935,650	2,211,345
Percentage	17%	13%	9%	15%

The People's Preparatory Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designated to support the subsequent years budgets \$1,261,961 for the 2013-14 school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, in the General Fund, the People's Preparatory Charter School had invested \$1,009,663 in a broad range of capital assets, including building improvements, computer and audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements) and Total General Fund depreciation expense for the year was \$116,754.

**Table A-7
PEOPLE'S PREPARATORY CHARTER SCHOOL
Changes in Net Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2015**

Equipment	\$1,325,398
Total - General Fund	<u>\$1,325,398</u>
Less: Accumulated Depreciation	(278,766)
Total - Net Capital Assets General Fund	<u><u>\$1,046,632</u></u>

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FACTORS BEARING ON THE SCHOOL'S FUTURE

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

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

CONTACTING THE PEOPLE'S PREPARATORY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the People's Preparatory Charter School's finances and to demonstrate the People's Preparatory Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, People's Preparatory Charter School, 321 Bergen Street, Newark, New Jersey 07103.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the People's Preparatory Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2015.

SCHOOL-WIDE FINANCIAL STATEMENTS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,528,966	\$ 32,256	\$ 2,561,222
Receivables, net	450,159	22,853	473,012
Security Deposit	-	-	-
Capital assets, net	<u>1,046,632</u>	<u>-</u>	<u>1,046,632</u>
Total Assets	<u>4,025,757</u>	<u>55,109</u>	<u>4,080,866</u>
Deferred outflows of resources			
Pension deferred outflows	719,135	-	719,135
Total assets and deferred outflows of resources	<u>\$ 4,744,892</u>	<u>\$ 55,109</u>	<u>\$ 4,800,001</u>
LIABILITIES			
Accounts payable	247,709	17,671	265,380
Deposits payable	-	-	-
Payable to school districts	205,591	-	205,591
Payable to federal government	-	-	-
Payable to state government	-	-	-
Deferred revenue	1,502	-	1,502
Net pension liability	<u>989,729</u>	<u>-</u>	<u>989,729</u>
Total liabilities	<u>1,444,531</u>	<u>17,671</u>	<u>1,462,202</u>
Deferred inflows of resources			
Pension deferred inflows	<u>58,982</u>	<u>-</u>	<u>58,982</u>
NET POSITION			
Invested in capital assets, net of related debt	1,046,632	-	1,046,632
Restricted for:			
Debt service	-	-	-
Capital reserve	1,300,000	-	1,300,000
Unrestricted (Note 17)	894,747	37,438	932,185
Total net position	<u>\$ 3,241,379</u>	<u>\$ 37,438</u>	<u>\$ 3,278,817</u>
Fund Balance June 30, 2015 - B-1	\$2,524,323		
Cost of capital assets net accumulated depreciation	<u>1,046,632</u>		
Net position before pension adjustments	3,570,955		
Less pension adjustments net (Note 17) (Deficit)	<u>(329,576)</u>		
Total net position	<u>\$3,241,379</u>		

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ (3,614,663)		\$ (405,221)		\$ (3,209,442)	\$ (3,209,442)
Support services:						
General administration	(1,746,336)		-		\$ (1,746,336)	\$ (1,746,336)
School administrative services/ operations plant serv.	(1,044,842)				(1,044,842)	(1,044,842)
On - behalf TPAF Social Security	(381,658)				(381,658)	(381,658)
Capital Outlay	(570,135)				(570,135)	(570,135)
Total governmental activities	<u>(7,357,634)</u>		<u>(405,221)</u>		<u>(6,952,413)</u>	<u>(6,952,413)</u>
Business-type activities:						
Food Service and After School Program		(246,096)			(246,096)	(246,096)
Total business-type activities		<u>(246,096)</u>			<u>(246,096)</u>	<u>(246,096)</u>
Total primary government	<u>(\$7,357,634)</u>	<u>\$ (246,096)</u>	<u>\$ (405,221)</u>		<u>\$ (6,952,413)</u>	<u>\$ (7,198,509)</u>
General revenues:						
					919,294	919,294
					5,626,090	5,628,894
					849,815	1,087,942
					31,661	31,698
					198,981	198,981
					<u>7,625,841</u>	<u>7,866,809</u>
					240,968	240,968
					673,428	668,300
					(5,128)	(5,128)
					2,567,951	2,610,517
					<u>\$ 3,241,379</u>	<u>\$ 3,278,817</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,527,464	\$ 1,502			\$ 2,528,966
Investments					
Receivables, net	450,159	-			450,159
Receivable interfund	-			-	-
Security Deposit	-				-
Restricted cash and cash equivalents					
Total assets	<u>\$ 2,977,623</u>	<u>\$ 1,502</u>	<u>\$ -</u>		<u>\$ 2,979,125</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	247,709	-	-		247,709
Payable to federal government		-			0
Payable to School Districts	205,591				205,591
Payable to state government	-				0
Deferred revenue		1,502			1,502
Total liabilities	<u>453,300</u>	<u>1,502</u>	<u>-</u>		<u>454,802</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve	1,300,000				1,300,000
Excess surplus	-				
Excess surplus -- designated for Subsequent year's expenditures					
Reserve for NCLB Repayment	-				0
Unreserved, reported in:					
General fund	1,224,323		-		1,224,323
Capital projects fund					
Permanent fund					
Total Fund balances	<u>2,524,323</u>		<u>-</u>		<u>2,524,323</u>
Total liabilities and fund balances	<u>\$ 2,977,623</u>		<u>\$ -</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is	\$1,325,398		
and the accumulated depreciation	<u>(278,766)</u>		
		1,046,632	
Net position before pension adjustments			3,570,955
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 6)			719,135
Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 6)			(58,982)
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 6)			<u>(989,729)</u>
Net position of governmental activities			<u>\$ 3,241,379</u>

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Share	\$ 919,294				\$ 919,294
State Share	5,626,090				5,626,090
Other Restricted Miscellaneous Revenues					
Miscellaneous	31,661	29,698			61,359
Total - Local Sources	<u>6,577,045</u>	<u>29,698</u>			<u>6,606,743</u>
State Sources	849,815	-			849,815
Federal Sources		375,523			375,523
Total Revenues	<u>7,426,860</u>	<u>405,221</u>			<u>7,832,081</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 3,209,442	\$ 405,221			\$ 3,614,663
Support services- General Administrative	1,746,336	-			1,746,336
Support Services- School Admin/ operations plant se	1,044,842				1,044,842
On-behalf TPAF Social Security	381,658				381,658
Capital outlay	570,135				570,135
Total expenditures	<u>6,952,413</u>	<u>405,221</u>			<u>7,357,634</u>
Excess (Deficiency) of revenues over expenditures	<u>474,447</u>				<u>474,447</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-				-
Transfers out	-				-
Total other financing sources and uses	<u>* -</u>				<u>-</u>
Net change in fund balances	474,447				474,447
Fund balance - July 1, 2014	749,876				749,876
Fund balance - June 30, 2015	<u>\$ 1,224,323</u>				<u>\$ 1,224,323</u>

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

**PEOPLE'S PREPARATORY 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, 2015**

	GENERAL FUND	ENTERPRISE FUND	TOTAL
Total net change in fund balances - governmental funds (from B-2)	\$ 474,447	(5,128)	\$ 469,319
<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, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>			
Depreciation expense	\$ (116,754)		
Capital outlays	315,735		
	\$ 198,981	0	198,981
<p>Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.</p>			
Change in net assets of governmental activities	\$ 673,428	\$ (5,128)	\$ 668,300

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

PROPRIETARY FUNDS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Net Assets
Proprietary Funds
As of June 30, 2015

		Business-type Activities Enterprise funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$	32,256
Investments		
Accounts receivable		22,591
Other receivables		262
Inventories		
Total current assets		55,109
Noncurrent assets:		
Restricted cash and cash equivalents		
Furniture, machinery & equipment		
Less accumulated depreciation		
Total noncurrent assets		
Total assets		
LIABILITIES		
Current liabilities:		
Cash overdraft		-
Accounts payable		17,671
Total current liabilities		17,671
Total liabilities		17,671
NET ASSETS		
Invested in capital assets net of related debt		
Restricted for:		
Capital projects		
Unrestricted		37,438
Total net assets	\$	37,438

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities
Operating revenues:	
Charges for services:	37
Daily sales - Reimbursable programs and Special Lunch Program	\$ -
Total operating revenues	37
Operating expenses:	
Cost of sales	(32,376)
Salaries and Benefits	(213,720)
Supplies, Materials and Other Expenses	-
Total Operating Expenses	(246,096)
Operating income (loss)	(246,059)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	2,804
Federal sources:	
National school breakfast program	65,921
National School Snack Program	140,964
National school lunch program	31,242
Total nonoperating revenues (expenses)	240,931
Income (loss) before contributions & transfers	(5,128)
Capital contributions	-
Transfers in (out)	
Change in net assets	(5,128)
Total net position - beginning	42,566
Total net position - ending	\$ 37,438

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

Exhibit B-6

**Business-type
Activities
Enterprise Funds**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Participants	\$	37
Payments to employees and benefits		
Payments to suppliers		(245,577)
Net cash provided by (used for) operating activities		(245,540)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State and Federal Sources		257,835
Operating subsidies and transfers to other funds		
Net cash provided by (used for) non-capital financing activities		257,835

CASH FLOWS FROM INVESTING ACTIVITIES

Increase In Fixed Assets		
Proceeds from sale/maturities of investments		
Net cash provided by (used for) investing activities		12,295
Net increase (decrease) in cash and cash equivalents		19,961
Cash Balances—beginning of year		32,256
Cash Balances—end of year	\$	32,256

**Reconciliation of operating income (loss) to net cash provided
(used) by operating activities:**

Operating income (loss)		
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		16,904
(Increase) decrease in inventories		
(Increase) decrease in USDA Commonities		
Increase (decrease) in accounts payable		519
Increase (decrease) in accrued compensated absences		
Total adjustments		17,423
Net cash provided by (used for) operating activities	\$	12,295

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

FIDUCIARY FUNDS

Exhibit B-7

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2015**

NOT APPLICABLE

Exhibit B-8

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

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

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

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

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

Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. The People’s Preparatory Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of People’s Preparatory Charter School is presented to assist in understanding the Charter School’s financial statements and notes are a representation of the Charter School’s management, who is responsible for their integrity and objectivity.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

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

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

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

A. Basis of Presentation

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

Charter School Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

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

Fund Financial Statements

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

B Fund Accounting

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

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

General Fund - The General Fund is the primary operating fund of the Charter School. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2015 there was no Capital Projects Fund.

Proprietary Funds

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

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

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

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

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

C Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting

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

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

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

E Cash, Cash Equivalent and Investments

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

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

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

N.J.S.A. 17:9-41 et. seq. established the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposit of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F Short-Term Interfund Receivables/Payables

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G Inventories and Prepaid Expenses

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

H Capital Assets

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

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

<u>Description of Capital Assets</u>	<u>Estimated Lives (Years)</u>
Equipment	10

I Compensated Absences

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

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Charter School had no compensated absences as of June 30, 2015.

J Accrued Liabilities and Long-Term Obligations

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

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

K Deferred Revenue

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

There is no deferred revenue in the general fund.

Special Revenue – deferred revenue to be utilized in 2015-2016.

Staff Retention Grant	<u>\$1,502</u>
Total:	<u><u>\$1,502</u></u>

L Fund Balance and Equity

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

M Management Estimates

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

N On-Behalf Payments

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O Net Position

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

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

A deferred outflow of resources is a consumption of net position by the People’s Preparatory Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the People’s Preparatory Charter School that is applicable to a future reporting period. The People’s Preparatory Charter School did not have any deferred inflows or outflows of resources at June 30, 2015.

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

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

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

PEOPLE’S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

3 DEPOSITS AND INVESTMENTS

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

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

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

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. As of June 30, 2015, the Charter School’s carrying amount of deposits and investments are as follows:

	General Fund	Special Revenue	Enterprise Funds	Total
Operating A/C	\$2,527,777	\$1,502	\$32,256	\$2,561,222

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2015, the Charter School’s bank balance was \$2,561,222.

Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2015 were secured by federal deposit insurance and \$2,311,222 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act (“GUDPA”).

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

3 DEPOSITS AND INVESTMENTS (continued)

Category 1

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

Category 2

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

Category 3

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

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

Investments

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

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

As of June 30, 2015, the Charter School did not hold any investments.

4 CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2015:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

4 **CAPITAL ASSETS (continued)**

	Beginning Balance July 1, 2014	Net Additions (Deletions)	Ending Balance June 30, 2015
Governmental Activities			
Capital assets, being depreciated:			
Equipment	\$1,009,663	\$315,735	\$1,325,398
Total capital assets being depreciated	\$1,009,663	\$315,735	\$1,325,398
Less accumulated depreciation for:			
Equipment	\$162,012	\$116,754	\$278,766
Total accumulated depreciation	\$162,012	\$116,754	\$278,766
 Total capital assets net	 \$847,651	 \$198,981	 \$1,046,632

5. **RENTAL EXPENSE**

The school leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2015 amounted to \$222,496. Renewal options are being currently considered.

6 **PENSION PLANS**

Description of Plans - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtrnl>.

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, 100% of employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

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.

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The employer contributions for the Charter Schools are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$3,650,530 measured on June 30, 2014 and \$-0- as measured on June 30, 2013.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$196,433 and revenue of \$196,433 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	---	\$2,306,623,861
Collective deferred inflows of resources	---	\$1,763,205,593
Collective net pension liability (Nonemployer-State of New Jersey)	\$50,539,213,484	\$53,446,745,367
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.0%	.006830%

Actuarial assumptions - The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount rate - The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit pay.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate. Since the Charter School has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. 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.

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

At June 30, 2015, the Charter School a liability of \$989,729 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the Charter School's proportion was .005286%, which was an increase of .003991% from its proportion measured as of June 30, 2013.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

For the year ended June 30, 2015, the Charter School recognized pension expense of \$169,346. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions	\$31,122	\$
Net difference between projected and actual earnings on pension plan investments		58,982
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	644,434	
Charter School contributions subsequent to the measurement date.	43,579	
Total	\$719,135	\$58,982

\$43,579 reported as deferred outflows of resources related to pensions resulting from the Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2015	(9,025)
2016	(9,025)
2017	(9,025)
2018	(9,025)
2019	5,721
Thereafter	2,517
Total:	(\$27,862)

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

	6/30/13	6/30/14
Collective deferred outflows of resources	-	\$952,194,675
Collective deferred inflows of resources	-	\$1,479,224,662
Collective net pension liability (Non State- Local Group)	\$19,111,986,911	\$18,722,735,003
Charter schools proportion of net pension liability	247,410	989,729
Charter School proportion percentage	.001295%	.005286%

Actuarial assumptions. The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.01%
Salary Increases:	
2012-2012	2.15%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount rate. The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate. The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.3 %, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the net pension liability	1,177,778	989,729	831,705

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

The sensitivity analysis was based on the proportionate share of the Charter School's net pension liability at June 30, 2014. A sensitivity analysis specific to the Charter School's net pension liability was not provided by the pension system.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.38, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. 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.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 PENSION PLANS (continued)

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions.

In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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 (PERS) and N.J.S.A. 18:66 (TPAF) 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 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6 **PENSION PLANS (continued)**

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$194,072 to the TPAF for post-retirement benefits on behalf of the Charter School. Also, in accordance with NJ.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$187,586 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the Charter School's financial statements in accordance with GASB Statement No. 68.

7 **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, 2014, there were 103,432 retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides employer paid health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

8 **COMPENSATED ABSENCES**

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

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

8 **COMPENSATED ABSENCES (continued)**

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

As of June 30, 2015, Charter School-wide compensated absences amounted to \$-0-.

9 **DEFERRED COMPENSATION**

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

10 **ECONOMIC DEPENDENCY**

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

11 **CONTINGENT LIABILITIES**

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

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

12 RISK MANAGEMENT

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

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

13 RECEIVABLES

Receivables as of June 30, 2015 consisted of accounts, intergovernmental, grants and miscellaneous.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$450,159</u>	<u>\$ ---</u>	<u>\$22,853</u>	<u>\$473,012</u>
Gross Receivables	<u>\$450,159</u>	<u>\$ ---</u>	<u>\$22,853</u>	<u>\$473,012</u>

14. CAPITAL RESERVE

The school established a \$1,300,000 Capital Reserve of its unrestricted fund balance in anticipation of the cost of acquiring renovating and moving their school to a new facility to accommodate the expansion of their student base.

15. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of September 30, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

16. RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period

The Charter School adopted GASB No. 68 - *Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement.

PEOPLE'S PREPARATORY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

16. RETROACTIVE RESTATEMENT OF NET POSITION (continued)

Restatement of Prior Period (continued)

The pronouncement requires the Charter School to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the Charter School was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in the Notes to the Financial Statements), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*, The Charter School restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

Governmental Activities Net Position

Net Position (per A-1), June 30, 2014	\$2,647,527
Restatement of Net Pension Liability	(247,410)
Restatement of Deferred Outflows-Pension	167,834
Net Position (per A-1), June 30, 2014, as Restated	<u>\$2,567,951</u>

17. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1	\$2,524,323
Cost of capital assets net accumulated depreciation	1,046,632
Pension deferred outflows	719,135
Pension deferred inflows	(58,982)
Deferred pension liability as of June 30, 2015	(989,729)
Net position (per A-1) as of June 30, 2015	<u>\$3,241,379</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 885,988	\$ 60,084	\$ 946,072	\$ 919,294	\$ 26,778
State Share	5,421,296	362,049	5,783,345	5,626,090	157,255
Other Restricted Miscellaneous Revenues		\$ -	0		
Miscellaneous	-	250,000	250,000	31,661	218,339
Total - Local Sources	<u>6,307,284</u>	<u>672,133</u>	<u>6,979,417</u>	<u>6,577,045</u>	<u>402,372</u>
Special Education	177,920	47,414	225,334	213,413	11,921
Security Aid	225,762	(3,938)	221,824	212,191	9,633
Non-Public Aid	-	42,556	42,556	42,553	3
Targeted At- Risk Aid		-	-	-	-
Bilingual Education	-	-	-	-	-
Demonstrably Effective	-	-	-	-	-
TPAFMedical (On-Behalf - Non-Budgeted)				119,068	(119,068)
TPAF Pension (On-Behalf - Non-Budgeted)	-		-	75,004	(75,004)
TPAF Social Security (Reimbursed - Non-Budgeted)				187,586	(187,586)
Total State Sources	<u>403,682</u>	<u>86,032</u>	<u>489,714</u>	<u>849,815</u>	<u>(360,101)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>6,710,966</u>	<u>758,165</u>	<u>7,469,131</u>	<u>7,426,860</u>	<u>42,271</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	2,374,019	(131,222)	2,242,797	2,191,563	\$ 51,234
Other Salaries	441,964	227,185	669,149	577,040	92,109
Prof/Tech Services	118,671	11,654	130,325	112,987	17,338
Other Purchased Services (400-500 series)	40,125	49,000	89,125	41,439	47,686
General Supplies	111,229	49,371	160,600	151,055	9,545
Textbooks	23,000	14,500	37,500	20,975	16,525
Other Objects	86,700	138,550	225,250	114,383	110,867
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,195,708</u>	<u>359,038</u>	<u>3,554,746</u>	<u>3,209,442</u>	<u>345,304</u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - General Administrative					
Salaries of Administrative Salaries	534,400	(89,140)	445,260	440,653	4,607
Salaries of Secretarial and Clerical Assistants	344,283	38,557	382,840	379,090	3,750
Purch Prof/ Tech Svc	100,151	67,890	168,041	157,633	10,408
Cost of Benefits	737,757	(234,057)	503,700	499,414	4,286
Consultants	-	-	-	-	-
Other Purchased Services (400-500 series)	51,524	153,921	205,445	155,802	49,643
Communications/Telephone	6,326	2,621	8,947	7,227	1,720
Supplies and Materials	81,600	30,736	112,336	103,978	8,358
Other Objects	356,000	(122,516)	233,484	2,539	230,945
	<u>2,212,041</u>	<u>(151,988)</u>	<u>2,060,053</u>	<u>1,746,336</u>	<u>313,717</u>
Support Services - School Admin/Operation Plant Services					
Salaries	514,147	(117,639)	396,508	376,077	20,431
Purchased Professional and Technical Services	42,417	11,942	54,359	54,035	324
Other Purchased Services	325,483	99,435	424,918	322,086	102,832
Rental of Land and Building- other than Lease Purchase Agreements	277,017	(43,112)	233,905	222,496	11,409
Insurance	28,710	(1,442)	27,268	12,620	14,648
General Supplies	28,845	40,116	68,961	32,788	36,173
Transportation- Trips	-	-	-	-	-
Energy (Energy and Electricity)	-	-	-	-	-
Other Objects	-	31,762	31,762	24,740	7,022
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,216,619</u>	<u>21,062</u>	<u>1,237,681</u>	<u>1,044,842</u>	<u>192,839</u>
Food Service and After Care Program					
Other Purchased Services	-	-	-	-	-
Total Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On-behalf TPAF Medical Contributions (non-budgeted)				119,068	(119,068)
On-behalf TPAF pension Contributions (non-budgeted)				75,004	(75,004)
Reimbursed TPAF Social Security Contributions (non-budgeted)				187,586	(187,586)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,658</u>	<u>(381,658)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>3,428,660</u>	<u>(130,926)</u>	<u>3,297,734</u>	<u>3,172,836</u>	<u>124,898</u>
TOTAL GENERAL CURRENT EXPENSE	<u>6,624,368</u>	<u>228,112</u>	<u>6,852,480</u>	<u>6,382,278</u>	<u>470,202</u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	53,250	140,683	193,933	172,981	20,952
Non-Instructional Equipment	33,348	134,970	168,318	142,754	25,564
Building Improvements	-	254,400	254,400	254,400	-
Total Equipment	<u>86,598</u>	<u>530,053</u>	<u>616,651</u>	<u>570,135</u>	<u>46,516</u>
TOTAL EXPENDITURES- GENERAL FUND	6,710,966	758,165	7,469,131	6,952,413	516,718
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	--	--	474,447	(474,447)
Other Financing Sources:					
Operating Transfer In:	-	-	-	-	-
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	474,447	(474,447)
Fund Balance, July 1, 2014	-	-	749,876	749,876	-
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 749,876</u>	<u>\$ 1,224,323</u>	<u>\$ (474,447)</u>

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 29,698		\$ 29,698	\$ 29,698	
State Sources	-		-	-	
Federal Sources	375,523		375,523	375,523	
Total Revenues	<u>405,221</u>		<u>405,221</u>	<u>405,221</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	269,074		269,074	269,074	
Other Salaries for Instruction					
Purchased Professional -Educational Services					
Purchased Professional and Technical Services	90,076		90,076	90,076	
Transportation	-		-	-	
Other Purchased Services (400-500 series)	-		-	-	
Subsidy for Lunch Program	-		-	-	
General Supplies	1,898		1,898	1,898	
Personal Services- Employee Benefits	44,173		44,173	44,173	
College Readiness	-		-	-	
Textbooks	-		-	-	
Equipment-Instructional	-		-	-	
Total Instruction	<u>405,221</u>		<u>405,221</u>	<u>405,221</u>	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants	-		-	-	
Training	-		-	-	
Personal Services - Employee Benefits	-		-	-	
Recruitment	-		-	-	
Training	-		-	-	
Supplies	-		-	-	
Field Trips					
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
Total Support Services	<u>-</u>		<u>-</u>	<u>-</u>	

PEOPLE'S PREPARATORY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	405,221		405,221	405,221	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

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

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

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**PEOPLE'S PREPARATORY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2013</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)	0.001295%	0.005286%
Charter School Proportionate share of the net pension liability (asset)	247,410	989,729
Charter School Covered employee payroll		\$540,315
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		183%
Plan fiduciary net position as a percentage of the total pension liability		55%

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**PEOPLE'S PREPARATORY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2013</u>	<u>2014</u>
Contractually required contribution	\$0	\$29,014
Contributions in relation to the contractually required contribution	0	(29,014)
Contribution deficiency (excess)	0	0
Charter School Covered employee payroll	N/A	540,315
Contributions as a percentage of covered employee payroll	N/A	5.37%

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**PEOPLE'S PREPARATORY CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30**

Teachers' Pension and Annuity Fund (TPAF)

	<u>2013</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)**	0%	0%
Charter School Proportionate share of the net pension liability (asset)**	0	0
State's proportionate share of the net pension liability (asset) associated with the Charter School	0	3,650,530
Total	0	3,650,530
Charter School Covered employee payroll	N/A	1,705,982
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	0%
Plan fiduciary net position as a percentage of the total pension liability	N/A	46.7%

**NOTE: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the charter school (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the charter school.

**PEOPLE'S PREPARATORY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

SPECIAL REVENUE FUND

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

PEOPLE'S PREPARATORY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2015

	TOTAL	IDEA PART B-Basic TITLE VI	NCLB TITLE I	Staff Retention School Grant	FNF GRANT	PAASE PARCC GRANT
REVENUES						
Intergovernmental						
State						
Federal	\$375,523	\$62,276	\$313,247			
Other Sources						
Miscellaneous	29,698			1,898	7,800	20,000
Total Revenues	<u>405,221</u>	<u>62,276</u>	<u>313,247</u>	<u>1,898</u>	<u>7,800</u>	<u>20,000</u>
EXPENDITURES						
Instruction						
Salaries	269,074		269,074			
Transportation	0					
Other Purchased Services	0					
Purchased Prof. and Tech.and Edu Services	90,076	62,276	0		7,800	20,000
General Supplies	1,898			1,898		
Textbooks	0			0		
Personal Services - Employee Benefits	44,173		44,173			
Subsidy for Lunch program	0					
Equipment - Instructional	0					
Total Instruction	<u>405,221</u>	<u>62,276</u>	<u>313,247</u>	<u>1,898</u>	<u>7,800</u>	<u>20,000</u>
Support Services						
Salaries of Supervisors of Instruction	0					
Salaries of Program Directors	0					
Salaries of Other Prof. Staff	0					
Salaries of Secretarial and Clerical Ass't	0					
Supplies	0					
Recruitment	0					
Training	0					
Communication	0					
Purchased Professional/Educational Service:	0					
Class- room Improvements	0					
Building Improvements						
Non instructional Equipment						
Total Support Services	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u><u>\$385,221</u></u>	<u><u>\$62,276</u></u>	<u><u>\$313,247</u></u>	<u><u>\$1,898</u></u>	<u><u>\$7,800</u></u>	<u><u>\$20,000</u></u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Exhibit G-1

PEOPLE'S PREPARATORY CHARTER SCHOOL
 Statement of Net Assets
 As of June 30, 2015

	Business-Type Activities
	Enterprise Fund
ASSETS	
Current Assets	
Cash	\$32,256
Intergovernmental Receivable	
Federal	22,591
State	261
Accounts Receivable	
Total Current Assets	<u>55,108</u>
Total Assets	<u><u>\$55,108</u></u>
LIABILITIES	
Cash Over Draft	0
Accounts Payable	17,670
Total Current Liabilities	<u>\$17,670</u>
Net Assets	
Unrestricted	37,438
Invested in capital assets net of related debt	0
Total Net Assets	<u><u>\$37,438</u></u>

Exhibit G-2

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year June 30, 2015

	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	\$37
After School Revenue	
Self Pay Revenue	
Total Operating Revenues	0
OPERATING EXPENSES	
Salaries, wages and employee benefits	(32,376)
Supplies, Materials & Other	(213,720)
Professional Services	
Total Operating Expenses	(246,096)
Income (Loss) From Operations	(246,059)
Nonoperating Revenues	
State Sources	
State Sources	2,804
Federal Sources	
School Breakfast Program	65,921
National School Lunch Program	140,964
National School Snack Program	31,242
Board Subsidy	
Total Nonoperating Revenues	240,931
Net Income (Loss)	(5,128)
Total Net Assets- Beginning of Year	42,566
Total Net Assets- End of Year	\$37,438

PEOPLE'S PREPARATORY CHARTER SCHOOL
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

Cash flows from operating activities	
Cash Received from Customers	37
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(\$245,577)
Net Cash (Used) by Operating Activities	<u>(245,540)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	257,835
Net Cash Provided by Noncapital Financing Activities	<u>257,835</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	12,295
Cash and Cash Equivalents, Beginning of Year	19,961
Cash and Cash Equivalents, End of Year	<u>\$32,256</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	(\$5,128)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	16,904
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	519
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>17,423</u>
 Net Cash Used by Operating Activities	<u>\$12,295</u>

FIDUCIARY FUNDS

PEOPLE'S PREPARATORY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Agency Fund Net Position
As of June 30, 2015

	<u>Payroll</u> <u>Account</u>	<u>Summer</u> <u>Pav</u>	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
ASSETS				
Cash	\$100	\$151,567	\$22,210	\$173,877
Total Assets	<u>\$100</u>	<u>\$151,567</u>	<u>\$22,210</u>	<u>\$173,877</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Intergovernmental Payble - State				
Payroll Deductions and Withholdings	100	151,567	22,210	173,877
Total Liabilities	<u>100</u>	<u>151,567</u>	<u>22,210</u>	<u>173,877</u>
Total Net Position Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Net Position	<u>\$100</u>	<u>\$151,567</u>	<u>\$22,210</u>	<u>\$173,877</u>

Exhibit H-2

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2015**

NOT APPLICABLE

Exhibit H-3

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and Cash Equivalents	_____	\$4,961,056	\$4,961,056	_____
Total Liabilities	=====	4,961,056	4,961,056	=====
LIABILITIES				
Payroll Deductions and Withholdings		2,310,305	2,310,305	
Accrued Salaries and Wages	_____	2,650,751	2,650,751	_____
Total Liabilities	=====	\$4,961,056	\$4,961,056	=====

Exhibit H-5

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

FINANCIAL TRENDS

**PEOPLE'S PREPARATORY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 1,046,632	\$ 847,651	\$ 582,967	\$ 431,154
Capital reserve	1,300,000	1,050,000	650,000	
Unrestricted	1,224,323	749,876	355,694	281,349
Total governmental activities net position	<u>\$ 3,570,955</u>	<u>\$ 2,647,527</u>	<u>\$ 1,588,661</u>	<u>\$ 712,503</u>
Business-type activities				
Invested in capital assets, net of related debt				
Restricted				-
Unrestricted				\$ -
Total business-type activities net position				
School-wide				
Invested in capital assets, net of related debt	1,046,632	847,651	582,967	431,154
Capital reserve	1,300,000	1,050,000	650,000	-
Unrestricted	1,224,323	749,876	355,694	281,349
Total school net position	<u>\$ 3,570,955</u>	<u>\$ 2,647,527</u>	<u>\$ 1,588,661</u>	<u>\$ 712,503</u>

Source: School Financial Statements

PEOPLE'S PREPARATORY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses				
Governmental activities				
Instruction				
Regular	\$3,614,663	\$2,572,381	\$1,653,239	\$1,189,049
Support Services:				
General administration	1,746,336	1,337,641	896,209	442,019
School Administrative Services	1,044,842	762,436	391,524	226,819
On-behalf TPAF Social Security	381,658	214,942	98,891	58,237
Capital outlay	570,135	748,239	790,723	235,597
Unallocated depreciation	116,754	83,555	55,765	22,692
Total governmental activities expenses	<u>7,474,388</u>	<u>5,719,194</u>	<u>3,886,351</u>	<u>2,174,413</u>
Business-type activities:				
Food service	246,096	160,522	105,064	59,624
Total business-type activities expense	<u>246,096</u>	<u>160,522</u>	<u>105,064</u>	<u>59,624</u>
Total school expenses	<u>\$7,720,484</u>	<u>\$5,879,716</u>	<u>\$3,991,415</u>	<u>\$2,234,037</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Pupil transportation				
Central and other support services				
Operating grants and contributions	\$405,221	\$600,202	\$314,757	\$694,805
Capital grants and contributions				
Total governmental activities program revenues	<u>405,221</u>	<u>600,202</u>	<u>314,757</u>	<u>694,805</u>
Business-type activities:				
Charges for services				
Food service	240,968	184,927	123,225	59,624
Operating grants and contributions				
Capital grants and contributions				
Total business type activities program revenues	<u>240,968</u>	<u>184,927</u>	<u>123,225</u>	<u>59,624</u>
Total school program revenues	<u>646,189</u>	<u>785,129</u>	<u>437,982</u>	<u>754,429</u>
Net (Expense)/Revenue				
Governmental activities	(\$7,069,167)	(\$5,094,587)	(\$3,553,433)	(\$1,479,608)
Business-type activities	(\$5,128)	\$0	\$0	\$0
Total school-wide net expense	<u>(\$7,074,295)</u>	<u>(\$5,094,587)</u>	<u>(\$3,553,433)</u>	<u>(\$1,479,608)</u>

**PEOPLE'S PREPARATORY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities:				
Local share	\$919,294	\$677,196	\$431,677	\$208,115
State Share	5,626,090	4,141,126	2,750,588	1,379,447
State Aid	849,815	596,041	398,089	150,511
Miscellaneous income	31,661	15,256	9,820	192
Increase in Net Capital Outlay	315,735	348,239	207,578	453,846
Transfers				
Total governmental activities	<u>7,742,595</u>	<u>5,777,858</u>	<u>3,797,752</u>	<u>2,192,111</u>
Business-type activities:				
Investment earnings				
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>7,742,595</u>	<u>5,777,858</u>	<u>3,797,752</u>	<u>2,192,111</u>
Change in Net Position				
Governmental activities	\$673,428	\$658,866	\$226,158	\$712,503
Business-type activities	(\$5,128)	\$24,405	\$18,161	\$0
Total school	<u>\$668,300</u>	<u>\$683,271</u>	<u>\$244,319</u>	<u>\$712,503</u>

Source: School Financial Statements

**PEOPLE'S PREPARATORY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund				
Capital reserve	\$ 1,300,000	\$ 1,050,000	\$ 650,000	\$ -
Unreserved	1,224,323	749,876	355,694	281,349
Total general fund	<u>\$ 2,524,323</u>	<u>\$ 1,799,876</u>	<u>\$ 1,005,694</u>	<u>\$ 281,349</u>
 All Other Governmental Funds				
Reserved				
Unreserved, reported in:				
Special revenue fund				
Capital projects fund				
Enterprise Fund	37,438	42,566		
Debt service fund				
Permanent fund				
Total all other governmental funds	<u>\$ 37,438</u>	<u>\$ 42,566</u>	<u> </u>	<u> </u>

Source: School Financial Statements

**PEOPLE'S PREPARATORY CHARTER SCHOOL
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30**

	(Unaudited)			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues				
Local tax Levy	\$919,294	\$677,196	\$431,677	\$208,115
Other local revenue	61,359	141,456	69,390	338,865
State sources	6,475,905	4,737,167	3,148,677	1,529,958
Federal sources	375,523	474,002	255,187	356,132
Food Service	240,968	184,927	123,225	59,624
Total revenue	<u>8,073,049</u>	<u>6,214,748</u>	<u>4,028,156</u>	<u>2,492,694</u>
Expenditures				
Instruction	3,209,442	2,117,034	1,416,342	575,131
Regular Instruction				
Support Services:				
General administration	1,746,336	1,192,786	818,349	361,132
School administrative services/Plant	1,044,842	762,436	391,524	226,819
TPAF Social Security	381,658	214,942	98,891	58,237
Capital outlay	570,135	748,239	790,723	235,597
Food Service	246,096	160,522	105,064	59,624
Debt service:				
Principal				
Interest and other charges				
Special Revenue	405,221	600,202	314,757	694,805
Total expenditures	<u>7,603,730</u>	<u>5,796,161</u>	<u>3,935,650</u>	<u>2,211,345</u>
Excess (Deficiency) of revenues over (under) expenditures				
Other Financing sources (uses)				
Proceeds from borrowing				
Capital leases (non-budgeted)				
Proceeds from refunding				
Payments to escrow agent				
Transfers in				
Transfers out				
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 469,319</u>	<u>\$ 418,587</u>	<u>\$ 92,506</u>	<u>\$ 281,349</u>

Source: School Financial Statements

REVENUE CAPACITY

PEOPLE'S PREPARATORY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Fiscal Years Ended June 30
(Unaudited)

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Totals</u>
2012						192	192
2013						9,820	9,820
2014						15,256	15,256
2015				28,551		3,110	31,661

Source: School Financial Statements

Exhibit J-6

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

PEOPLE'S PREPARATORY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2015
(Unaudited)

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Year Ended June 30
(Unaudited)

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**PEOPLE'S PREPARATORY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction				
Regular	34	23	15	9
Special education	3	1	1	1
Other special education		0	1	
Vocational				
Other instruction				
Nonpublic school programs				
Adult/continuing education programs				
Support Services:				
Student & instruction related services	17	12	6	3
General administration	4	4	4	3
School administrative services	3	2	1	2
Other administrative services			1	1
Central services				
Administrative Information Technology	1			
Plant operations and maintenance	2	2	1	3
Pupil transportation				
Other support services	2	1	1	
Special Schools				
Food Service				
Child Care				
Total	<u>66</u>	<u>45</u>	<u>31</u>	<u>22</u>

Source: School Personnel Records

PEOPLE'S PREPARATORY CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2012	95	\$2,151,721	\$22,649	0.00%	8	0	8	95	87	100%	92%
2013	191	\$3,186,760	\$16,685	-26.33%	17	0	17	192.4	175	103%	90%
2014	271	\$5,796,161	\$21,388	1.28%	24	0	24	275.4	251.9	43%	91%
2015	359	\$6,610,715	\$18,414	1.28%	37	0	37	359	331.6	30%	91%

Sources: School records

PEOPLE'S PREPARATORY CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(Unaudited)

<u>School Building</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Main Campus*				
Exclusive Space- Square Feet	35,041	27,107	18,512	11,330
Shared Space-Square Feet	17,466	17,466	17,466	17,466
Capacity (students)	380	285	200	95
Enrollment (year-end)	359	271	191	95
Second Campus				
Square Feet	N/A	N/A	N/A	N/A
Capacity (students)	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A
Number of Schools at June 30				
High School	1	1	1	1

Source: Charter School Office

*People's Preparatory Charter School rents space from the Newark Public Schools. The School is co-located in a school building with two other district schools and district facilities and operational offices.

Exhibit J-19

**PEOPLE'S PREPARATORY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

PEOPLE'S PREPARATORY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 900,000	\$ 1,000
Boiler and Machinery	1,000,000	1,000
School Board Legal Liability	1,000,000	5,000
Umbrella	2,000,000	10,000
Workers' Compensation	1,000,000	-
 Surety Bonds		
School Board Legal Liability	2,000,000	5,000
School Business Administrator	140,000	
Source: Charter School Records		

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**PEOPLES PREPARATORY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	2,561,222	2,208,996	1,300,541	467,957
Current Assets	3,034,234	2,536,493	1,588,625	656,389
Capital Assets-Net	1,046,632	847,651	582,967	431,154
Total Assets	<u>4,080,866</u>	<u>3,384,144</u>	<u>2,171,592</u>	<u>1,087,543</u>
Current Liabilities	472,473	694,051	564,770	375,040
Long Term Liabilities	0	0	0	0
Total Liabilities	<u>472,473</u>	<u>694,051</u>	<u>564,770</u>	<u>375,040</u>
Net Position	<u><u>3,608,393</u></u>	<u><u>2,690,093</u></u>	<u><u>1,606,822</u></u>	<u><u>712,503</u></u>
Total Revenue	8,073,049	6,214,748	4,028,156	2,492,694
Total Expenses	<u>(7,603,730)</u>	<u>(5,796,161)</u>	<u>(3,935,650)</u>	<u>(2,211,345)</u>
Change in Net Position	<u><u>469,319</u></u>	<u><u>418,587</u></u>	<u><u>92,506</u></u>	<u><u>281,349</u></u>
Depreciation	116,754	83,555	55,765	22,692
Principal Payments	0	0	0	0
Interest payments	0	0	0	0
Final average daily enrollment	366	271	175	95
March 30th budgeted Enrollment	366	271	175	95
Near term indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
CURRENT RATIO	6.43	2.38	2.81	1.75
Unrestricted days cash	122.95	139.1	120.6	77.2
Enrollment variance	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A

**PEOPLES PREPARATORY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	2,561,222	2,208,996	1,300,541	467,957
Current Assets	3,034,234	2,536,493	1,588,625	656,389
Capital Assets-Net	1,046,632	847,651	582,967	431,154
Total Assets	<u>4,080,866</u>	<u>3,384,144</u>	<u>2,171,592</u>	<u>1,087,543</u>
Current Liabilities	472,473	694,051	564,770	375,040
Long Term Liabilities	0	0	0	0
Total Liabilities	<u>472,473</u>	<u>694,051</u>	<u>564,770</u>	<u>375,040</u>
Net Position	<u>3,608,393</u>	<u>2,690,093</u>	<u>1,606,822</u>	<u>712,503</u>
Total Revenue	8,073,049	6,214,748	4,028,156	2,492,694
Total Expenses	<u>(7,603,730)</u>	<u>(5,796,161)</u>	<u>(3,935,650)</u>	<u>(2,211,345)</u>
Change in Net Position	<u>469,319</u>	<u>418,587</u>	<u>92,506</u>	<u>281,349</u>
Depreciation	116,754	83,555	55,765	22,692
Principal Payments	0	0	0	0
Interest payments	0	0	0	0
Final average daily enrollment	366	271	175	95
March 30th budgeted Enrollment	366	271	175	95
Sustainability Indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total margin	6.4%	7%	6%	3%
Debt to Asset	N/A	N/A	N/A	N/A
Cash flow	322,226	908,455	832,584	467,957
Debt Service Coverage ratio	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
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EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
People's Preparatory Charter School
County of Essex
Newark, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the People's Preparatory Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated September 30, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Licensed Public School Accountant No. 870

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

Scott J Loeffler, CPA
September 30, 2015

SCOTT J. LOEFFLER
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EXHIBIT K-2

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY
OMB CIRCULAR NJOMB 15-08**

The Honorable Chairman and
Members of the Board of Trustees
People's Preparatory Charter School
County of Essex
Newark, New Jersey

Compliance

I have audited the People's Preparatory Charter School, in the County of Essex, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2015. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and State of New Jersey Department of Treasury Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, OMB Circular A-133 and State of New Jersey Department of Treasury Circular 15-08-OMB require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In my opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Department of Treasury Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Department of Treasury Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA
September 30, 2015

PEOPLE'S PREPARATORY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

<u>Federal/Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2014</u>	<u>Prior Carry-over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjust</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2015</u>	<u>Due to Grantor at June 30, 2015</u>
Food Subsidy											
Federal School Breakfast	10.553	07/01/14-06/30/15	65,921	(4,308)		\$ 63,131	\$ 65,921			(7,098)	
Federal School Lunch	10.555	07/01/14-06/30/15	140,964	(24,994)		152,269	140,964			(13,689)	
Federal School Snack	10.558	07/01/14-06/30/15	31,242	(9,986)		39,424	31,242			(1,804)	
Special Revenue											
NCLB Title I PART A	84.010A	07/01/14-06/30/15	397,803	(215)		313,462	313,247			0	
IDEA BASIC	84.027	07/01/14-06/30/15	38,667	(8,471)		70,747	62,276			0	
				0		384,209	375,523			0	---
Total Special Revenue				(47,974)		\$639,033	\$613,650			(22,591)	

See accompanying notes to schedules of expenditures of Federal and State award programs.

PEOPLES PREPARATORY CHARTER SCHOOL
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2015

EXHIBIT-K-4

<u>State Grantor Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2014</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustments</u>	<u>Deferred Revenue/ (Accounts Receivable) 2015</u>	<u>Due to Grantor at June 30, 2015</u>
GENERAL FUND										
TPAF On Behalf Social Security	15-495-034-5095-002	7/1/14-06/30/15	\$187,586		\$187,586	\$187,586				
Equalization School Aid - Local	15-495-034-5120-078	7/1/14-06/30/15	919,294		919,294	919,294				
Equalization School Aid - State	15-495-034-5120-078	7/1/14-06/30/15	5,626,090		5,626,090	5,626,090				
Security Aid	15-100-034-5120-084	7/1/14-06/30/15	212,191		212,191	212,191				
Nonpublic Aid	15-100-034-5120-060	7/1/14-06/30/15	42,553		42,553	42,553				
Special Education	15-495-034-5120-089	7/1/14-06/30/15	<u>213,413</u>		<u>213,413</u>	<u>213,413</u>				
Total General Fund					7,201,127	7,201,127				
ENTERPRISE FUND										
State School Lunch	15-100-010-3350-023	7/1/14-06/30/15	<u>(\$449)</u>		<u>2,866</u>	<u>2,678</u>			<u>(\$261)</u>	<u>\$</u>
Total State Financial Aid Subject to OMB 04-04			<u>(\$449)</u>		<u>\$7,203,993</u>	<u>\$7,203,805</u>			<u>(\$261)</u>	<u>\$ -</u>
On Behalf TPAF Pension/Medical	15-495-034-5095-050	7/1/14-06/30/15			<u>\$194,072</u>	<u>\$194,072</u>				
Total State Financial Assistance					<u><u>\$7,398,065</u></u>	<u><u>\$7,397,877</u></u>				

See accompanying notes to schedules of expenditures of Federal and State award programs.

**PEOPLE’S PREPARATORY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the school’s basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and NJOMB Circular 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

**PEOPLE'S PREPARATORY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

	Federal	State	Total
General Fund	\$ ---	\$7,201,127	\$7,201,127
Special Revenue Fund	375,523	-0-	375,523
Food Service Fund	<u>238,127</u>	<u>2,866</u>	<u>240,993</u>
Total Awards and Financial Assistance	<u>\$613,650</u>	<u>\$7,203,993</u>	<u>\$7,817,643</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2015. TPAF Social Security Contributions of \$187,596 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, 2015.

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

On-behalf State Programs for TPAF Pension \$75,004 and Post-Retirement Medical Benefits Contributions \$119,068 are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the schools basic financial statements and the amount subject to State single audit and major program determination.

**PEOPLE’S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

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

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported

Type of auditor’s report on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X

Identification of major programs:

CDFA Number(s)	Name of Federal Program	
84.01A	NCLB Title I Part A	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000

Auditee qualified as low risk auditee:	X
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**PEOPLE’S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

State Awards	<u>YES</u>	<u>NO</u>	
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000		
Auditee qualified as low risk auditee:	X		
Type of auditor’s report issued:		Unmodified	
Internal control over major programs:			
Material weakness(es) identified:		X	
Significant deficiencies identified not considered to be material weakness(es)?		X	None Reported
Type of auditor’s report on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X	
Identification of major programs:			
<u>CDEA Number(s)</u>			<u>Name of State Program</u>
15-495-034-5120-078			Equalization School Aid Cluster
15-495-034-5120-060			Non Public Aid
15-495-034-5120-089			Special Education

**PEOPLE'S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

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

**PEOPLE'S PREPARATORY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 15-08.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of OMB Circular A-133 or with NJOMB Circular 15-08.

**PEOPLE'S PREPARATORY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

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