

HOPE COMMUNITY CHARTER SCHOOL

Camden, New Jersey
County of Camden

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

HOPE COMMUNITY CHARTER SCHOOL

CAMDEN, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by

**Hope Community Charter School
Business Administrator's Office**

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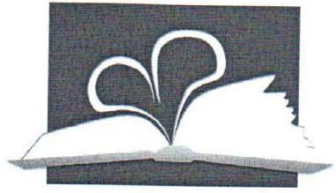
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INTRODUCTORY SECTION

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HOPE COMMUNITY CHARTER SCHOOL • CAMDEN, NJ

December 21, 2015

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
County of Camden
Camden, New Jersey 08103

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and New Jersey single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart, a list of principal officials, and a list of consultants and advisors. The financial section includes the Management’s Discussion and Analysis, the basic financial statements, required supplemental information and other supplementary information, as well as the auditors’ report thereon. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, “Audits of State and Local Government and Non-Profit Organizations”, and the state Treasury Circular Letter 04-04 and/or 15-08, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments”. Information related to this single audit, including the auditors’ report on internal control and compliance with applicable laws and regulations and the findings and recommendations, are included in the New Jersey single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (“GASB”) as established by GASB Statement No. 14, *The Financial Reporting Entity*. All funds and account groups of the Charter School are included in this report.

School Description

Startup: The Charter School began operations in the 2013-2014 school year with students enrolled in kindergarten and first grade. In the 2014-2015 school year the Charter School expanded to include grades Kindergarten through second grade.

REPORTING ENTITY AND ITS SERVICES (continued):

Address: The Charter School is located at 832 South 4th Street, Camden, NJ 08103.

Facility: The Charter School is located in the building that previously housed the San Miguel Catholic School.

Number of Students, Grades and Classes: The Charter School was authorized a maximum enrollment of 205 students in 2014-2015 in Kindergarten through 2nd grade. The enrollment at the beginning of the school year was 193 students. At the end of the year, the enrollment was 201 students.

Class Size: Class size is approximately 20 students per class.

Employees: The Charter School employs an Executive Director, Nurse, twelve full-time teachers, eleven instructional aides, and a secretary.

Defining Attributes: Hope Community Charter School’s mission is to provide a safe, caring, literacy rich learning environment that guides and inspires students in building a solid academic foundation. Literacy will be the path to a solid academic foundation by developing, in each student, a highly literate and effective communicator who is a self-reflective, responsible decision-maker.

2) **REVIEW OF SCHOOL GOVERNANCE & MANAGEMENT ACCOMPLISHMENTS**

Board of Trustees

Major Accomplishments

The Board and Charter School leadership devoted much time and effort to successfully open the Charter School for its first year of operations.

The Board is currently searching for one member to be at full strength with seven voting members and two ex-officio non-voting members.

Board Members

The Charter School is governed by the Board, which includes community members and parents. In compliance with the Board’s bylaws (the bylaws state that the number of Trustees may never be less than three); there are currently nine members on the Board, including one parent member and the following ex-officio non-voting members:

- School Leader
- Board Secretary

The following chart identifies the 2014-2015 Board members as of June 30, 2014 along with their role, affiliation and voting status

2) REVIEW OF SCHOOL GOVERNANCE & MANAGEMENT ACCOMPLISHMENTS (continued) :

Yolette Ross	President	Community Member	Voting
Robert Delengowski	Vice-President	Community Member	Voting
Thomas Iacovone	Treasurer	Community Member	Voting
Stephen Gilmartin	Secretary	Community Member	Non-Voting
John Hourani	Member	Parent Member	Voting
Barbara Wallace	Member	Community Member	Voting
Christian Galietta	Member	Community Member	Voting
Andre Taliaferro	Member- resign 9/14	Community Member	Voting
Robin Ruiz	Executive Director	School Leader	Non-Voting

Board Training

At this time, all Board members have attended NJ School Boards Association training.

Anticipated Issues:

Maintaining adequate enrollment and improving test scores.

3) INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

4) BUDGETARY CONTROLS

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

5) ACCOUNTING SYSTEM AND REPORT

The Charter School’s accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in Note 1 to the financial statements.

6) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenue of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2015:

	Revenue	Percentage of Total	(Decrease)/ Increase From 2014	Percentage Decrease/ Increase
Local Sources	\$ 98,357	3.59%	\$ 45,056	84.53%
State Sources	2,293,500	83.66%	961,123	72.14%
Federal Sources	349,626	12.75%	60,032	20.73%
Total	\$ 2,741,483	100.00%	\$ 1,066,211	

The following schedule presents a summary of the expenditures of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2015.

	Expenditure	Percentage of Total	(Decrease)/ Increase From 2014	Percentage Decrease/ Increase
Current Expenditures:				
Instruction	\$ 703,293	30.74%	\$ 183,439	35.29%
Support Services & Undistributed Costs	1,212,309	52.99%	628,021	107.48%
Special Revenue:				
Instruction	216,334	9.46%	106,569	97.09%
Support Services & Undistributed Costs	133,292	5.83%	(53,330)	-28.58%
Capital Outlay	22,602	0.99%	8,227	57.23%
Total	\$ 2,287,830	100.00%	\$ 872,926	

6) CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by State Statute as detailed in Note 2 to the financial statements. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7) RISK MANAGEMENT

The Board carries various forms of insurance, including, but not limited to, general liability, hazard and theft insurance on property and contents, fidelity bonds, and worker’s compensation.

8) OTHER INFORMATION

Independent Audit

The State of New Jersey Statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, PC was appointed by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the New Jersey OMB Circular Letter 04-04 and/or 15-08. The auditors’ report on the general-purpose financial statements, combining and individual fund statements, and schedules 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.

9) ACKNOWLEDGEMENTS

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

Respectfully submitted



Stephen J. Gilmartin
School Business Administrator



Robin Ruiz
Executive Director

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HOPE COMMUNITY CHARTER SCHOOL
836 South 4th Street
Camden, New Jersey 08103

ROSTER OF OFFICIALS

JUNE 30, 2015

MEMBERS OF THE BOARD OF TRUSTEES		TERM EXPIRES
Yollette Ross	Board Chair	2017
Tom Iacovone	Board Vice Chair	2017
Robert Delengowski	Trustee	2017
John Hourani	Trustee	2017
David Brady	Trustee	2017
Christian Galietta	Trustee	2017

OTHER OFFICIALS

Steven Gilmartin- Board Secretary

Robin Ruiz- Executive Director

Patricia Johnson- Treasurer

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HOPE COMMUNITY CHARTER SCHOOL

836 South 4th Street
Camden, New Jersey 08103

CONSULTANTS AND ADVISORS

AUDIT FIRM

Kevin Frenia, CPA, PSA
Holman Frenia Allison, P. C.
618 Stokes Road
Medford, New Jersey 08055

OFFICIAL DEPOSITORY

Susquehanna Bank
Camden, NJ

INSURANCE

G.R. Murray Insurance
Princeton, NJ

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FINANCIAL SECTION

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
Camden, New Jersey

Report on the Financial Statements

We 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 Hope Community Charter School, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hope Community Charter School, County of Camden, State of New Jersey, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hope Community Charter School's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of State Financial Assistance as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular(s) 04-04 and/or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and the Schedules of Expenditures of State Financial Assistance are the responsibility of management and were 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 other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and related major fund supporting statements and schedules and Schedules of State Financial Assistance are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the Hope Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope Community Charter School's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1101

Medford, New Jersey
December 21, 2015

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

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**HOPE COMMUNITY CHARTER SCHOOL
(COUNTY OF CAMDEN)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

UNAUDITED

Introduction

The Board of Trustees at Hope Community Charter School (the "Charter School") offers readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the year ended June 30, 2015. We encourage readers to consider the information presented herein in conjunction with the Charter School's financial statements.

Financial Highlights

- In the second year of operation, the Charter School's net position increased by \$468,215 for the year ended June 30, 2015.
- General revenues accounts for \$2,330,717 or 81% of total revenues of \$2,864,177 for the year ended June 30, 2015. Program specific revenues, in the form of charges for services, grants and contributions, accounted for \$533,460 or 19%, of total revenues for the year ended June 30, 2015.
- The Charter School's cash balance at June 30, 2015, was \$630,877.
- The Charter School's General Fund reported an unassigned fund balance of \$677,916 at June 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basis financial statements. The Charter School's basic financial statements as presented comprise of five components: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) the notes to the financial statements, (4) required supplementary schedules and, (5) State of New Jersey single audit.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Charter School's finance in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Charter School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. expenditures accrued in one fiscal year but paid in subsequent years, and depreciation).

The government-wide financial statements report on the function of the Charter School that is principally supported by subsidies from school districts whose constituents attend the Charter School. The Charter School's function is to provide an alternative education opportunity.

Governmental Fund

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

The Charter School's government fund (the general fund) reporting and ended fund balance of \$688,126 at June 30, 2015.

Fund Financial Statements

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Charter School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has four fund types, the governmental general fund, the special revenue fund, the proprietary fund, and the fiduciary agency fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

The governmental fund budgetary comparison schedules are presented for purposes of additional analysis and are prepared using a non-GAAP basis for state reporting requirements.

New Jersey Audit Requirements

The schedules of expenditures of state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04 and/or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which requires a comparative analysis of current and prior balances.

Table 1 provides a summary of the Charter School's net position for fiscal year 2015. A detailed analysis can be found in Exhibit A-1.

Table 1 - Net Position

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS
			JUNE 30, 2015
Current Assets:			
Cash	\$ 614,679	\$ 16,198	\$630,877
Receivables, Net	147,842	9,445	157,287
Total Current Assets	762,521	25,643	788,164
Total Assets	762,521	25,643	788,164
LIABILITIES			
Accounts Payable & Accrued			
Expenses	58,099	10,575	68,674
Unearned Revenue	16,296	-	16,296
Total Liabilities	74,395	10,575	84,970
NET POSITION			
Restricted for:			
Other Purposes	10,210	-	10,210
Unrestricted	677,916	15,068	692,984
Total Net Position	\$ 688,126	\$ 15,068	\$703,194

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$468,215 as of June 30, 2015.

The Charter School's revenues are predominately received from the State of New Jersey based on student enrollment. For the year ended June 30, 2015, the Charter School's revenues \$2,330,717, exceeded its expenditures \$1,862,502 by \$468,215.

Table 2 provides a summary of revenues and expenses for the Charter School's governmental and business type activities and the change in net position from the current and prior year.

Table 2 - Changes in Net Position

	Governmental Activities	Business-Type Activities	2015 Total
Revenues:			
Program Revenues:			
Charges for Services	\$ -	\$ 5,761	\$ 5,761
Operating Grants & Contributions	410,766	122,694	533,460
General Revenues:			
Property Taxes	72,474	-	72,474
Federal & State Aid	2,232,360	-	2,232,360
Miscellaneous	25,883	-	25,883
Total Revenues	2,741,483	128,455	2,869,938
Program Expenses:			
Instruction	919,627	-	919,627
Support Services & Undistributed Costs	1,345,601	-	1,345,601
Capital Outlay	22,602	-	22,602
Food Service	-	113,893	113,893
Total Expenditures	2,287,830	113,893	2,401,723
Change in Net Position	453,653	14,562	468,215
Net Position- Beginning	234,473	506	234,979
Net Position-Ending	\$ 688,126	\$ 15,068	\$ 703,194

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014
Revenues			
Program Revenues			
Operating Grants & Contributions	\$ 296,387	\$ 74,271	\$ 370,658
Charges for Services	-	459	459
General Revenues			
Local Aid	42,748	-	42,748
Federal & State Aid	1,325,584	-	1,325,584
Transfers	(25,895)	25,895	-
Miscellaneous	10,553	-	10,553
Total General Revenues	1,649,377	100,625	1,750,002

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014
Expenses			
Instruction-Regular	643,994	-	643,994
School/General Administration	341,603	-	341,603
Support Services	392,059	-	392,059
Undistributed Expenditures	37,248	-	37,248
Food Service	-	100,119	100,119
Total Expenses	1,414,904	100,119	1,515,023
Change in Net Position	\$ 234,473	\$ 506	\$ 234,979

Debt Administration

Long Term Debt

At June 30, 2015, the Charter School had no outstanding long-term debt.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general state fund for 2015-2016. Nothing was done to compromise the quality of the programs in place in the Charter School during the regular instructional day. The budget was prepared to ensure that all students have textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

Contact the Charter School's Financial Management

This financial report is designed to provide interested parties with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the funds it receives. Questions about this report or additional financial information needs should be directed to:

HOPE COMMUNITY CHARTER SCHOOL
836 S. 4th Street
Camden, New Jersey 08103

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BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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HOPE COMMUNITY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	<u>TOTALS</u> JUNE 30, 2015
Current Assets:			
Cash	\$ 614,679	\$ 16,198	\$ 630,877
Receivables, Net	147,842	9,445	157,287
	<hr/>		
Total Current Assets	762,521	25,643	788,164
	<hr/>		
Total Assets	762,521	25,643	788,164
	<hr/>		
 LIABILITIES			
Accounts Payable & Accrued Expenses	58,099	10,575	68,674
Unearned Revenue	16,296	-	16,296
	<hr/>		
Total Liabilities	74,395	10,575	84,970
	<hr/>		
 NET POSITION			
Restricted for:			
Other Purposes	10,210	-	10,210
Unrestricted	677,916	15,068	692,984
	<hr/>		
Total Net Position	\$ 688,126	\$ 15,068	\$ 703,194
	<hr/> <hr/>		

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

**HOPE COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			TOTALS JUNE 30, 2015
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
Governmental Activities:							
Instruction	\$ 919,627	\$ -	\$ 216,334	\$ (703,293)	\$ -	\$ (703,293)	
Support Services	775,048	-	133,292	(641,756)	-	(641,756)	
Administration	369,880	-	-	(369,880)	-	(369,880)	
Unallocated Benefits	200,673	-	61,140	(139,533)	-	(139,533)	
Capital Outlay	22,602	-	-	(22,602)	-	(22,602)	
Total Governmental Activities	2,287,830	-	410,766	(1,877,064)	-	(1,877,064)	
Business-Type Activities:							
Proprietary Funds	113,893	5,761	122,694	-	14,562	14,562	14,562
Total Business-Type Activities	113,893	5,761	122,694	-	14,562	14,562	14,562
Total Primary Government	2,401,723	5,761	533,460	(1,877,064)	14,562	(1,862,502)	
General Revenues:							
Property Taxes, Levied for General Purposes, Net				72,474	-	72,474	
Unrestricted Federal & State Aid				2,232,360	-	2,232,360	
Miscellaneous Income				25,883	-	25,883	
Total General Revenues, Special Items, Extraordinary Items & Transfers				2,330,717	-	2,330,717	
Change In Net Position				453,653	14,562	468,215	
Net Position - Beginning				234,473	506	234,979	
Net Position - Ending				\$ 688,126	\$ 15,068	\$ 703,194	

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

B. Fund Financial Statements

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Governmental Funds

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**HOPE COMMUNITY CHARTER SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

ASSETS & OTHER DEBITS	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
Cash	\$ 740,294	\$ -	\$ 740,294
Intergovernmental Accounts Receivable	3,003	144,839	147,842
Total Assets	<u>\$ 743,297</u>	<u>\$ 144,839</u>	<u>\$ 888,136</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Cash Deficit	\$ -	\$ 125,615	\$ 125,615
Intergovernmental Accounts Payable	55,171	-	55,171
Accounts Payable	-	2,928	2,928
Unearned Revenue	-	16,296	16,296
Total Liabilities	<u>55,171</u>	<u>144,839</u>	<u>200,010</u>
Fund Balances:			
Assigned to:			
Other Purposes	10,210	-	10,210
Unassigned:			
General Fund	<u>677,916</u>	-	<u>677,916</u>
Total Fund Balances	<u>688,126</u>	-	<u>688,126</u>
Total Liabilities & Fund Balances	<u>\$ 743,297</u>	<u>\$ 144,839</u>	<u>\$ 888,136</u>

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

**HOPE COMMUNITY CHARTER SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
Revenues:			
Local Sources:			
Local Levy	\$ 72,474	\$ -	\$ 72,474
Miscellaneous	25,883	-	25,883
Total Local Sources	98,357	-	98,357
State Sources	2,293,500	-	2,293,500
Federal Sources	-	349,626	349,626
Total Revenues	2,391,857	349,626	2,741,483
Expenditures:			
Instructional	703,293	216,334	919,627
Administration Costs	369,880	-	369,880
Support Services	641,756	133,292	775,048
Unallocated Benefits	200,673	-	200,673
Capital Outlay	22,602	-	22,602
Total Expenditures	1,938,204	349,626	2,287,830
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	453,653	-	453,653
Net Change in Fund Balances	453,653	-	453,653
Fund Balances July 1	234,473	-	234,473
Fund Balances June 30	\$ 688,126	\$ -	\$ 688,126

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

**HOPE 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 YEAR ENDED JUNE 30, 2015**

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 453,653
<hr/>	
There is no difference in amounts reported for governmental activities in the statement of activities (A-2).	
Change in Net Position of Governmental Activities	\$ 453,653
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The accompanying Notes to Financial Statements are an integral part of this statement.

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Proprietary Funds

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**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015**

ASSETS	BUSINESS-TYPE ACTIVITIES - <u>FOOD SERVICE</u>
Cash	\$ 16,198
Accounts Receivable	
State	158
Federal	<u>9,287</u>
Total Assets	<u>25,643</u>
LIABILITIES	
Accounts Payable	<u>10,575</u>
Total Liabilities	<u>10,575</u>
NET POSITION	
Unreserved Net Position	<u>15,068</u>
Total Net Position	<u><u>\$ 15,068</u></u>

The accompanying Notes to Financial Statements are an integral part of this sta

EXHIBIT B-5
**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR FISCAL YEAR ENDED JUNE 30, 2015**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE
Operating Revenues:	
Charges for Services:	
Daily Sales Nonreimbursable Programs	\$ 5,761
Total Operating Revenue	5,761
Operating Expenses:	
Cost of Sales	113,893
Total Operating Expenses	113,893
Operating Income/(Loss)	(108,132)
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	1,340
Federal Sources:	
National School Breakfast Program	32,609
National School Lunch Program	69,643
Healthy Hunger-Free Kids Act	1,426
After School Snacks Program	17,676
Total Nonoperating Revenues	122,694
Net Income/(Loss)	14,562
Net Position - July 1	506
Net Position - June 30	\$ 15,068

The accompanying Notes to Financial Statements are an integral part of this state

**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR FISCAL YEAR ENDED JUNE 30, 2015**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 5,761
Payments to Suppliers & Employees	(103,318)
	(97,557)
Cash Flows From Noncapital Financing Activities:	
Cash Received From State & Federal Reimbursements	119,910
	119,910
Net Increase/(Decrease) in Cash & Cash Equivalents	22,353
Balances - Beginning of Year	(6,155)
Balances - Ending of Year	\$ 16,198

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	\$ (108,132)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:	
Increase/(Decrease) in Accounts Payable	10,575
	(97,557)
Net Cash Provided/(Used) by Operating Activities	\$ (97,557)

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

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Fiduciary Fund

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EXHIBIT B-7
HOPE COMMUNITY CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

ASSETS	PAYROLL AGENCY FUND
Cash	\$ 18,984
Total Assets	<u>18,984</u>
LIABILITIES	
Payroll Deductions & Withholdings	14,076
Due to Employees	<u>4,908</u>
Total Liabilities	<u>18,984</u>
NET POSITION	
Total Net Position	<u><u>\$ -</u></u>

The accompanying Notes to Financial Statements are an inte

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HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1. Summary of Significant Accounting Policies

The financial statements of the Hope Community Charter School (the “Charter School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

Reporting Entity

The Hope Community Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School is governed by an independent Board of Trustees, which consists of parents, founders, and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School. The Hope Community Charter School has an approximate enrollment at June 30, 2015 of 201 students.

The primary criterion for including activities within the Charter School’s reporting entity as a component unit, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

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

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Charter School had no component units as of for the year ended June 30, 2015.

Government-Wide Financial Statements

The Charter School’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Charter School accompanied by a total column. Fiduciary activities of the Charter School are not included in these statements.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Charter School’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Charter School are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Charter School has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The Charter School’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Charter School, are property tax and intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The Charter School's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

While Government-Wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Charter School's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the Government-Wide financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Fund are charges to customers for sales. Operating expenses for enterprise funds include the cost of sales and services, employee salaries and benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the Government-Wide financial statements. The Charter School does not maintain any internal service funds.

The Charter School reports the following major governmental funds:

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

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

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

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

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

The Charter School reports the following major proprietary funds:

Food Service Fund – This fund accounts for the revenues and expenses pertaining to the Charter School’s cafeteria operations.

Additionally, the Charter School reports the following major fiduciary funds:

Agency Funds - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity’s own operating programs. The Charter School currently maintains a Payroll fund as Agency Funds.

During the course of operations, the Charter School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the Government-Wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the Government-Wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the New Jersey Department of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C.6:20-2A(m)1*. All budget amendments must be approved by Charter School Board resolution.

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. The budget, as detailed on Exhibit C-1 and C-2, includes all amendments to the adopted budget, if any.

Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

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

Cash and Cash Equivalents

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey School Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.18A:20-37* provides a list of permissible investments that may be purchased by New Jersey school Charter Schools.

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

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

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

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.

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the Government-Wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The Charter School has established a threshold of \$2,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Charter School are depreciated or amortized using the straight-line method over the following estimated lives:

Building & Other Improvements	7 – 20 Years
Machinery and Equipment	3 – 20 Years

Compensated Absences

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

In the Government-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Charter School classifies governmental fund balances as follows:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Charter School removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2015.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

- Assigned – This classification includes amounts that are constrained by the School Charter School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Charter School or through the Charter School delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the Charter School’s policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the Charter School’s policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

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

- Net Investment in Capital Assets – This components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended June 30, 2015 the Local School Districts and Charter School implemented the provision of GASB Statement No. 68, Accounting and Financial reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standard for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies (continued):

requires disclosure of information related to pension benefits. Due to the fact Hope Community Charter School is a new school and only recently enrolled in State Pension, there is no pension information available and thus has not implemented these GASB Statements. The Charter School plans to implement these statements for the year ended June 30, 2016.

Subsequent Events

The Charter School has evaluated subsequent events occurring after June 30, 2015 through the date of December 21, 2015, which is the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

The Charter School is governed by the deposit limitations of New Jersey state law. The Deposits and held at June 30, 2015, and reported at fair value are as follows:

Type	Carrying Value
Deposits	
Demand Deposits	\$ 649,861
Total Deposits	\$ 649,861
 The Charter School's Cash & Cash Equivalents are Reported as Follows:	
Governmental Activities	\$ 614,679
Business-Type Activities	16,198
Fiduciary Funds	18,984
Total Cash & Cash Equivalents	\$ 649,861

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Charter School’s deposits may not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity funds or funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2015, the Charter School’s bank balance of \$703,017 was exposed to custodial credit risk as follows:

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 2. Cash and Cash Equivalents (continued):

Insured	\$250,000
Uninsured	18,984
Collateralized in the Charter School's Name Under GUDPA	<u>434,033</u>
Total	<u>\$703,017</u>

Note 3. Accounts Receivable

Accounts receivable at June 30, 2015 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Charter School's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Funds	Total
Intergovernmental	<u>\$ 3,003</u>	<u>\$ 144,839</u>	<u>\$ 9,445</u>	<u>\$ 157,287</u>
Total	<u>\$ 3,003</u>	<u>\$ 144,839</u>	<u>\$ 9,445</u>	<u>\$ 157,287</u>

Note 4. Operating Leases

Rental Lease:

In May 2014, the Charter School entered into a lease agreement with The Parish of the Cathedral of the Immaculate Conception, New Jersey (landlord), a religious corporation in the State of New Jersey, for the Facility located at 832 & 836 South 4th Street, Camden, New Jersey 08104. The lease is effective July 1, 2014 through June 30, 2017.

Year-ending June 30,	Amount
2016	\$ 226,395
2017	<u>237,715</u>
Total Minimum Lease Payments	<u>\$ 464,110</u>

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 5. 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 all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

A complete schedule of insurance coverage can be found in the “Statistical Section” of the report.

Note 6. Economic Dependency

The Charter School participates in numerous state and federal grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material. The Charter School is dependent on the State of New Jersey for a substantial portion of its operating funds. Due to funding uncertainties at the State level, funding for Charter Schools may be reduced. The ultimate effect of this possible reduction in funding on the Charter School’s future operation is not yet determinable.

Note 7. Pension Plans

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

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

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established in January 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

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 7. Pension Plans (continued):

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, Charter School, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B* and *N.J.S.A.18A:66* for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 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.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Significant Legislation below.

Significant Legislation – During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Charter School's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the TPAF and the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides

That all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 7. Pension Plans (continued):

retirement for Tier 5 PERS members will be age 65 and 30 years of service. All cost of living adjustments are frozen until the pension fund reaches a “target funded ratio”. Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

Contribution Requirements – The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5%, effective October 1, 2011, of employees’ annual compensation, as defined. The rate will increase over the next seven years to 7.5%. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of the TPAF.

During the year ended June 30, 2015 the State of New Jersey contributed \$-0- to the TPAF for normal and post-retirement benefits on behalf of the Charter School. Also in accordance with *N.J.S.A.18A:66-66* the State of New Jersey reimbursed the Charter School \$61,140 for the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the Basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

Note 8. 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 pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides 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 2015.

Note 9. Fund Balance Disclosure

General Fund – of the \$688,126 General Fund fund balance at June 30, 2015, \$10,210 is assigned for encumbrances and \$677,916 is unassigned.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2015

Note 10. Subsequent Events

The Hope Community Charter School failed to file their annual tax returns for the past two fiscal years resulting in the revocation of their tax exempt status by the IRS. The Charter School is in the process of applying for the reinstatement of their tax exempt status including the filing of all applicable tax returns (Form 990).

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REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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**HOPE COMMUNITY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

ACCOUNT NUMBERS	JUNE 30, 2015			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Revenues:				
Local Sources:				
Local Tax Levy	\$ 74,047	\$ (1,573)	\$ 72,474	\$ -
Miscellaneous	-	-	-	25,883
Total Local Sources	74,047	(1,573)	72,474	25,883
State Sources:				
Equalization Aid	2,165,878	(47,538)	2,118,340	-
Special Education Aid	44,684	(3,545)	41,139	-
Security Aid	75,396	(2,515)	72,881	-
Nonbudgeted:				
Reimbursed TPAF Social Security Contributions	-	-	-	61,140
Total State Sources	2,285,958	(53,598)	2,232,360	61,140
Total Revenues	2,360,005	(55,171)	2,304,834	87,023
Expenditures:				
Instruction:				
Salaries of Teachers	513,852	(96,797)	417,055	26,376
Other Salaries for Instruction	240,525	75,335	315,860	85,300
Purchased Professional - Educational Services	29,000	-	29,000	10,255
Other Purchased Services - (400-500 Series)	25,000	-	25,000	16,471
General Supplies	72,500	-	72,500	23,859
Miscellaneous	25,000	-	25,000	18,861
Total Instruction	905,877	(21,462)	884,415	181,122

**HOPE COMMUNITY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

ACCOUNT NUMBERS	JUNE 30, 2015			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
			ACTUAL		
Learning Disabilities: Salaries of Teachers	-	25,757	25,757	25,740	17
Total Learning Disabilities	-	25,757	25,757	25,740	17
Health Services: Salaries	-	59,505	59,505	55,400	4,105
Supplies	-	5,000	5,000	848	4,152
Total Health Services	-	64,505	64,505	56,248	8,257
Child Study Team: Purchased Professional & Technical Services	64,925	1,075	66,000	29,700	36,300
Total Child Study Team	64,925	1,075	66,000	29,700	36,300
Administration: Salaries - General Administration	216,880	-	216,880	200,229	16,651
Purchased Professional & Technical Services	113,470	13,715	127,185	117,770	9,415
Judgements Against Charter Communication/Telephone	1,000	1,000	2,000	-	2,000
Other Purchased Services - (400-500Series)	13,200	-	13,200	8,983	4,217
Supplies and Materials	46,501	(13,416)	33,085	26,683	6,402
Miscellaneous	18,700	-	18,700	16,060	2,640
	3,100	501	3,601	155	3,446
Total Administration	412,851	1,800	414,651	369,880	44,771
Unallocated Benefits - Employee Benefits: Social Security Contributions	49,500	-	49,500	9,699	39,801
Workmen's Compensation	40,000	-	40,000	17,775	22,225
Unemployment Compensation	20,000	-	20,000	7,679	12,321
Health Benefits	110,000	2,500	112,500	104,380	8,120
Total Unallocated Benefits	219,500	2,500	222,000	139,533	82,467

**HOPE COMMUNITY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

ACCOUNT NUMBERS	JUNE 30, 2015			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Support Services:					
Salaries	141,800	(50,402)	91,398	86,637	4,761
Purchased Professional & Technical Services	66,000	5,306	71,306	71,306	-
Rent on Land & Buildings	239,280	720	240,000	239,593	407
Insurance	37,184	11,536	48,720	44,206	4,514
Supplies and Materials	30,000	(4,761)	25,239	25,239	-
Energy Costs	60,000	(11,593)	48,407	45,035	3,372
Miscellaneous Expense	14,663	-	14,663	13,222	1,441
Transportation	10,000	-	10,000	4,830	5,170
Total Support Services	598,927	(49,194)	549,733	530,068	19,665
Capital Outlay:					
Land Improvements	16,000	6,602	22,602	22,602	-
Total Support Services	16,000	6,602	22,602	22,602	-
Nonbudgeted:					
Reimbursed TPAF Social Security Contributions	-	-	-	61,140	(61,140)
Total Expenditures	2,218,080	31,583	2,249,663	1,938,204	311,459
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	141,925	(86,754)	55,171	453,653	398,482
Fund Balances, July 1	89,410	-	89,410	234,473	145,063
Fund Balances, June 30	\$ 231,335	\$ (86,754)	\$ 144,581	\$ 688,126	\$ 543,545

**HOPE COMMUNITY CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

REVENUES	JUNE 30, 2015				POSITIVE/ (NEGATIVE)
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
Federal Sources	\$ 414,902	\$ -	\$ 414,902	\$ 349,626	\$ (65,276)
Total Revenues	414,902	-	414,902	349,626	(65,276)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	202,347	-	202,347	178,138	24,209
Purchased Professional - Educational Services	785	-	785	785	-
General Supplies	44,276	-	44,276	37,411	6,865
Total Instruction	247,408	-	247,408	216,334	31,074
Support Services:					
Other Salaries	9,650	-	9,650	9,650	-
Personal Services - Employee Benefits	46,295	-	46,295	44,642	1,653
Purchased Professional - Educational Services	110,487	-	110,487	78,283	32,204
Other Purchased Professional Services	337	-	337	337	-
General Supplies	725	-	725	380	345
Total Support Services	167,494	-	167,494	133,292	34,202
Total Expenditures	414,902	-	414,902	349,626	65,276
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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**HOPE COMMUNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR FISCAL YEAR ENDED JUNE 30, 2015**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 2,391,857	\$ 349,626
	<u> </u>	<u> </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$ 2,391,857</u>	<u>\$ 349,626</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 1,938,204	\$ 349,626
	<u> </u>	<u> </u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,938,204</u>	<u>\$ 349,626</u>

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)
Not Applicable

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**HOPE COMMUNITY CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2015**

	TITLE I PART A	TITLE II PART A	CHARTER SCHOOL IMPLEMENTATION	I.D.E.A. PART B BASIC	TOTALS
Revenues:					
Federal Sources	\$ 186,571	\$ 785	\$ 140,666	\$ 21,604	\$ 349,626
Total Revenues	\$ 186,571	\$ 785	\$ 140,666	\$ 21,604	\$ 349,626
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 143,945	-	\$ 17,079	\$ 17,114	\$ 178,138
Other Salaries	-	-	-	-	-
Purchased Professional Services	-	785	-	-	785
General Supplies	4,562	-	32,849	-	37,411
Total Instruction	148,507	785	49,928	17,114	216,334
Support Services:					
Other Salaries	-	-	9,650	-	9,650
Purchased Professional Educational Services/ Personal Services/	-	-	78,283	-	78,283
Employee Benefits	38,064	-	2,088	4,490	44,642
Other Purchased Services	-	-	337	-	337
Supplies	-	-	380	-	380
Total Support Services	38,064	-	90,738	4,490	133,292
Total Expenditures	\$ 186,571	\$ 785	\$ 140,666	\$ 21,604	\$ 349,626

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F. Capital Projects Fund

Not Applicable

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G. Proprietary Funds
See Exhibits B-4 through B-6

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Enterprise Funds
See Exhibits B-4 through B-6

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Internal Service Fund

Not Applicable

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H. Fiduciary Fund

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**HOPE COMMUNITY CHARTER SCHOOL
FIDUCIARY FUND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

ASSETS	<u>AGENCY PAYROLL FUND</u>
Cash & Cash Equivalents	\$ 18,984
Total Assets	<u>18,984</u>
LIABILITIES	
Payroll Deductions & Withholdings	14,076
Due to Employees	<u>4,908</u>
Total Liabilities	<u>\$ 18,984</u>

**HOPE COMMUNITY CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2015**

ASSETS	BALANCE JULY 1, 2014	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2015
Cash	\$ 4,207	\$ 1,286,815	\$ 1,272,038	\$ 18,984
	<u>\$ 4,207</u>	<u>\$ 1,286,815</u>	<u>\$ 1,272,038</u>	<u>\$ 18,984</u>
LIABILITIES				
Net Payroll	\$ -	\$ 853,185	\$ 853,185	\$ -
Due to Employees	2,362	25,174	22,628	4,908
Payroll Deductions & Withholdings	1,845	408,456	396,225	14,076
Total Liabilities	<u>\$ 4,207</u>	<u>\$ 1,286,815</u>	<u>\$ 1,272,038</u>	<u>\$ 18,984</u>

I. Long-Term Debt

Not Applicable

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STATISTICAL SECTION (Unaudited)

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HOPE COMMUNITY CHARTER SCHOOL
NET POSITION BY COMPONENT
LAST TWO FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,	
	2015	2014
Governmental Activities:		
Assigned	\$ 10,210	\$ -
Unrestricted	677,916	234,473
Total Governmental Activities Net Position	\$ 688,126	\$ 234,473
Business-Type Activities:		
Unrestricted	\$ 15,068	\$ 506
Total Business-Type Activities Net Position	\$ 15,068	\$ 506
Government-Wide:		
Assigned	\$ 10,210	\$ -
Unrestricted	692,984	234,979
Total Charter School Net Position	\$ 703,194	\$ 234,979

**HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TWO FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,	
	2015	2014
Expenses:		
Governmental Activities		
Instruction	\$ 919,627	\$ 643,994
Administration	369,880	341,603
Support Services	775,048	392,059
Unallocated Benefits	200,673	37,248
Capital Outlay	22,602	-
Total Governmental Activities Expenses	<u>2,287,830</u>	<u>1,414,904</u>
Business-Type Activities:		
Food Service	<u>113,893</u>	<u>100,119</u>
Total Business-Type Activities Expense	<u>113,893</u>	<u>100,119</u>
Total Charter School Expenses	<u>\$ 2,401,723</u>	<u>\$ 1,515,023</u>
Program Revenues:		
Governmental Activities:		
Capital Grants & Contributions	<u>\$ 410,766</u>	<u>\$ 296,387</u>
Total Governmental Activities Program Revenues	<u>410,766</u>	<u>296,387</u>
Business-Type Activities:		
Charges for Services:		
Food Service	5,761	459
Capital Grants & Contributions	122,694	74,271
Transfers	-	25,895
Total Business Type Activities Program Revenues	<u>128,455</u>	<u>100,625</u>
Total Charter School Program Revenues	<u>\$ 539,221</u>	<u>\$ 397,012</u>
Net/(Expense)/Revenue:		
Governmental Activities	\$ (1,877,064)	\$ (1,118,517)
Business-Type Activities	<u>14,562</u>	<u>506</u>
Total Charter School Net Expense	<u>\$ (1,862,502)</u>	<u>\$ (1,118,011)</u>

**HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TWO FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,	
	2015	2014
General Revenues & Other Changes in Net Position:		
Governmental Activities:		
Property Taxes Levied for General Purposes, Net	\$ 72,474	\$ 42,748
Grants & Contributions	2,232,360	1,325,584
Miscellaneous Income	25,883	10,553
Transfers	-	(25,895)
Total Governmental Activities	2,330,717	1,352,990
Total Government-Wide	\$ 2,330,717	\$ 1,352,990
Change in Net Position:		
Governmental Activities	\$ 453,653	\$ 234,473
Business-Type Activities	14,562	506
Total Charter School	\$ 468,215	\$ 234,979

Source: Charter School's Records

**HOPE COMMUNITY CHARTER SCHOOL
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TWO FISCAL YEARS**
(Modified Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,	
	2015	2014
General Fund		
Assigned	\$ 10,210	\$ -
Unassigned	677,916	234,473
Total General Fund	\$ 688,126	\$ 234,473

Source: Charter School Records

HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TWO FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2015		2014
Revenues:			
Federal	\$ 349,626	\$	289,594
State	2,293,500		1,332,377
Local	98,357		53,301
	<hr/>		<hr/>
Total Revenue	2,741,483		1,675,272
	<hr/>		<hr/>
Current Expense:			
Instruction	919,627		629,619
Administrative Services	369,880		341,603
Support Services	775,048		392,059
Capital Outlay:			
Instructional Equipment	22,602		14,375
Unallocated Benefits	200,673		37,248
	<hr/>		<hr/>
Total Expenditures	2,287,830		1,414,904
	<hr/>		<hr/>
Other Financing Sources/(Uses):			
Board Contribution to Food Service	-		(25,895)
	<hr/>		<hr/>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	453,653		234,473
	<hr/>		<hr/>
Net Change in Fund Balances	\$ 453,653	\$	234,473
	<hr/> <hr/>		<hr/> <hr/>

Source: Charter School Records

EXHIBITS J-5 THROUGH J-13

NOT APPLICABLE

EXHIBIT J-14

**HOPE COMMUNITY CHARTER SCHOOL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TWO FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME(b)	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2015	N/A	N/A	N/A	N/A
2014	76,903	N/A	N/A	16%

Source:

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

b Personal income is estimated - population times estimated per capita personal income.

c Per Capita Per County from US Bureau of Economic Analysis

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

EXHIBIT J-15 NOT APPLICABLE

**HOPE COMMUNITY CHARTER SCHOOL
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TWO FISCAL YEARS**

Function/Program	2015	2014
Number of Classes:		
Kindergarten	2	3
Grade 1	3	2
Grade 2	3	-
	8	5
Total Number of Classes	8	5
Full-Time Employees:		
School Director	1	1
Teachers	11	6
Special Education Teacher	1	1
Teacher Aides	11	6
School Nurse	1	1
Administrative Assistant	1	1
	26	16
Total Employees	26	16
Teacher/Student Ratio	1:17	1:17
Student Count at June 30	201	101

Source: Charter School's Personnel Records

**HOPE COMMUNITY CHARTER SCHOOL
OPERATING STATISTICS
LAST TWO FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (d)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2015	201	1,938,204	9,643	6%	12	1:17	176	149	73.56%	74.13%
2014	109	1,118,517	10,262	100%	6	1:17	106	86	N/A	1

Sources: District records

Note: Enrollment based on annual June Charter School count.

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

**HOPE COMMUNITY CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
LAST TWO FISCAL YEARS**

DISTRICT BUILDING	2015	2014
School Building:		
Square Feet	16,821	16,821
Capacity (Students)	320	320
Enrollment	201	109

Number of Schools at June 30, 2015:

 School Building - 1

Source: District Facilities Office

Note: Enrollment is based on the annual October District count.

**EXHIBIT J-19
NOT APPLICABLE**

**HOPE COMMUNITY CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2015**

	COVERAGE	DEDUCTIBLE
Directors & Officers		
Policy Year Agg for EPL	\$ 3,000,000	
Policy Year Agg other than EPL	3,000,000	
Package Policy		
Property	60,000	
Business Personal Property	60,000	
Computer Coverage	25,000	
Business Income with EE	1,000,000	\$ 1,000
Commercial General Liability:		
General Aggregate	2,000,000	
Personal & Advertising Injury Limit	1,000,000	
Damage to Premises Rented	100,000	
Medical Expense Limit/Person	5,000	500
Employee Benefits Liability	1,000,000	1,000
Excess Liability		
Each occurrence limit	5,000,000	
General Aggregate	5,000,000	
Prodcuts Completed Ops Aggregate	5,000,000	
Self-insured Retention	10,000	
Workers Compensation		
Bodily Injury by Accident- Each Accident	1,000,000	
Bodily Injury by Disease- Policy Limit	1,000,000	
Bodily Injury by Disease- Each Employee	1,000,000	
Salary Contiuance		
Maxium Weekly Benefit	2,500	

Source: District Records

HOPE COMMUNITY CHARTER SCHOOL
 FINANCIAL PERFORMANCE
 FISCAL RATIOS
 June 30, 2015

	2015 Audit	Source
Cash	\$ 630,877	Audit: Exhibit A-1
Current Assets	788,164	Audit: Exhibit A-1
Total Assets	788,164	Audit: Exhibit A-1
Current Liabilities	84,970	Audit: Exhibit A-1
Total Liabilities	84,970	Audit: Exhibit A-1
Net Position	703,194	Audit: Exhibit A-1
Total Revenue	2,869,938	Audit: Exhibit A-2
Total Expenses	2,401,723	Audit: Exhibit A-2
Change in Net Position	468,215	Audit: Exhibit A-2
Depreciation Expense	-	Financial Statements/Audit Workpapers
Interest Expense	-	Financial Statements/Audit Workpapers
Principal Payments	-	Financial Statements/Audit Workpapers
Interest Payments	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	176	DOE Enrollment Reports
March 30th Budgeted Enrollment	194	Charter School Budget

Near Term Indicators	2015	3 YR CUM	Source:
1a. Current Ratio	9	N/A	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	96	N/A	Cash/(Total Expenses/365)
1c. Enrollment Variance	1	N/A	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	No	N/A	Audit
Sustainability Indicators			
2a. Total Margin	16%	N/A	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.11	N/A	Total Liabilities/Total Assets
2c.** Cash Flow	N/A	N/A	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	Change in Net Assets+Depreciation-Interest Expense/(Principal & Interest Payments)

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

** 2013 =2013 Cash - 2012 Cash; 2012 =2012 Cash-2011 Cash; 2011 =2011 Cash-2010 Cash

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SINGLE AUDIT SECTION

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EXHIBIT K-1

INDEPENDENT AUDITOR'S 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

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
Camden, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Hope Community Charter School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hope Community Charter School's basic financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

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

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

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 *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. 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 Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [Finding 2015-001]

Compliance and Other Matters

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

We noted certain administrative findings that we reported to management of the Hope Community Charter School, as described in a separate auditor's management report dated December 21, 2015.

The Hope Community Charter School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's response was not subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
December 21, 2015



HOLMAN | FRENIA
ALLISON, P.C.

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EXHIBIT K-2

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04 AND/OR 15-08.

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
County of Camden
Camden, New Jersey

Report on Compliance for Each Major State Program

We have audited Hope Community Charter School’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District’s major state programs for the year ended June 30, 2015. Hope Community Charter School’s major state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Hope Community Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; *the New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB’s Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes

examining, on a test basis, evidence about Hope Community Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

\We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Hope Community Charter School's compliance.

Opinion on Each Major State Program

In our opinion, Hope Community 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 state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Hope Community Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hope Community Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular(s) 04-04 and/or 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hope Community 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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 our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB's Circular(s) 04-04 and/or 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

December 21, 2015
Medford, New Jersey

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HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR FISCAL YEAR ENDED JUNE 30, 2015

STATE GRANTOR/ PROGRAM TITLE	GRANTOR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2014	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS BALANCE	(ACCOUNTS RECEIVABLE) 2015	DUE TO GRANTOR 2015	MEMO	
										BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education:											
General Fund:											
Equalization Aid	14-495-034-5120-078	\$ 1,212,202	7/1/13-6/30/14	\$ 74,780	\$ 2,554	\$ -	\$ (77,334)	\$ -	\$ -	\$ -	\$ -
Equalization Aid	15-495-034-5120-078	2,118,340	7/1/14-6/30/15	-	2,173,511	(2,118,340)	-	-	55,171	-	2,118,340
Special Education Categorical Aid	15-495-034-5120-089	41,139	7/1/14-6/30/15	-	41,139	(41,139)	-	-	-	-	41,139
Security Aid	15-495-034-5120-084	72,881	7/1/14-6/30/15	-	72,881	(72,881)	-	-	-	-	72,881
On-Behalf TPAF Social Security	14-495-034-5095-002	37,248	7/1/13-6/30/14	(3,552)	3,552	-	-	-	-	-	-
Reimbursement											
On-Behalf TPAF Social Security	15-495-034-5095-002	61,140	7/1/14-6/30/15	-	58,137	(61,140)	-	(3,003)	-	-	61,140
Reimbursement											
Total General Fund				71,228	2,351,774	(2,293,500)	(77,334)	(3,003)	55,171	-	2,293,500
State Department of Agriculture:											
National School Lunch Program	14-100-10-3360-067	911	7/1/13-6/30/14	(122)	122	-	-	-	-	-	-
National School Lunch Program	15-100-10-3360-067	1,340	7/1/14-6/30/15	-	1,182	(1,340)	-	(158)	-	-	1,340
Total Enterprise Fund				(122)	1,304	(1,340)	-	(158)	-	-	1,340
Total State Financial Assistance				\$ 71,106	\$ 2,353,078	\$ (2,294,840)	\$ (77,334)	\$ (3,161)	\$ 55,171	\$ -	\$ 2,294,840

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**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2015**

Note 1. General

The accompanying schedule of state financial assistance includes state award activity of the Hope Community Charter School. All state awards received directly state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

Note 2. Basis of Accounting

The accompanying schedule of financial assistance is presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Charter School's 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 when expenditures have been made.

No adjustments were needed to reconcile from the budgetary basis to the GAAP basis in the general fund or special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	State
General Fund	\$2,293,500
Food Service Fund	<u>1,340</u>
Total Financial Assistance	<u>\$2,294,840</u>

Note 4. Relationship to State Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2015**

Note 5. Other

The amount reported as TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

Note 6. State Loans Outstanding

The Hope Community Charter School had no loan balances outstanding at June 30, 2015.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	Yes
2) Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to basic financial Statements noted?	No

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor’s report issued on compliance for major programs	<u>Unmodified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	No
2) Significant deficiencies identified that are not considered To be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance With New Jersey OMB Circular 04-04 and/or 15-08?	No

Identification of major programs:

GMIS Number(s)	Name of State Program
15-495-034-5120-078	Equalization Aid
15-495-034-5120-089	Special Education Categorical Aid
15-495-034-5120-084	Security Aid

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2015**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards* and New Jersey OMB's Circular 04-04 and/or 15-08 audit.

Finding 2015-001:

Criteria or Specific Requirement:

The Charter School should file an annual tax return (Form 990) to maintain their tax exempt status with the IRS.

Condition:

It was noted during our audit that the Charter School's tax exempt status was revoked due to the failure to file proper federal tax returns. The Charter School is currently in the process of applying for the reinstatement of their tax exempt status with the IRS.

Context:

Appropriate internal controls should be in place to ensure that the annual tax return (Form 990) is filed timely.

Effect:

The Charter School risks permanently losing its tax exempt status.

Cause:

Lack of control surrounding the filing of the Form 990.

Recommendation:

That the Charter School promptly completes their application for the reinstatement of their tax exempt status and ensures that future tax returns (Form 990) are filed timely.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School management agrees with this finding and will take the appropriate steps to correct this issue.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2015**

Section III – State Financial Assistance Finding & Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of New Jersey OMB's Circular 04-04 and/or 15-08.

No Current Year Findings

**HOPE COMMUNITY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
For the Fiscal Year Ended June 30, 2015**

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 04-04 and/or 15-08.

Finding 2014-001:

It was noted during our audit that a Charter School employee did not properly contribute towards their health insurance in accordance with Chapter 78, P.L. 2011.

Status: Management has not taken corrective action on this finding.