

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
BELOVED COMMUNITY CHARTER SCHOOL
NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

BELOVED COMMUNITY CHARTER SCHOOL
JUNE 30, 2015
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November 20, 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 Beloved Community Charter School for the fiscal 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 year. The school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 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 Beloved Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

BelovED is a public charter school operating in Jersey City, NJ, that in this current SY16 (July 2015-June 2016) is approved to offer grades K-5 and enroll 720 students. SY15, the subject year of this audit, was BelovED's third operating year. During it, BelovED was approved to offer grades K-4 and to enroll up to 600 students. The School operated with 5 homeroom sections per grade level and approximately 24 students per section.

BelovED offered an extended school day running from 8:00 am to 4:15 pm, free afterschool programs, and free summer programs. Its education program combines a formative assessment-intensive, data-driven approach to targeting instructional content with *Teach Like a Champion* instructional techniques, and a values and character education program inspired by Martin Luther King, Jr.'s conception of the "Beloved Community."

- 2) **ENROLLMENT OUTLOOK** – BelovED Community Charter School operated in SY15 with just under 600 students, its approved maximum enrollment for the year. In SY16, it has a maximum enrollment of 720 students and it is operating with every seat full and with hundreds of additional students on its waiting lists. BelovED enjoyed a very high level of student retention in its first three operating years. It anticipates that some students will leave over the course of this school year, principally as a function of their families moving out of Jersey City; but BelovED anticipates filling the seats that open up from its waiting list and finishing SY16 with enrollment still close to its 720-student approved maximum enrollment for the year.

With receipt of state approval, we anticipate annually adding an additional grade level of 120 scholars and growing to a maximum enrollment of 1320 over the next five years.

- 3) **MAJOR ACCOMPLISHMENTS** – The Boards goals for BelovED have been to:

- 1) Reach out to Jersey City's LOWEST INCOME RESIDENTS;
- 2) Offer an absolutely EXCELLENT EDUCATION;
- 3) Model COST-EFFICIENCY; and to
- 4) Continually GROW.

BelovED's performance as regards these goals has been spectacular!

Successful Affirmative Outreach

83% of BelovED's scholars are free and reduced price lunch eligible (a federal measure of economic stress), and 18% are Limited English Proficient. The corresponding percentages in the traditional Jersey City public schools are only 71% and 12%. This demonstrates that BelovED's affirmative outreach efforts have been successful.

Fantastic Educational Success

BelovED's mostly low-income scholars (often Limited English Proficient or possessing Special Needs, as well) came to us far behind grade level, on average. *Since* coming to BelovED, nationally normed assessments of educational achievement show that our scholars

have been making learning gains that average one-and-half grade levels per year. (See table at letter's end.)

This is an utterly phenomenal rate of learning growth, and it is confirmed by the performance of BelovED's scholars on New Jersey's state assessments. In SY14, there was a 19% "achievement gap" between the percentage of BelovED's scholars who scored proficient or advanced proficient on end-of-year state assessments versus the higher *statewide average* percentage of scholars who scored proficient or advanced proficient on these assessments. But in SY15, (which ended this past June), this entire achievement gap was eliminated for BelovED's then Fourth Graders. Meanwhile, BelovED's then Third Graders, who were younger when they began with the school and had not yet fallen so far behind their statewide peers, are now substantially ahead of their wealthier statewide peers.

BelovED is proving that there is No Excuse for America's urban public schools remaining symbols of educational failure!

Extremely Impressive Cost-Efficiency

Base local and state funding for non-special needs/non-at-risk scholars at Jersey City's charter schools is \$7,380 per student. At BelovED Community Charter School in Jersey City, federal and state funding for the school's high percentage of At-Risk, Limited-English Proficient, and Special Needs scholars brings total public funding for school operations up to \$11,670 per student currently. But this is only half of the \$23,435 in total public funding per student that traditional public schools in Jersey City received in SY14 (the most recent year for which such data is available online.) BelovED makes up for this funding disadvantage through impressive cost-efficiency.

For example, consider this: the construction cost per student-to-be-housed of our school facility was \$13,888. (\$12.5 million for 900 students.) The State of New Jersey built an elementary school (P.S. 3.) a couple blocks down the street for the local public school district at a cost of \$117,000 per student-to-be-housed. (\$70 million for 600 students.) Our cost per student-to-be-housed was one-eighth of what the State spent building a facility for the local school district.

Growth

There is a huge demand for high quality schools in Jersey City. Indeed, BelovED received four times as many applications last year as it had additional seats available.

Meanwhile, a study commissioned by the Jersey City School District evidences that a tidal wave of young children is about to enter Kindergarten. The study concludes that "Major capacity deficits are expected at the Elementary and Middle School grade levels. Based on existing capacity, it is projected that in SY 2017-18, there will be inadequate classroom space for 4,834 out of 23,833 students in grades PK-3 to 8 with enrollment exceeding capacity by 25.4 percent." (District Forecast of Jersey City Public School Enrollment, Volume 2; Urbanomics, February 27, 2014; page 20.)

It has been to help address this need for high quality school seats that BelovED has DOUBLED its enrollment since opening in School Year 2013, and plans to continue growing by one grade level of 120 scholars annually until it offers grades K-12 school.

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

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

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

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

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

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

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

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** BelovED sold its school last year to *Friends of BelovED Community Charter School*, a 501(c)3 charitable organization, from which it now leases the facility. This sale eliminated the negative impact of depreciation on the school’s balance sheet.

BelovED also implemented a number of measures to improve the efficiency of its instructional operations. As a result, Teacher and Other Instructional Salaries were up far less in SY15 versus SY14, than they were up in SY14 versus SY13, and future year increases will be similarly controlled.

BelovED also implemented initiatives to increase Other Revenues (i.e., revenues from non-public sources) in this current school year. As a result, BelovED is now enjoying substantial Other Revenues from the following sources: \$145,000 in rental income and \$23,900 in utility expense sharing from the lease of surplus facility space to Empowerment Academy Charter School; \$223,250 in revenue from five Shared Services Contracts with Empowerment Academy; \$15,000 in Gym and Multi-Purpose Room rental income from outside entities during non-school hours; and a \$110,000 in Aftercare revenues due to a rate increase and higher enrollment. Collectively, these measures are bringing over \$517,000 in new revenue to BelovED.

The most significant step BelovED took in SY15 to increase its future financial surpluses was to dramatically expand its facility space. But note: This same step resulted in a SY15 operating loss.

School facilities are never built to house just one grade level. They are built to house several grade levels because this achieves both educational benefits and construction and operating cost-efficiencies. But BelovED and most growing charter schools only add one new grade level a year. This creates a situation where to expand, charter schools often need to rent far more space than they can initially fill and use to generate revenue. This can cause charter schools to lose money in the first year after leasing new space. Call this the “Initial Occupancy Loss.” Later, after a school adds more grade levels and is able to generate revenue from the initially empty additional space it is paying for, the same new space can produce significant operating surpluses.

BelovED occupied a newly completed elementary school annex at the beginning of School Year 15 (July 2014-June 2015) that increased the capacity of its elementary school facility from 500 students to well over 900 students.

The completion of this annex allowed BelovED to add a grade level in SY15 and to add a grade level in this current school year: SY16. It will also enable BelovED to add grade levels in SY17 and in SY18. Because charter schools receive their tax funding on a per-student-enrolled basis, this ability to grow enrollment will produce very substantial year-after-year revenue increases for BelovED until the new space is completely filled.

Of course, the new space BelovED leased had a cost. BelovED's rent rose by over \$450,000 last year after the new space was completed. Insurance and utility expenses, and expenses related to hiring security personnel for the annex, also rose. In total, BelovED's facility-related costs rose by over \$600,000 in SY15 and caused BelovED to operate at a loss in SY15 and end the year with a General Fund Deficit.

Happily, BelovED's facility-related expenses will be relatively flat in the current school year and the next several school years going forward, while BelovED's enrollment and revenues will be climbing sharply. So while the cost of the new space caused BelovED to operate at a loss in SY15, BelovED is now operating in the black and we project that its operating surpluses will be extremely substantial next year, SY17, and in SY18. Indeed, combined with anticipated cost-saving measures and additional revenue enhancing measures, we believe BelovED's surplus next year could be over \$1 million.

- 8) **SUBSEQUENT EVENTS AND ACTIONS TO CLOSE THE CARRIED FORWARD SY15 GENERAL FUND DEFICIT** The Board would like to close the carried forward SY15 General Fund Deficit before SY16 is over. Our developing SY16 operating surplus will help with that objective, but to extinguish the deficit as quickly as possible, the Board and friends of the school are organizing efforts to raise \$300,000 in charitable donations by mid-spring. BelovED's friends raised \$170,000 in the spring of 2012 to cover the school's start-up costs before it commenced operation in September 2012 and began receiving public funding. Their goal with this campaign will be to close the carried forward General Fund Deficit and enable BelovED, with its SY17 and SY18 surpluses, to pre-finance the increase in facility cost BelovED will experience in SY19 when it anticipates occupying its next brand new facility: a \$12 million Middle School that the *Friends of BelovED Community Charter School* will break ground for at year-end 2016.
- 9) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in "Notes to the Financial Statements," Note 3. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 10) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

11) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 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,



Gregory Corrado
Board President

Learning Gains of BelovED Scholars as Measured by Terra Nova Assessments

Scholars' Grade Level	SY 15 Reading GME	Cohorts' SY 14 Reading GME	Cohorts' SY13 Reading GME	Cohorts' 2-Year Reading GME Growth	Cohorts' Reading GME Growth/Year
K	1.4				
First	2.4	1.0			1.4
Second	3.8	2.2	.3	3.5	1.8
Third	5.2	3.3	2.0	3.2	1.6
Fourth	6.2	4.4	3.1	3.1	1.6
School Avg.				3.3	1.6

Scholars' Grade Level	SY15 Math GME	Cohorts' SY14 Math GME	Cohorts' SY13 Math GME	Cohorts' 2-Year Math GME Growth	Cohorts' Math GME Growth/Year
K	1.4				
First	2.0	1.2			.8
Second	3.2	2.0	.4	2.8	1.4
Third	4.7	3.2	2.0	2.7	1.4
Fourth	5.7	4.1	3.0	2.7	1.4
School Avg.				2.7	1.3

Scholars' Grade Level	SY15 Science GME	Cohorts' SY14 Science GME	Cohorts' SY13 Science GME	Cohorts' 2-Year Science GME Growth	Cohorts' Science GME Growth/Year
K					
First	2.1				
Second	4.1	2.1			2.0
Third		3.4	2.0		1.4
Fourth		4.4	3.2		1.2
School Avg.					1.5

Scholars' Grade Level	SY15 Social Studies GME	Cohorts' SY14 Soc Studies GME	Cohorts' SY13 Social Studies GME	Cohorts' 2-Year Social Studies GME Growth	Cohorts' Social Studies GME Growth/Year
K					
First	2.2				
Second	4.4	2.7			1.7
Third		4.2	2.4		1.8
Fourth		4.5	3.6		.9
School Avg					1.5

* A GME (Grade Mean Equivalent) gain of 1.0 means that a scholar has made 1 grade level-worth of learning gains, computed on a *nationally normed basis*. Note that BelovED's scholars have, on average, been making learning gains of 1.5 grade levels-worth of learning a year.

BELOVED COMMUNITY CHARTER SCHOOL

**ROSTER OF TRUSTEES
JUNE 30, 2015**

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Greg Corrado, President	11/15
Rev. Ronnie Calvin-Clark	11/15
Nicole Jackson	11/16
Terri Keller	11/16
Jessica Lisboa	11/16
Salvatore Risalvato	11/15
David Robinson	11/15
Richard Valdes	11/16

CONSULTANTS AND ADVISORS
June 30, 2015

AUDIT FIRM

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

ATTORNEYS

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The Legal Center
1037 Raymond Blvd.
Suite 900
Newark, NJ 07102

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

OFFICIAL DEPOSITORY

Bank of America

FINANCIAL SECTION

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

TELEPHONE
973-585-4989

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973-240-7318

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beloved Community Charter School as of June 30, 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 Beloved Community 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 Beloved Community Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 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 basis financial statements as a whole.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note (17) to the financial statements, the School has suffered recurring losses and has a net fund balance (deficit). These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note (17). The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the School be unable to continue as a going concern.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2015 on my consideration of the Beloved Community Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Beloved Community Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

A handwritten signature in 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
November 20, 2015

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

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

This section of Beloved Community Charter School annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 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 fiscal year include the following:

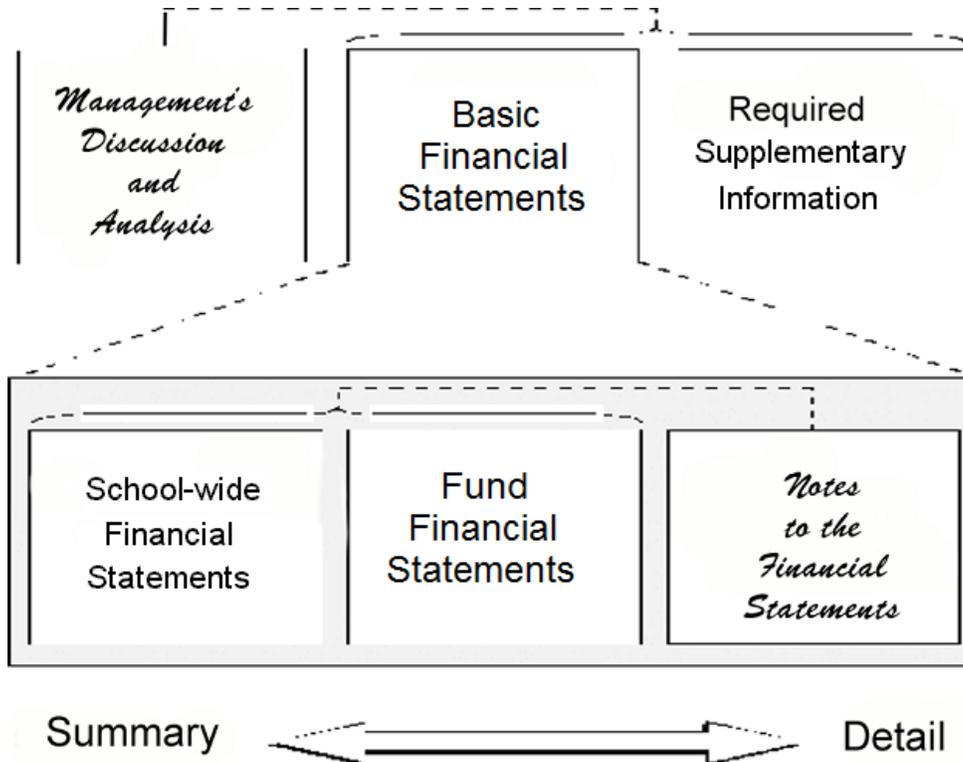
- Total Net (Deficit) Position was (\$428,923).
- The unrestricted General Fund (Deficit) balance at June 30, 2015 is (\$428,923).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BELOVED COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 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 Beloved Community Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Beloved Community Charter School, reporting the Beloved Community Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the Beloved Community Charter School operates like businesses.

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

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

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

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

School-wide Statements

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

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

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

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

Fund Financial Statements

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

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

- Some funds are required by State law.

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

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

The Beloved Community Charter School has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE BELOVED COMMUNITY CHARTER SCHOOL AS A WHOLE

Net position. The Beloved Community Charter School's net (deficit) position is (\$428,923) as of June 30, 2015. (See Table A-1).

Governmental

(\$428,923)

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

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

- Special Revenues and Expenditures for Federal Activities were \$662,237.
- General Fund Revenues were \$7,009,729.
- General Fund Expenditures were \$7,349,731.

Table A-1
BELOVED COMMUNITY CHARTER SCHOOL
Statement of Net Position (Deficit)
As of June 30, 2015

	<u>Total</u>
Current and Other Assets	\$443,359
Capital Assets (Including Business Activities)	0
Total Assets	<u>\$443,359</u>
Long-Term Liabilities	-
Other Liabilities	872,282
Total Liabilities	<u>872,282</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	0
Restricted	0
Unrestricted Fund Balance (Deficit)	(428,923)
Total Net Position (Deficit)	<u><u>(\$428,923)</u></u>
Fund Balance (Deficit) 06/30/15	(\$428,923)
Invested In Capital Assets, Net of Related Debt	---
Net Position before Pension Adjustment	<u>(428,923)</u>
Less: Pension Adjustment (Note 18)	<u>---</u>
Net Position	<u><u>(\$428,923)</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net (deficit) position of (\$428,923) as of June 30, 2015.

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

Table A-2
BELOVED COMMUNITY CHARTER SCHOOL
Changes in Net Position (Deficit) - School Wide
For the Fiscal Year Ended June 30, 2015

Revenues	<u>Total</u>
Program revenues	
Charges for services	0
Operating grants and contributions	
General revenues	
Local Share	\$ 4,450,316
Federal and State Aid-Unrestricted	2,227,254
Federal Aid-Restricted	662,237
Other	332,159
Increase in Capital Outlay	319,314
Total revenues	<u>\$ 7,991,280</u>
Expenses	
Regular Instruction	4,022,201
General Administrative	1,349,353
School Administrative	1,296,307
On-behalf TPAF Social Security	181,084
Capital Outlay	1,163,023
Total expenses	<u>\$ 8,011,968</u>
(Decrease) in net position (deficit)	(20,688)
Net Position (deficit), Beginning July 1, 2014	(408,235)
Net Position (deficit), End of Year June 30, 2015	<u>\$ (428,923)</u>
Decrease in Fund Balance	(428,923)
Increase in Net Capital Outlay	---
Net Increase in Net Position	(428,923)
Net Position - Beginning July 1	---
Net Position - Before Pension Adjustment	\$ (428,923)
Less Pension adjustment net (Note 18)	---
Net Position - End of Year June 30	<u>(428,923)</u>

**BELOVED COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

**Table A-3 (See Exhibit A-2)
BELOVED COMMUNITY CHARTER SCHOOL
Total and Net Cost of Services - 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	\$ 4,022,201	\$ 3,405,861
Support Services			
General Administrative Services	B-2	1,349,353	1,103,986
School Administrative Services	B-2	1,296,307	1,016,026
On-behalf TPAF Social Security	B-2	181,084	126,274
Capital Outlay	B-2	1,163,023	725,010
Total Governmental Activities		<u>\$ 8,011,968</u>	<u>\$ 6,377,157</u>

FINANCIAL ANALYSIS OF THE BELOVED COMMUNITY CHARTER SCHOOL FUNDS

The financial performance of the Beloved Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Beloved Community Charter School completed the year, its general funds reported a combined fund (deficit) of (\$428,923).

Revenues for the Beloved Community Charter School's governmental funds were \$7,671,966 while total expenses were \$8,011,968. (Table A-4) (Exhibit B-2)

GENERAL FUND

The General Fund includes the primary operations of the Beloved Community Charter School in providing educational services to students from grade K through grade 4.

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

The following schedule presents a summary of Governmental Revenues.

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

Governmental Revenues	Year Ended 06/30/2015	Year Ended 06/30/2014	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 4,450,316	\$ 4,874,099	(\$423,783)
Other Local Revenue	332,159	219,876	112,283
Total Local Sources	\$ 4,782,475	\$ 5,093,975	(\$311,500)
Intergovernmental			
State Sources	2,227,254	469,220	1,758,034
Federal Sources	662,237	447,186	215,051
Total Intergovernmental Sources	\$ 2,889,491	\$ 916,406	\$1,973,085
Total Revenue	\$ 7,671,966	\$ 6,010,381	\$1,661,585

The following schedule presents a summary of Governmental Expenditures.

Table A-5 (See Exhibit B-2)
BELOVED COMMUNITY CHARTER SCHOOL
Changes in General Fund 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	\$ 4,022,201	\$ 3,405,861	\$ 616,340
General Administrative Services	1,349,353	1,103,986	245,367
School Administration	1,296,307	1,016,026	280,281
On-behalf TPAF Social Security	181,084	126,274	54,810
Capital outlay	1,163,023	725,010	438,013
Total Expenditures	\$ 8,011,968	\$ 6,377,157	\$ 1,634,811

**BELOVED COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

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

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

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

General Fund	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unreserved-Undesignated			
Fund Balance (Deficit)	(428,923)	(88,921)	277,856
Expenditures	8,011,968	6,377,157	4,058,712
Percentages	N/A	N/A	7%

The Beloved Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance (deficit) for the subsequent years budgets (\$428,923) for the 2015-16 school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

**Table A-7
BELOVED COMMUNITY CHARTER SCHOOL
Changes in Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2015**

Not Applicable

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

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

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

CONTACTING THE BELOVED COMMUNITY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

SCHOOL-WIDE FINANCIAL STATEMENTS

BELOVED COMMUNITY CHARTER SCHOOL
Statement of Net Position (Deficit)
As of June 30, 2015

	Governmental Activities	N/A Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 116,264		\$ 116,264
Receivables, net	324,421		324,421
Capital assets, net	-	-	-
Total Assets	<u>440,685</u>	<u>-</u>	<u>440,685</u>
Deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 440,685</u>	<u>\$ -</u>	<u>\$ 440,685</u>
LIABILITIES			
Accounts payable	776,376	-	776,376
Deposits payable	-		
Payable to school districts	93,232		93,232
Payable to federal government			
Payable to state government	-		
Deferred revenue			
Total liabilities	<u>869,608</u>	<u>-</u>	<u>869,608</u>
Deferred inflows of resources			
NET POSITION (DEFICIT)			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Debt service			
Capital reserve	-		-
Unrestricted (Note 18)	(428,923)	0	(428,923)
Total net position (Deficit)	<u>\$ (428,923)</u>	<u>\$ -</u>	<u>\$ (428,923)</u>

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

BELOVED COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Fiscal 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	Total
Governmental activities:							
Instruction:							
Regular	\$ (4,022,201)		\$ (655,863)		\$ (3,366,338)		\$ (3,366,338)
Support services:							
General administration	(1,349,353)		(6,374)		\$ (1,342,979)		\$ (1,342,979)
School administrative services/ operations plant serv.	(1,296,307)				(1,296,307)		(1,296,307)
On - behalf TPAF Social Security	(181,084)				(181,084)		(181,084)
Capital Outlay	(1,163,023)				(1,163,023)		(1,163,023)
Total governmental activities	(8,011,968)		(662,237)		(7,349,731)		(7,349,731)
Business-type activities:							
Food Service and After School Program		-				-	-
Total business-type activities		-				-	-
Total primary government	(\$8,011,968)	\$ 0	\$ (662,237)		\$ (7,349,731)	\$ -	\$ (7,349,731)
General revenues:							
Local Share					4,450,316		4,450,316
State Share					1,644,169		1,644,169
State and Federal Aid					583,085		583,085
Miscellaneous Income					332,159		332,159
Increase in net Capital Outlay					319,314		319,314
Total general revenues, special items, extraordinary					7,329,043		7,329,043
Change in Net Position					(20,688)	0	(20,688)
Net (Deficit) Position - July 1, 2014					(408,235)	0	(408,235)
Net (Deficit) Position - June 30, 2015					\$ (428,923)	\$ -	\$ (428,923)

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BELOVED COMMUNITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2015

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 115,427	\$ 837	\$ -		\$ 116,264
Investments					0
Receivables, net	123,985	200,436	-		324,421
Security Deposit	-				0
Due To/ From Account	157,589	(157,589)			0
Total assets	<u>\$ 397,001</u>	<u>\$ 43,684</u>	<u>\$ -</u>		<u>\$ 440,685</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities:					
Cash Overdraft		-			
Accounts payable	732,692	43,684	-		776,376
Payable to federal government		-			0
Payable to School Districts	93,232				93,232
Payable to state government	-				0
Deferred revenue					0
Total liabilities	<u>825,924</u>	<u>43,684</u>	<u>-</u>		<u>869,608</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve	-				
Excess surplus	-				
Excess surplus -- designated for Subsequent year's expenditures					
Unreserved, reported in:					
General fund	(428,923)		-		(428,923)
Capital projects fund					
Total Fund balances (deficit)	<u>(428,923)</u>		<u>-</u>		<u>(428,923)</u>
Total liabilities and fund balances (deficit)	<u>\$ 397,001</u>	<u>\$ 43,684</u>	<u>\$ -</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is -
and the accumulated depreciation -

Net position before pension adjustments (428,923)

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) -

Deferred Outflows 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) -

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) -

Net position of governmental activities \$ (428,923)

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

BELOVED COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances (Deficit)
Governmental Funds
For the Fiscal Year Ended June 30, 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	\$ 4,450,316				\$ 4,450,316
State Share	1,644,169				1,644,169
Miscellaneous	332,159	-			332,159
Total - Local Sources	<u>6,426,644</u>				<u>6,426,644</u>
State Sources	583,085	-			583,085
Federal Sources		662,237			662,237
Total Revenues	<u>7,009,729</u>	<u>662,237</u>			<u>7,671,966</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 3,366,338	\$ 655,863			\$ 4,022,201
Support services- General Administrative	1,342,979	6,374			1,349,353
Support Services- School Admin/ operations plant se	1,296,307				1,296,307
On-behalf TPAF Social Security	181,084				181,084
Capital outlay	1,163,023				1,163,023
Total expenditures	<u>7,349,731</u>	<u>662,237</u>			<u>8,011,968</u>
Excess (Deficiency) of revenues over expenditures	<u>(340,002)</u>				<u>(340,002)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-				-
Transfers out	-				-
Total other financing sources and uses	<u>* -</u>				<u>-</u>
Net change in fund balances (Deficit)	(340,002)				(340,002)
Fund balance (Deficit) - July 1, 2014	(88,921)				(88,921)
Fund balance (Deficit) - June 30, 2015	<u>\$ (428,923)</u>				<u>\$ (428,923)</u>

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

**BELOVED COMMUNITY CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015**

Total net change in fund balances (deficit) - governmental funds (from B-2) \$ (340,002)

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

Capital outlays are reported in governmental funds as expenditures.

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

Depreciation expense	\$	-	
Capital outlays		319,314	
		319,314	\$ 319,314

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.

Change in net position (deficit) of governmental activities \$ (20,688)

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

PROPRIETARY FUNDS

Exhibit B-4

**BELOVED COMMUNITY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
As of June 30, 2015**

NOT APPLICABLE

Exhibit B-5

**BELOVED COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

Exhibit B-6

**BELOVED COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

FIDUCIARY FUNDS

Exhibit B-7

**BELOVED COMMUNITY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2015**

NOT APPLICABLE

Exhibit B-8

**BELOVED COMMUNITY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

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

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

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

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

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Basis of Presentation

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

Charter School Government-wide Financial Statements

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements

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

B Fund Accounting

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

Governmental Funds

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 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:

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds

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

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

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

C Measurement Focus and Basis of Accounting

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

Measurement Focus

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Basis of Accounting

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

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

D Budgets/Budgetary Control

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

E Cash, Cash Equivalent and Investments

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

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

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

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F Short-Term Interfund Receivables/Payables

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

G Inventories and Prepaid Expenses

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

H Capital Assets

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

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives were used to compute depreciation through May 2015:

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I Compensated Absences

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

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

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

The Charter School had no compensated absences as of June 30, 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 and special revenue fund.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L Fund Balance and Equity

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

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

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

M Management Estimates

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N On-Behalf Payments

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

O Net Position

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

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

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

BELOVED COMMUNITY 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	Total
Operating A/C	\$115,427	\$837	\$116,264

Operating cash accounts are held in the Charter School’s name by various banking institutions. At June 30, 2015, the Charter School’s bank balance was \$116,264.

Of the bank balance, \$116,264 of the Charter School’s cash deposits on June 30, 2015 were secured by federal deposit insurance and \$116,264 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act (“GUDPA”).

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

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

BELOVED COMMUNITY 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:			
Building and improvements and construction in progress	\$11,353,607	(\$11,353,607)	\$0
Total capital assets	\$11,353,607	(\$11,353,607)	\$0
Less accumulated depreciation for:			
Building and improvements	\$239,558	(\$239,558)	\$0
Total accumulated depreciation	\$239,558	(\$239,558)	\$0
Total capital assets net	\$11,114,049	(\$11,114,049)	\$0

5 **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/annrprts.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. 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.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 PENSION PLANS (continued)

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 \$-0- 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 \$-0- and revenue of \$-0- 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.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 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	0.0%	0.0%

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:

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 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.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 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 \$-0- 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 -0-%, which was a decrease of -0-% from its proportion measured as of June 30, 2013.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 PENSION PLANS (continued)

For the year ended June 30, 2015, the Charter School recognized pension expense of \$-0-. 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	\$-0-	\$-0-
Net difference between projected and actual earnings on pension plan investments	-0-	-0-
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	-0-	-0-
Charter School contributions subsequent to the measurement date.	-0-	-0-
Total	\$-0-	\$-0-

\$-0- 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	-0-
2016	-0-
2017	-0-
2018	-0-
2019	-0-
Thereafter	-0-
Total:	\$-0-

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 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	-0-	-0-
Charter School proportion percentage	0%	0%

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:

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 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:

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 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	0%	0%	0%

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.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 PENSION PLANS (continued)

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

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 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 $\frac{1}{4}$ 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.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5 **PENSION PLANS (continued)**

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.

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$-0- 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 \$181,064 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.

6 **POST RETIREMENT BENEFITS**

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

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.

7 **COMPENSATED ABSENCES**

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7 **COMPENSATED ABSENCES (continued)**

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

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

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

8 **DEFERRED COMPENSATION**

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

9 **ECONOMIC DEPENDENCY**

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

10 **CONTINGENT LIABILITIES**

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

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 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.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

11 RISK MANAGEMENT

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

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

12 RECEIVABLES

Receivables as of June 30, 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>Total</u>
Receivables:			
Accounts	<u>\$123,985</u>	<u>\$200,436</u>	<u>\$324,421</u>
Gross Receivables	<u>\$123,985</u>	<u>\$200,436</u>	<u>\$324,421</u>

13. COMMITMENTS

Licensing

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

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

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

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

13. COMMITMENTS (continued)

Professional Services Agreement

The school entered into a professional services agreement with an entity to provide specialized support services. The terms of the contract are for the periods July 1, 2015 to June 30, 2016 and July 1, 2013 to June 30, 2014 at an annual fee of \$144,000, payable at \$12,000 monthly.

14. PURCHASE AND SALE OF BUILDING

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

During the fiscal year ended June 30, 2015, the school completed an addition to the building expending an additional \$6,087,307 in costs, for a total cost of \$12,752,481.

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

On May 21, 2015, the school sold the land and building to Friends of Beloved Community Charter School, Inc. for \$12,852,929. In addition, previously accrued interest expense of \$159,567 was forgiven. The \$159,567 is reflected in the Statement of Activities as miscellaneous revenue. Of the total sales price, \$12,752,481 was utilized to pay off all of the notes payable outstanding and the school received \$100,448 in cash. Approximately \$50,000 of the cash proceeds is reflected as a gain on the sale and \$50,448 is to be utilized for repairs required on the building.

15. NOTES PAYABLE

The amounts and terms of the notes outstanding were as follows:

Promissory Note A payable (original amount) - Balloon payment due January 31, 2033. Interest only, payable monthly at rates of 9.5% to 11.0% per annum.	\$6,265,264
Promissory Note B payable (original amount) - Balloon payment due January 31, 2033. Interest only, payable monthly at rates of 9.5% to 11.0% per annum.	399,910
Total Amounts Due - Original Promissory Notes Payable:	6,665,174
Additional monies advanced under mortgage modification agreement - Period August 28, 2013 to May 21, 2015	5,787,337
Sub-Total Notes Payable	12,752,481
Less: Amounts repaid at closing for sale of building	(12,752,481)
Total Notes Payable at June 30, 2015	\$-0-

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

15. NOTES PAYABLE (continued)

During 2013 - 2014 no principal payments were made.

Interest rates on the notes payable were as follows:

<u>Period</u>	<u>Applicable Interest Rate</u>
January 11, 2014 through March 11, 2015	9.5% per annum
March 12, 2014 through December 31, 2015	9.5% per annum
January 1, 2014 through December 31, 2017	9.5% per annum
January 1, 2018 through December 31, 2022	10.0% per annum
January 1, 2023 through December 31, 2027	10.5% per annum
January 1, 2028 through January 31, 2033	11.0% per annum

16. RELATED PARTY/RENTAL OF PREMISES

The Friends of Beloved Community Charter School, Inc. is a New Jersey nonprofit corporation organized to provide support to the school. On May 21, 2015, the school sold the building and land to the Friends of Beloved Community Charter School, Inc. for \$12,852,929 (see note 14).

The school subsequently entered into a rental lease agreement to rent the property that was sold from the Friends of Beloved Community Charter School.

The terms of the rental agreement is as follows:

1. From the Initial Fixed Term Commencement Date through June 30, 2016, the applicable Annual Fixed Rent amount shall be \$1,234,822.20;
2. During the first eighteen months of the first Option Period, from July 1, 2016 through December 31, 2017, the applicable Annual Fixed Rent amount shall be \$1,234,822.20;
3. During the last forty-two months of the first Option Period from January 1, 2018 through June 30, 2021, the applicable Annual Fixed Rent amount shall be \$1,299,812.88;
4. During the first eighteen months of the second Option Period, from July 1, 2021 through December 31, 2022, the applicable Annual Fixed Rent amount shall be \$1,299,812.88;
5. During the last forty-two months of the second Option Period, from January 1, 2023 through June 30, 2026, the applicable Annual Fixed Rent amount shall be \$1,364,480.56;
6. During the first eighteen months of the third Option Period, from July 1, 2026 through December 31, 2027, the applicable Annual Fixed Rent amount shall be \$1,364,480.56;

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

16. RELATED PARTY/RENTAL OF PREMISES (continued)

7. During the last forty-two months of the third Option Period, from January 1, 2028 through June 30, 2031, the applicable Annual Fixed Rent amount shall be \$1,429,794.12; and
8. During the fourth Option Period, from July 1, 2031 through August 31, 2034, the applicable Annual Fixed Rent amount shall be \$1,429,794.12.

Sublease and Shared Services Agreement

The School entered into a sublease agreement with Empowerment Academy Charter School Inc. in July 2015 for certain of its premises that it is leasing from Friends of Beloved Charter School Inc. The space is for eight classrooms, administrative and other common areas. The term of the lease is for a one year period and terminates on June 30, 2016. The amount of the sublease income to be paid is \$12,083 monthly.

The school also entered into a shared services agreement with Empowerment Academy Charter School Inc. effective January 15, 2015 to July 15, 2015 to provide business administration and registrar services. The amount of the fee was \$35,000 and was paid in monthly installments.

17. SUBSEQUENT EVENTS/(DEFICT) GENERAL FUND BALANCE AND GOING CONCERN

The school has evaluated subsequent events occurring after the balance sheet through the date of November 20, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined the following subsequent events require disclosure in the financial statements.

Line of Credit

The school has entered into a Line of Credit agreement with the Community Bank of Bergen County effective August 6, 2014 and maturing August 10, 2017 in the amount of \$250,000. Interest rate at prime plus 2.5%. The initial rate was interest rate of 6%. The school had drawn down the full amount of the advance subsequent to June 30, 2015.

Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the School be unable to continue as a going concern.

The School ended SY14 with a General Fund deficit of \$88,000. In SY15, the School incurred an operating loss of \$340,000 after completing a substantial facility addition that increased its facility cost but was carried as largely unoccupied space, producing only limited, cost-offsetting revenue. This raises questions as to the School's ability to continue as a going concern.

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

17. SUBSEQUENT EVENTS/(DEFICT) GENERAL FUND BALANCE AND GOING CONCERN
(continued)

For SY16, the School filled this previously unused facility space with increased enrollment and via a sub-lease to a tenant school from whence, between the lease and other agreements, the School will earn increased revenues totaling over \$390,000. The School believes that its increased enrollment-related and tenant-related revenues will cause the School to generate a surplus from operations in SY16. In addition, the School has commenced a fundraising campaign with an anticipated goal of raising \$300,000. The School believes that this will enable it to eliminate any remaining General Fund deficit carried forward from SY15 and end SY16 with the School's General Fund in a position of surplus.

The School has informed the NJDOE of its efforts to eliminate its General Fund deficit and improve its finances, and projects that the School will generate even greater operating surpluses in SY17 and SY18. It explains why it projects these substantial surpluses in its Management Letter, included elsewhere in this report.

18. 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. 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 (Deficit) (per A-1), June 30,2014	(\$408,235)
Restatement of Net Pension Liability	0
Restatement of Deferred Outflows-Pension	0
Net Position (Deficit) (per A-1), June 30, 2014, as Restated	<u><u>(\$408,235)</u></u>

BELOVED COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

19. 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.

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

The reconciliation is as follows:

Fund balance per B-1	(\$428,923)
Cost of capital assets net accumulated depreciation	0
Pension deferred outflows	0
Pension deferred inflows	0
Deferred pension liability as of June 30, 2015	0
Net position (per A-1) as of June 30, 2015	<u><u>(\$428,923)</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

BELOVED COMMUNITY 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
REVENUES:					
Local Sources:					
Local Share	\$ 6,157,782	\$ -	\$ 6,157,782	\$ 4,450,316	\$ 1,707,466
State Share	114,634	0	114,634	1,644,169	(1,529,535)
Other Restricted Miscellaneous Revenues					
Miscellaneous	176,260	-	176,260	332,159	(155,899)
Total - Local Sources	<u>6,448,676</u>	<u>-</u>	<u>6,448,676</u>	<u>6,426,644</u>	<u>22,032</u>
Nonpublic Aid	-	-	-	116,671	(116,671)
Special Education	59,231	-	59,231	57,031	2,200
Security Aid	234,107	-	234,107	228,299	5,808
Categorical Aid	-	-	-	-	-
Targeted At- Risk Aid	-	-	-	-	-
Bilingual Education	-	-	-	-	-
Demonstrably Effective	-	-	-	-	-
TPAF Medical (On-Behalf - Non-Budgeted)	-	-	-	-	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	-	-
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	181,084	(181,084)
Total State Sources	<u>293,338</u>	<u>-</u>	<u>293,338</u>	<u>583,085</u>	<u>(289,747)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>6,742,014</u>	<u>-</u>	<u>6,742,014</u>	<u>7,009,729</u>	<u>(267,715)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	2,350,200	141,443	2,491,643	2,491,643	\$ -
Other Salaries	421,955	(55,658)	366,297	366,297	-
Prof/Tech Services	265,491	19,722	285,213	285,213	-
Other Purchased Services (400-500 series)	176,672	(69,388)	107,284	107,284	-
General Supplies	65,000	18,071	83,071	83,071	-
Textbooks	-	609	609	609	-
Other Objects	15,000	17,221	32,221	32,221	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,294,318</u>	<u>72,020</u>	<u>3,366,338</u>	<u>3,366,338</u>	<u>-</u>

BELOVED COMMUNITY 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	544,225	(48,365)	495,860	495,860	-
Salaries of Secretarial and Clerical Assistants	-	-	-	-	-
Cost of Benefits	540,712	8,607	549,319	549,319	-
Consultants	171,000	10,408	181,408	181,408	-
Other Purchased Services (400-500 series)	40,000	4,823	44,823	44,823	-
Communications/Telephone	30,000	(13,700)	16,300	16,300	-
Supplies and Materials	20,000	(2,980)	17,020	17,020	-
Other Objects	18,000	20,249	38,249	38,249	-
	<u>1,363,937</u>	<u>(20,958)</u>	<u>1,342,979</u>	<u>1,342,979</u>	<u>-</u>
Support Services - School Admin/Operation Plant Services					
Salaries	409,479	180,298	589,777	589,777	-
Purchased Professional and Technical Services	35,800	(8,632)	27,168	27,168	-
Other Purchased Services	34,140	52,029	86,169	86,169	-
Rental of Land and Building- other than Lease Purchase Agreements	-	6,727	6,727	6,727	-
Insurance	153,000	12,540	165,540	165,540	-
General Supplies	25,000	4,895	29,895	29,895	-
Transportation- Trips	286,140	(36,314)	249,826	249,826	-
Energy (Energy and Electricity)	140,000	(3,638)	136,362	136,362	-
Other Objects	10,000	(5,157)	4,843	4,843	-
	<u>1,093,559</u>	<u>202,748</u>	<u>1,296,307</u>	<u>1,296,307</u>	<u>-</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant					
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)					
On-behalf TPAF pension Contributions (non-budgeted)					
Reimbursed TPAF Social Security Contributions (non-budgeted)				181,084	(181,084)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,084</u>	<u>(181,084)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	2,457,496	181,790	2,639,286	2,820,370	(181,084)
TOTAL GENERAL CURRENT EXPENSE	<u>5,751,814</u>	<u>253,810</u>	<u>6,005,624</u>	<u>6,186,708</u>	<u>(181,084)</u>

BELOVED COMMUNITY 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>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Non-Instructional Equipment	-		-		-
Instructional Equipment	-	-	-	-	-
Interest Expense- - Current Loans	15,000	7,741	22,741	22,741	
Interest Expense- Mortgages	975,200	(261,551)	713,649	1,140,282	(426,633)
Building Improvements		-	-	-	-
Lease paymernts	-	-	-	-	-
Total Equipment	<u>990,200</u>	<u>(253,810)</u>	<u>736,390</u>	<u>1,163,023</u>	<u>(426,633)</u>
TOTAL EXPENDITURES- GENERAL FUND	6,742,014	-	6,742,014	7,349,731	(607,717)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources:					
Operating Transfer In:	<u>-</u>	<u>-</u>	<u>-</u>	<u>(340,002)</u>	<u>(340,002)</u>
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>(340,002)</u>	<u>(340,002)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	(340,002)	(340,002)
Fund Balance (Deficit), July 1, 2014	-	-	(88,921)	(88,921)	
Fund Balance (Deficit), June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (88,921)</u>	<u>\$ (428,923)</u>	<u>\$ (340,002)</u>

BELOVED COMMUNITY 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					
State Sources	-		-	-	
Federal Sources	662,237		662,237	662,237	
Total Revenues	<u>662,237</u>		<u>662,237</u>	<u>662,237</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	153,288		153,288	153,288	
Other Salaries for Instruction	9,115		9,115	9,115	
Purchased Professional -Educational Services	206,619		206,619	206,619	
Purchased Professional and Technical Services	-		-	-	
Food Service Subsidy	-		-	-	
Other Purchased Services (400-500 series)	38,378		38,378	38,378	
Textbooks	-		-	-	
General Supplies	210,644		210,644	210,644	
Personal Services- Employee Benefits	20,819		20,819	20,819	
Instructional services	-		-	-	
Equipment- instructional	17,000		17,000	17,000	
Reccruitment	-		-	-	
Total Instruction	<u>655,863</u>	<u>-</u>	<u>655,863</u>	<u>655,863</u>	
Support Services					
Salaries of Supervisor of Instruction	3,400		3,400	3,400	
Salaries of Program Directors					
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	2,471		2,471	2,471	
Other Purchased Professional Services					
Supplies	503		503	503	
Field Trips					
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
Total Support Services	<u>6,374</u>		<u>6,374</u>	<u>6,374</u>	

BELOVED COMMUNITY 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	662,237		662,237	662,237	
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

BELOVED COMMUNITY 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

**BELOVED COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)	N/A	N/A
Charter School Covered employee payroll	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A

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

**BELOVED COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>
Contractually required contribution	N/A	N/A
Contributions in relation to the contractually required contribution	N/A	N/A
Contribution deficiency (excess)	N/A	N/A
Charter School Covered employee payroll	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A

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

**BELOVED COMMUNITY 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>2015</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	N/A	N/A
Total	N/A	N/A
Charter School Covered employee payroll	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A

**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.

**BELOVED COMMUNITY 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.

BELOVED COMMUNITY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2015

	TOTAL	NCLB Title I	NCLB Title IIA	NCLB Title III	IDEA PART B	START UP GRANT
REVENUES						
Intergovernmental						
State						
Federal	662,237	443,323	4,553	30,047	93,559	90,755
Other Sources						
Miscellaneous						
Total Revenues	<u>662,237</u>	<u>443,323</u>	<u>4,553</u>	<u>30,047</u>	<u>93,559</u>	<u>90,755</u>
EXPENDITURES						
Instruction						
Salaries	153,288	91,123		2,705	42,460	17,000
Salaries -Other Instruction	9,115	9,115				
Other Purchased Services	38,378	37,825	553			
Purchased Prof. and Tech.and Edu Services	206,619	132,346	4,000	26,328	40,059	3,886
General Supplies	210,644	158,872				51,772
Recruitment						
Personal Services - Employee Benefits	20,819	7,668		1,014	11,040	1,097
Food Service Subsidy						
Textbooks						
Instructional Services			0			
Equipment - Instructional	17,000					17,000
Total Instruction	<u>655,863</u>	<u>436,949</u>	<u>4,553</u>	<u>30,047</u>	<u>93,559</u>	<u>90,755</u>
Support Services						
Salaries of Supervisors of Instruction	3,400	3,400				
Salaries of Program Directors						
Salaries of Other Prof. Staff						
Salaries of Secretarial and Clerical Ass't						
Personal Services - Employee Benefits						
Supplies and Materials	503	503				
Other Purchased Services						
Purchased Professional/Educational Services	2,471	2,471				0
Class- room Improvements						
Building Improvements						
Non instructional Equipment						
Total Support Services	<u>6,374</u>	<u>6,374</u>	<u>0</u>	<u>0</u>		<u>0</u>
TOTAL EXPENDITURES	<u><u>662,237</u></u>	<u><u>443,323</u></u>	<u><u>4,553</u></u>	<u><u>30,047</u></u>	<u><u>93,559</u></u>	<u><u>90,755</u></u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Exhibit G-1

**BELOVED COMMUNITY CHARTER SCHOOL
Proprietary Fund
Statement of Net Position
As of June 30, 2015**

NOT APPLICABLE

BELOVED COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

NOT APPLICABLE

Exhibit G-3

**BELOVED COMMUNITY CHARTER SCHOOL
Proprietary Fund
Statements of Cash Flows
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

FIDUCIARY FUNDS

BELOVED COMMUNITY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Agency Fund Net Position
As of June 30, 2015

	Summer Pay	Agency Fund Payroll	Total
ASSETS			
Cash and cash equivalents	\$209,349	\$88,684	\$298,033
Total Assets	<u>\$209,349</u>	<u>\$88,684</u>	<u>\$298,033</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll deductions and withholdings	209,349	88,684	298,033
Interfund payables			0
Account payable - due to students group			
Total Liabilities	<u>209,349</u>	<u>88,684</u>	<u>298,033</u>
Net Position			
Total Liabilities and Net Position	<u>\$209,349</u>	<u>\$88,684</u>	<u>\$298,033</u>

Exhibit H-2

**BELOVED COMMUNITY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2015**

NOT APPLICABLE

Exhibit H-3

**BELOVED COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015**

NOT APPLICABLE

BELOVED COMMUNITY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>September 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and Cash Equivalents		\$4,440,168	(\$4,440,168)	
Total Liabilities		4,440,168	(4,440,168)	
LIABILITIES				
Payroll Deductions and Withholdings		1,248,269	(1,248,269)	
Accrued Salaries and Wages		3,191,899	(3,191,899)	
Total Liabilities		\$4,440,168	(\$4,440,168)	

Exhibit H-5

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

NOT APPLICABLE

FINANCIAL TRENDS

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities			
Invested in capital assets, net of related debt		\$ -	\$ -
Restricted			
Unrestricted Fund Balance (Deficit)	(428,923)	(88,921)	277,856
Total governmental activities net position	<u>\$ (428,923)</u>	<u>\$ (88,921)</u>	<u>\$ 277,856</u>
Business-type activities			
Invested in capital assets, net of related debt			
Restricted	-	-	-
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total business-type activities net position			
School-wide			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Unrestricted Fund Balance (Deficit)	(428,923)	(88,921)	277,856
Total school net position (Deficit)	<u>\$ (428,923)</u>	<u>\$ (88,921)</u>	<u>\$ 277,856</u>

Source: School Financial Statements

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenses			
Governmental activities			
Instruction			
Regular	\$4,022,201	\$3,405,861	\$1,842,055
Support Services:			
General administration	1,349,353	1,103,986	883,600
School Administrative Services	1,296,307	1,016,026	875,098
On-behalf TPAF Social Security	181,084	126,274	98,723
Capital outlay	1,163,023	725,011	359,236
Unallocated depreciation	0	166,357	73,201
Total governmental activities expenses	<u>8,011,968</u>	<u>6,543,515</u>	<u>4,131,913</u>
Business-type activities:			
Food service	0	0	0
Total business-type activities expense	<u>0</u>	<u>0</u>	<u>0</u>
Total school expenses	<u><u>\$8,011,968</u></u>	<u><u>\$6,543,515</u></u>	<u><u>\$4,131,913</u></u>
Program Revenues			
Governmental activities:			
Operating grants and contributions	\$662,237	\$447,186	\$145,395
Capital grants and contributions			
Total governmental activities program revenues	<u>662,237</u>	<u>447,186</u>	<u>145,395</u>
Business-type activities:			
Charges for services			
Food service	0	0	0
Operating grants and contributions	0	0	0
Capital grants and contributions			
Total business type activities program revenues	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u><u>\$662,237</u></u>	<u><u>\$447,186</u></u>	<u><u>\$145,395</u></u>
Net (Expense)/Revenue			
Governmental activities	(\$7,349,731)	(\$6,096,329)	(\$3,986,518)
Business-type activities	\$0	\$0	\$0
Total school-wide net expense	<u><u>(\$7,349,731)</u></u>	<u><u>(\$6,096,329)</u></u>	<u><u>(\$3,986,518)</u></u>
Governmental activities:			
Local share	\$4,450,316	\$4,874,099	\$3,623,720
State Share	1,644,169	107,910	127,671
State and Federal Aid aid	583,085	361,310	267,702
Miscellaneous income	332,159	219,876	172,080
Increase (Decrease) in Net Capital Outlay	319,314	(35,000)	(44,756)
Transfers			
Total governmental activities	<u>\$7,329,043</u>	<u>\$5,528,195</u>	<u>\$4,146,417</u>
Business-type activities:			
Investment earnings			
Transfers	0	0	0
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u><u>\$7,329,043</u></u>	<u><u>\$5,528,195</u></u>	<u><u>\$4,146,417</u></u>
Change in Net Position (Deficit)			
Governmental activities	(\$20,688)	(\$568,134)	\$159,899
Business-type activities	\$0	\$0	\$0
Total school	<u><u>(\$20,688)</u></u>	<u><u>(\$568,134)</u></u>	<u><u>\$159,899</u></u>

Source: School Financial Statements

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund			
Reserved		\$ -	\$ -
Unreserved Fund Balance (Deficit)	(428,923)	(88,921)	277,856
Total general fund	<u>\$ (428,923)</u>	<u>\$ (88,921)</u>	<u>\$ 277,856</u>
All Other Governmental Funds			
Reserved			
Unreserved, reported in:			
Special revenue fund			
Capital projects fund			
Debt service fund			
Permanent fund			
Total all other governmental funds	<u>_____</u>	<u>_____</u>	<u>_____</u>

Source: School Financial Statements

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues			
Local tax Levy	\$4,450,316	\$4,874,099	\$3,623,720
Other local revenue	332,159	219,876	172,080
State sources	2,227,254	469,220	395,373
Federal sources	662,237	447,186	145,395
Total revenue	<u>7,671,966</u>	<u>6,010,381</u>	<u>4,336,568</u>
Expenditures			
Instruction			
Regular Instruction	3,366,338	2,987,025	1,696,660
Support Services:			
General administration	1,342,979	1,075,636	883,600
School administrative services/Plant	1,296,307	1,016,026	875,098
TPAF Social Security	181,084	126,274	98,723
Food Service			
Capital outlay	1,163,023	725,010	359,236
Debt service:			
Principal			
Interest and other charges			
Special Revenue	662,237	447,186	145,395
Total expenditures	<u>8,011,968</u>	<u>6,377,157</u>	<u>4,058,712</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>
Net change in fund balance (Deficit)	<u>\$ (340,002)</u>	<u>\$ (366,776)</u>	<u>\$ 277,856</u>

Source: School Financial Statements

REVENUE CAPACITY

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

	<u>Sale of Capital 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>
2013		\$122,100				\$49,980	\$172,080
2014		\$22,050				\$192,724	\$214,774
2015						\$332,159	\$332,159

Source: School Financial Statements

Exhibit J-6

**BELOVED COMMUNITY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**BELOVED COMMUNITY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**BELOVED COMMUNITY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**BELOVED COMMUNITY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**BELOVED COMMUNITY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**BELOVED COMMUNITY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**BELOVED COMMUNITY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**BELOVED COMMUNITY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

**BELOVED COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**BELOVED COMMUNITY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

BELOVED COMMUNITY 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>
Instruction			
Regular	36	30	24
Special education	4	3	2
Other special education	3		3
Vocational			
Other instruction	15	14	12
Nonpublic school programs			
Adult/continuing education programs			
Support Services:			
Student & instruction related services	4	4	2
General administration	7	7	7
School administrative services			
Other administrative services			
Central services			
Administrative Information Technology			
Plant operations and maintenance	5	5	3
Pupil transportation	4	4	
Other support services			
Special Schools			
Food Service			
Child Care			
Total	<u>78</u>	<u>67</u>	<u>53</u>

Source: School Personnel Records

BELOVED COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Fiscal Year 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				
2013	335	3,913,317	11,682	N/A	27	11:1	N/A	335.2	316.74	NA	94.50%
2014	470	5,769,872	12,276	5.09%	34	14:1	N/A	470.4	439.55	40%	94.70%
2015	596	8,011,968	13,443	9.51%	39	15.2	N/A	597.0	567.03	27%	94.98%

Sources: School records

BELOVED COMMUNITY CHARTER SCHOOL
School Building Information
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>School Building</u>			
Main Campus			
Square Feet	59,000	59,000	35,000
Capacity (students)	720	720	360
Enrollment	598	470	360
Second Campus			
Square Feet			
Capacity (students)			
Enrollment			
Number of Schools at June 30			
Elementary	1	1	1

Source: School Office

**BELOVED COMMUNITY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

NOT APPLICABLE

BELOVED COMMUNITY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	116,264	347,751	559,656
Current Assets	324,421	692,526	711,977
Capital Assets-Net	0	11,114,049	6,547,217
Total Assets	<u>440,685</u>	<u>11,806,575</u>	<u>7,259,194</u>
Current Liabilities	889,608	794,711	434,121
Long Term Liabilities	0	11,433,363	6,665,174
Total Liabilities	<u>889,608</u>	<u>12,228,074</u>	<u>7,099,295</u>
Net Position (Deficit)	<u>(428,923)</u>	<u>(408,235)</u>	<u>159,899</u>
Total Revenue	7,329,043	6,010,381	4,336,568
Total Expenses	<u>7,349,731</u>	<u>(6,377,158)</u>	<u>(4,058,712)</u>
Change in Net Position (Deficit)	<u>(20,688)</u>	<u>(366,777)</u>	<u>278,396</u>
Depreciation	0	166,357	73,201
Principal Payments	12,752,481	0	0
Interest payments	1,163,023	691,184	303,737
Final average daily enrollment	596.0	470.4	317
March 30th budgeted Enrollment	596	478	300
Near term indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>
CURRENT RATIO	0.37	0.87	1.64
Unrestricted days cash	5.77	22.77	50.33
Enrollment variance	100%	98%	100%
Default	NO	NO	NO

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	116,264	347,751	559,656
Current Assets	324,421	692,526	711,977
Capital Assets-Net	0	11,114,049	6,547,217
Total Assets	<u>440,685</u>	<u>11,806,575</u>	<u>7,259,194</u>
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Net Position (Deficit)	<u>(428,923)</u>	<u>(408,235)</u>	<u>159,899</u>
Total Revenue	7,329,043	6,010,381	4,336,568
Total Expenses	<u>7,349,731</u>	<u>(6,377,158)</u>	<u>(4,058,712)</u>
Change in Net Position (Deficit)	<u>(20,688)</u>	<u>(366,777)</u>	<u>278,396</u>
Depreciation	0	166,357	73,201
Principal Payments	12,752,481	0	0
Interest payments	1,163,023	691,184	303,737
Final average daily enrollment	596.0	470.4	317
March 30th budgeted Enrollment	596	478	300
Sustainability Indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Margin	0%	(6%)	6%
Debt to Asset	1.97	1.04	0.978
Cash Flow	(231,487)	(211,905)	559,656
Debt Service Coverage Ratio	0.08	0.71	1.77

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
Beloved Community Charter School
County of Hudson
Jersey City, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beloved Community Charter School ("the Charter School"), in the County of Hudson, State of New Jersey, as of and for the fiscal year ending June 30, 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 November 20, 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*.

I also noted certain matters that I reported to management of the Beloved Community Charter School in a separate report entitled, "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" dated November 20, 2015.

Purpose of this Report

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

Licensed Public School Accountant No. 870

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

Scott J Loeffler, CPA
November 20, 2015

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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
Beloved Community Charter School
County of Hudson
Jersey City, New Jersey

Compliance

I have audited the Beloved Community Charter School, in the County of Hudson, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 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 fiscal 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, reading "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J. Loeffler, CPA
November 20, 2015

BELOVED COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal/Grantor Program Title	FEDERAL CFDA Number	Grant Period	Award Amount	Balance July 1, 2014	Prior Carry over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Deferred Revenue/ (Accounts Receivable) June 30, 2015	Due to Grantor at June 30, 2015
Food Subsidy	N/A	N/A	N/A								
Special Revenue											
NCLB											
Title I PART A	84.010 A	07/01/14-06/30/15	443,323	\$0		\$367,455	\$443,323			(\$75,868)	
Title II PART A	84.367 A	07/01/14-06/30/15	4,553	0		4,553	4,553			0	
Title III PART A	84.365 A	07/01/14-06/30/15	30,047	0		30,047	30,047			0	
Start Up Grant	84.282	07/01/14-06/30/15	93,559	(11,838)		11,838	93,559			(93,559)	
IDEA PART B	84.318 A	07/01/14-06/30/15	90,755	(27,350)		118,105	90,755			0	
Total Special Revenue				<u>(\$39,188)</u>		<u>\$531,998</u>	<u>\$662,237</u>			<u>(\$169,427)</u>	---

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

**BELOVED COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2015**

<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>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2015</u>
GENERAL FUND									
TPAF Social Security	15-495-034-5095-002	9/1/14-06/30/15	181,064		\$181,064	\$181,064			
Equalization Aid - Local	15-495-034-5120-078	9/1/14-06/30/15	4,450,516		4,450,316	4,450,316			
Equalization Aid - State	15-495-034-5120-078	9/1/14-06/30/15	1,644,169		1,644,169	1,644,169			
Special Education	15-495-034-5120-089	9/1/14-06/30/15	57,031		57,031	57,031			
Non-Public Aid	15-495-034-5120-060	9/1/14-06/30/15	116,671		116,671	116,671			
Security Aid	15-495-034-5120-084	9/1/14-06/30/15	228,299		228,299	228,299			
Total General Fund				--	6,677,550	6,677,550			
ENTERPRISE FUND									
State School Lunch	N/A	N/A	N/A						
Total Enterprise									
GRAND TOTAL				0	\$6,677,550	\$6,677,550			0

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

**BELOVED COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

**BELOVED COMMUNITY 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	\$ -0-	\$ 6,677,550	\$ 6,677,550
Special Revenue Fund	662,237	-0-	662,237
Food Service Fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total Awards and Financial Assistance	 <u>\$ 662,237</u>	 <u>\$ 6,677,550</u>	 <u>\$ 7,339,787</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the fiscal year ended June 30, 2015. TPAF Social Security Contributions of \$181,064 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2015.

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

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

**BELOVED COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Modified	
	<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:

<u>C DFA Number(s)</u>	<u>Name of Federal Program</u>	
84.010A	NCLB Title I	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000
Auditee qualified as low risk auditee:		X

**BELOVED COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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>C DFA Number(s)</u>		<u>Name of State Program</u>
15-495-034-5120-078		Equalization School Aid

**BELOVED COMMUNITY CHARTER SCHOOL
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.

**BELOVED COMMUNITY CHARTER SCHOOL
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.

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