

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
PHILIP'S ACADEMY CHARTER SCHOOL  
OF NEW JERSEY  
FOR THE FISCAL PERIOD ENDED JUNE 30, 2015**

**PHILIPS ACADEMY CHARTER SCHOOL**  
**JUNE 30, 2015**  
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October 24, 2015

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

Dear Commissioner:

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

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

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

Philip's Academy Charter School commenced the 2014/2015 school year with 370 students. The school served 250 students from kindergarten to the fifth grade and 120 students from the sixth to eighth grade.

- 2) **ENROLLMENT OUTLOOK:** Philip's Academy Charter School projects 375 students for the 2015/2016 school year. As of October 15, 2015, enrollment for the 2015/2016 school year is 375 students.

### 3) **MAJOR ACCOMPLISHMENTS**

#### **ACADEMIC HIGHLIGHTS**

##### **New Jersey ASK Testing**

##### **NJ Ask Testing in Science 2015**

Philip's Academy exceeded the average performance for New Jersey Schools statewide, Newark Charter Schools and Newark Public Schools. Students in grades 4 & 8 reaching Advanced Proficiency or Proficiency:

Science      87%

##### **Student Growth Objectives**

To ensure that we continue to achieve our student growth objectives we have increased our Special Education staff by adding a faculty member to address specifically Upper School Special Education students and their issues.

We have also increased our RTI (Response To Intervention) staffing by adding two instructional aides. One will be helping with targeted instruction for grades 2-3, while the other aide works with students in grades 5-8.

##### **Demand for Seats at Philip's Academy**

Although we had the third highest demand as a first choice among Newark charter schools, Philip's had the highest demand per seat as a first choice school overall. There are currently over 1,349 students on our waiting list.

#### **ADMINISTRATIVE HIGHLIGHTS**

- This year PACS applied to be a sponsor of the National School Lunch Program (NSLP). After attending two workshops, instituting a system of procedures and a successful NSLP technical visit PACS's family style lunch program was approved.
- PACS received an unmodified opinion on its first state audit as a public school.

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

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

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

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

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

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

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

<b>Revenue</b>	<b>Amount</b>	<b>Percent of Total</b>
Local	\$1,055,105	23%
State	3,457,639	73%
Special Revenue	146,793	3%
Misc.	59,681	1%
Enterprise Fund	\$27,477	
<b>Total</b>	<b>\$4,746,695</b>	<b>100%</b>

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

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>
Current - General Fund	\$4,237,486	98%
Special Revenue	146,793	2%
<b>Total</b>	<b>\$4,384,279</b>	<b>100%</b>

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

**Independent Audit** – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.



The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,



Miguel Brito  
Executive Director



Migdalia Dale  
School Business Administrator  
Board Secretary

**PHILIP'S ACADEMY CHARTER SCHOOL**

**ROSTER OF TRUSTEES**

**JUNE 30, 2015**

<b><u>BOARD OF TRUSTEES</u></b>	<b><u>TERM EXPIRES</u></b>
Dale R. Anglin, President, Voting	6/2015
K. Anthony Thomas, Vice President, Voting	6/2015
William D. Birch, Jr., Treasurer, Voting	6/2015
Cynthia D. Pullen-Thompson, Voting	6/2016
Jennifer Robinson, Voting	6/2016
Gary S. Debode, Voting	6/2015
Tammie A. Reid, Voting	7/2015
Randall Kanter, Voting	9/2015
Sara Mosle, Faculty Member, Non-voting	6/2015
Miguel Brito, Executive Director, Lead Person, Non-voting	
Mark Shultz, Principal, Non-voting	
Migdalia Dale, School Business Administrator, Non-voting	

**CONSULTANTS AND ADVISORS**  
**June 30, 2015**

**AUDIT FIRM**

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

**ATTORNEYS**

Isabel Machado  
Machado Law Group, LLC  
136 Central Avenue, 2nd Fl  
Clark, NJ 07066

**OFFICIAL DEPOSITORY**

Santander Bank  
4261 Route 9 North  
Howell, NJ 07731

## **FINANCIAL SECTION**

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

TELEPHONE  
973-585-4989

FAX  
973-240-7318

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

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

## **Emphasis of Matter**

### *Adoption of New Accounting Pronouncement*

As discussed in Note 5 to the financial statements, in the fiscal year ended June 30, 2015, the Philip's Academy Charter School adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. My opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 24, 2015 on my consideration of the Philip's Academy Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Philip's Academy Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA  
October 24, 2015

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



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

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

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2014-15 fiscal period include the following:

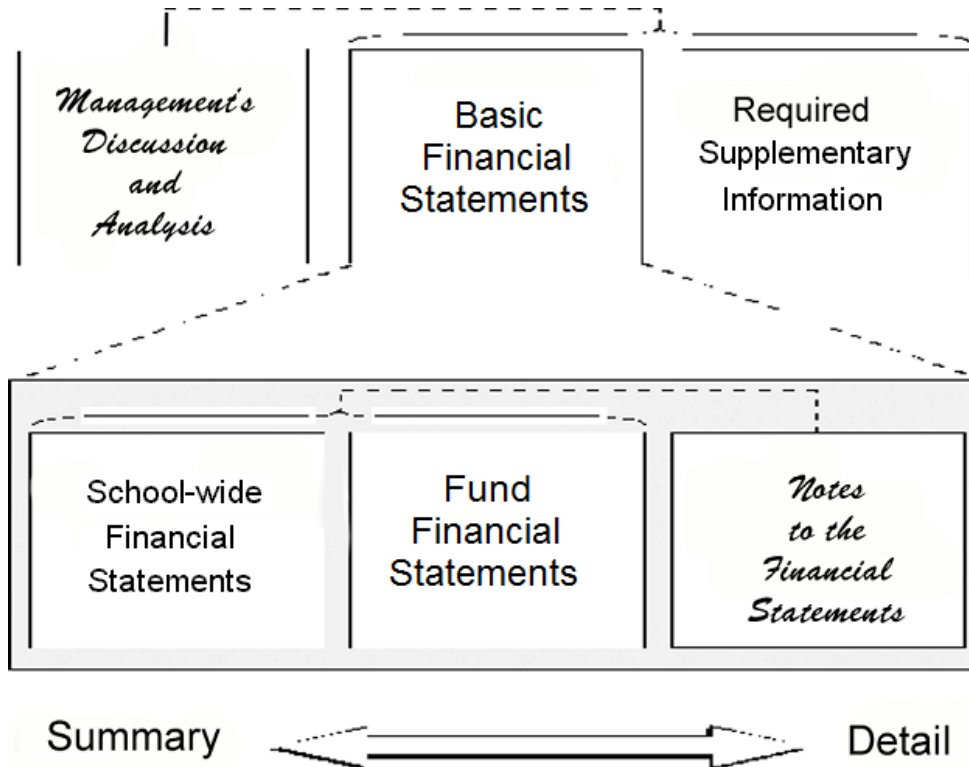
- Total Net Position was \$300,050.
- The unrestricted General Fund balance at June 30, 2015 is \$300,050.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



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

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

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

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

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

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

**School-wide Statements**

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

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

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

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

**Fund Financial Statements**

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

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

- Some funds are required by State law.

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

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

The Philip’s Academy Charter School has three kinds of funds:

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

**FINANCIAL ANALYSIS OF THE PHILIPS ACADEMY CHARTER SCHOOL AS A WHOLE**

**Net position.** The Philip’s Academy Charter School’s net position is \$300,050 as of June 30, 2015. (See Table A-1).

Governmental	<u>\$300,050</u>
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**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

The Philip's Academy Charter School's financial position is the product of these factors:

- Special Revenue - Federal Aid Revenues were \$146,793
- Special Revenue - Federal Aid Expenditures were \$146,793
- General Fund Revenues were \$4,552,425.
- General Fund Expenditures were \$4,327,486.

**Table A-1**  
**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Statement of Net Position**  
**As of June 30, 2015**

	<u><b>Total</b></u>
Current and Other Assets	\$857,007
Capital Assets (Including Business Activities)	0
<b>Total Assets</b>	<u><b>\$857,007</b></u>
Current Liabilities	584,434
Other Liabilities	0
<b>Total Liabilities</b>	<u><b>584,434</b></u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	0
Restricted	0
Unrestricted	300,050
<b>Total Net Position</b>	<u><u><b>\$300,050</b></u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$300,050 as of June 30, 2015.

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

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

<b>Revenues</b>	<u><b>Total</b></u>	<u><b>Percent</b></u>
Program revenues		
Charges for services		
Operating grants and contributions		
General revenues		
Local Share	\$ 1,035,105	22%
State Aid-Unrestricted	3,192,347	66%
Federal Aid	146,793	4%
Federal and State Aid-Restricted	265,292	6%
Other	59,681	1%
Enterprise Fund	27,477	1%
<b>Total revenues</b>	<u><b>\$ 4,726,695</b></u>	<u><b>100%</b></u>
<b>Expenses</b>		
Regular Instruction	2,185,130	49%
General Administrative	1,015,460	23%
School Administrative	1,163,314	25%
On-behalf TPAF Social Security	110,375	2%
Capital Outlay	--	--
Enterprise Fund	27,477	1%
<b>Total expenses</b>	<u><b>\$ 4,501,756</b></u>	<u><b>100%</b></u>
(Increase) in net position	224,939	
Net Position, Beginning July 1, 2014	75,111	
Net Position, End of Year June 30, 2015	<u><u><b>\$ 300,050</b></u></u>	

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

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

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>Governmental Activities</b>			
Instruction			
Regular	B-2	\$ 2,185,130	\$ 2,185,130
<b>Support Services</b>			
General Administrative Services	B-2	1,015,460	1,015,460
School Administrative Services	B-2	1,163,314	1,163,314
On-behalf TPAF Social Security	B-2	110,375	110,375
Capital Outlay	B-2	-	-
Enterprise Fund	B-2	27,477	27,477
<b>Total Governmental Activities</b>		<u>\$ 4,501,756</u>	<u>\$ 4,501,756</u>

**FINANCIAL ANALYSIS OF THE PHILIP'S ACADEMY CHARTER SCHOOL FUNDS**

The financial performance of the Philip's Academy Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Philip's Academy Charter School completed the year, its general funds reported a combined fund balance of \$300,050.

Revenues for the Philip's Academy Charter School's governmental funds were \$4,726,695 while total expenses were \$4,501,756. (Table A-4) (Exhibit B-2)

**GENERAL FUND**

The General Fund includes the primary operations of the Philip's Academy Charter School in providing educational services to students from grade K through grade 8.



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

The following schedule presents a summary of Government Revenues.

Table A-4 (See Exhibit B-2)  
**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Changes in Governmental Revenues - School Wide**  
**For the Fiscal Year Ended June 30**

<b>General Fund Revenues</b>	<b>Year Ended 06/30/2015</b>	<b>Year Ended 06/30/2014</b>	<b>Amount of Increase (Decrease)</b>
<b>Local Sources:</b>			
Local Share	\$ 1,035,105	\$ 113,114	\$ (921,991)
Other Local Revenue	3,252,028	180,407	(3,071,621)
<b>Total Local Sources</b>	<b>\$ 4,287,133</b>	<b>\$ 293,521</b>	<b>\$ (3,993,612)</b>
<b>Intergovernmental</b>			
State Sources	265,292	4,185,403	3,920,111
Federal Sources	146,793	39,777	(107,016)
Enterprise Fund	27,477	-	-
<b>Total Intergovernmental Sources</b>	<b>\$ 439,562</b>	<b>\$ 4,225,180</b>	<b>\$ 3,813,095</b>
<b>Total Revenue</b>	<b>\$ 4,726,695</b>	<b>\$ 4,518,701</b>	<b>\$ (180,517)</b>

The following schedule presents a summary of Governmental expenditures.

Table A-5 (See Exhibit B-2)  
**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Changes in Governmental Expenditures - School Wide**  
**For the Fiscal Year Ended June 30**

<b>General Fund Expenditures</b>	<b>Year Ended 06/30/2015</b>	<b>Year Ended 06/30/2014</b>	<b>Amount of Increase (Decrease)</b>
<b>Current:</b>			
Regular Instruction	\$ 2,185,130	\$ 2,069,961	\$ (115,169)
General Administrative Services	1,015,460	1,153,835	138,375
School Administration	1,163,314	1,135,769	(27,545)
On-behalf TPAF Social Security	110,375	84,025	(26,350)
Capital outlay	-	-	-
Enterprise Fund	27,477	-	(27,477)
<b>Total Expenditures</b>	<b>\$ 4,501,756</b>	<b>\$ 4,443,590</b>	<b>\$ (58,166)</b>

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

**UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES**

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

**Table A-6  
PHILIP'S ACADEMY CHARTER SCHOOL  
Changes in Net Position - School Wide  
For the Fiscal Year Ended June 30**

<b>General Fund</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Unreserved-Undesignated		
Fund Balance	300,050	75,111
Expenditures	4,501,756	4,443,590
Percentage	6.7%	1.7%

The Philip's Academy Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designated to support the subsequent years budgets \$300,050 for the 2015-16 school year.

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

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

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

**CONTACTING THE PHILIP'S ACADEMY CHARTER SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Philip's Academy Charter School's finances and to demonstrate the Philip's Academy Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Philip's Academy Charter School, 342 Central Avenue, Newark, NJ 07103

## **BASIC FINANCIAL STATEMENTS**

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

**SCHOOL-WIDE FINANCIAL STATEMENTS**

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Statement of Net Position**  
**As of June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 747,195	\$ 14,374	\$ 761,569
Receivables, net	109,812	13,103	122,915
Capital assets, net	-	-	-
Total Assets	<u>857,007</u>	<u>27,477</u>	<u>884,484</u>
<b>Deferred outflows of resources</b>			
Pension deferred outflows	3,590,284		3,590,284
Total assets and deferred outflows of resources	<u>\$ 4,447,291</u>	<u>\$ 27,477</u>	<u>\$ 4,474,768</u>
<b>LIABILITIES</b>			
Cash Overdraft			
Accounts payable	556,957	27,477	584,434
Deposits payable	-		
Payable to school districts	-		-
Payable to federal government	-		-
Payable to state government	-		
Deferred revenue			
Net pension liability	15,191,094		15,191,094
Total liabilities	<u>15,748,051</u>	<u>27,477</u>	<u>15,775,528</u>
<b>Deferred inflows of resources</b>			
Pension deferred inflows	905,307	-	905,307
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	-	-	-
Restricted for:			
Debt service			
Capital reserve	-		-
Unrestricted (Note 18)	300,050	0	300,050
Total net position	<u>\$ 300,050</u>	<u>\$ -</u>	<u>\$ 300,050</u>

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

Exhibit A-2

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental activities:							
Instruction:							
Regular	\$ (2,185,130)		\$ (146,793)		\$ (2,038,337)		\$ (2,038,337)
Support services:							
General administratiron	(1,015,460)		-		(1,015,460)		(1,015,460)
School administrative services/ operations plant serv.	(1,163,314)				(1,163,314)		(1,163,314)
On - behalf TPAF Social Security	(110,375)				(110,375)		(110,375)
Capital Outlay	-				-		-
Total governmental activities	<u>(4,474,279)</u>		<u>(146,793)</u>		<u>(4,327,486)</u>		<u>(4,327,486)</u>
Business-type activities:							
Food Service and After School Program		<u>(27,477)</u>				<u>(27,477)</u>	<u>(27,477)</u>
Total business-type activities		<u>(27,477)</u>				<u>(27,477)</u>	<u>(27,477)</u>
Total primary government	<u>\$ (4,474,279)</u>	<u>\$ (27,477)</u>	<u>\$ (146,793)</u>		<u>\$ (4,327,486)</u>	<u>\$ (27,477)</u>	<u>\$ (4,354,963)</u>
General revenues:							
Local Share					1,035,105		1,035,105
State Share					3,192,347	1,059	3,192,347
State and Federal Aid					265,292	26,418	291,710
Miscellaneous Income					59,681		59,681
Increase in net Capital Outlay					--		0
Total general revenues, special items, extraordinary					<u>4,552,425</u>	<u>27,477</u>	<u>4,578,843</u>
Change in Net Position					<u>224,939</u>	<u>0</u>	<u>223,880</u>
Net Position - July 1, 2014					<u>75,111</u>	<u>0</u>	<u>75,111</u>
Net Position - June 30, 2015					<u>\$ 300,050</u>	<u>\$ -</u>	<u>\$ 300,050</u>

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

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**



**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Funds**  
**As of June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 794,162	\$ (46,967)			\$ 747,195
Investments					
Receivables, net	57,745	52,067			109,812
Security Deposit	-				-
Due To/ From Account	-	-			-
Total assets	<u>\$ 851,907</u>	<u>\$ 5,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 857,007</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	551,857	5,100			556,957
Payable to federal government		-			0
Payable to School Districts	-				0
Payable to state government	-				0
Deferred revenue					0
Total liabilities	<u>551,857</u>	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>556,957</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve	-				
Excess surplus	-				
Excess surplus -- designated for Subsequent year's expenditures					
Unreserved, reported in:					
General fund	300,050		-	-	300,050
Capital projects fund					
Total Fund balances	<u>300,050</u>		<u>-</u>	<u>-</u>	<u>300,050</u>
Total liabilities and fund balances	<u>\$ 851,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

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

Net position before pension adjustments

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 6)

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local sources:					
Local Share	\$ 1,035,105				\$ 1,035,105
State Share	3,192,347				3,192,347
Other Restricted Miscellaneous Revenues					
Miscellaneous	59,681	-			59,681
Total - Local Sources	4,287,133				4,287,133
State Sources	265,292	-			265,292
Federal Sources		146,793			146,793
Total Revenues	4,552,425	146,793			4,699,218
<b>EXPENDITURES</b>					
Current:					
Regular instruction	\$ 2,038,337	\$ 146,793			\$ 2,185,130
Support services- General Administrative	1,015,460	-			1,015,460
Support Services- School Admin/ operations plant se	1,163,314				1,163,314
On-behalf TPAF Social Security	110,375				110,375
Capital outlay	-				-
Total Expenditures	4,327,486	146,793			4,474,279
Excess (Deficiency) of revenues over expenditures	224,939				224,939
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-				-
Transfers out	-				-
Total other financing sources and uses	*				-
Net change in fund balances	224,939				224,939
Fund balance - July 1, 2014	75,111				75,111
Fund balance - June 30, 2015	\$ 300,050				\$ 300,050

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

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

**Total net change in fund balances - governmental funds (from B-2)** \$ 224,939

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period. (Note 2)

	Depreciation expense	\$	-	
	Capital outlays		-	
			-	\$ -

Loan payable 0

Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

## **PROPRIETARY FUNDS**

**PHILIPS ACADEMY CHARTER SCHOOL**  
**Statement of Net Assets**  
**Proprietary Funds**  
**As of June 30, 2015**

		<b>Business-type Activities Enterprise funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	14,374
Investments		
Accounts receivable		12,602
Other receivables		501
Inventories		
Total current assets		27,477
Noncurrent assets:		
Restricted cash and cash equivalents		
Furniture, machinery & equipment		
Less accumulated depreciation		
Total noncurrent assets		
Total assets		
<b>LIABILITIES</b>		
Current liabilities:		
Cash overdraft		-
Accounts payable		27,477
Total current liabilities		27,477
Total liabilities		27,477
<b>NET ASSETS</b>		
Invested in capital assets net of related debt		
Restricted for:		
Capital projects		
Unrestricted		-
Total net assets	\$	-

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

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

	<b>Business-type Activities</b>
Operating revenues:	
Charges for services:	0
Daily sales - Reimbursable programs and Special Lunch Program	\$ -
Total operating revenues	-
Operating expenses:	
Cost of sales	(27,477)
Salaries and Benefits	-
Supplies, Materials and Other Expenses	-
Total Operating Expenses	(27,477)
Operating income (loss)	(27,477)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	1,059
Federal sources:	
National school breakfast program	0
National School Snack Program	26,418
National school lunch program	0
Total nonoperating revenues (expenses)	27,477
Income (loss) before contributions & transfers	-
Capital contributions	-
Transfers in (out)	-
Change in net assets	-
Total net position - July 1, 2014	0
Total net position - June 30, 2015	\$ -

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

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

**Exhibit B-6**

**Business-type  
Activities  
Enterprise Funds**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Participants	\$	-
Payments to employees and benefits		
Payments to suppliers		0
Net cash provided by (used for) operating activities		-

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State and Federal Sources		14,374
Operating subsidies and transfers to other funds		
Net cash provided by (used for) non-capital financing activities		14,374

**CASH FLOWS FROM INVESTING ACTIVITIES**

Increase In Fixed Assets		
Proceeds from sale/maturities of investments		
Net cash provided by (used for) investing activities		14,374
Net increase (decrease) in cash and cash equivalents		0
Cash Balances—beginning of year		0
Cash Balances—end of year	\$	14,374

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

Operating income (loss)		-
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		(13,103)
(Increase) decrease in inventories		
(Increase) decrease in USDA Commonities		
Increase (decrease) in accounts payable		27,477
Increase (decrease) in accrued compensated absences		
Total adjustments		14,374
Net cash provided by (used for) operating activities	\$	14,374

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

## **FIDUCIARY FUNDS**



**Exhibit B-7**

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

**NOT APPLICABLE**

**Exhibit B-8**

**PHILIP'S ACADEMY CHARTER SCHOOL  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2015**

**NOT APPLICABLE**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**PHILIP’S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY**

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

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

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**A. Basis of Presentation**

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

**Charter School Government-wide Financial Statements**

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities.

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Fund Financial Statements**

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

**B Fund Accounting**

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

**Governmental Funds**

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

**Proprietary Funds**

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The school did not participate in the child nutrition fund program; therefore, there was no enterprise fund utilized.

**Fiduciary Funds**

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

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

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

**C Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

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



**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Basis of Accounting**

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

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

**D Budgets/Budgetary Control**

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**E Cash, Cash Equivalent and Investments**

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

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

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

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

**F Short-Term Interfund Receivables/Payables**

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G Inventories and Prepaid Expenses**

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

**H Capital Assets**

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

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

The school was an existing independent school prior to transitioning to Philip's Academy Charter School. The furniture and fixtures that the school utilizes is from the previous school and presently is now part of the building lease. Philip's Academy does not have ownership of the furniture and fixtures; therefore, there presently are no capitalized assets to depreciate.

**I Compensated Absences**

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources.

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

**J Accrued Liabilities and Long-Term Obligations**

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

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

**K Deferred Revenue**

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

There is no deferred revenue in the general or special revenue fund.

**L Fund Balance and Equity**

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

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

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

**M Management Estimates**

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

**N On-Behalf Payments**

Revenues and expenditures of the General Fund include payments made by the State of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget. There was no on-behalf payments disbursed due to the school is in its initial year.

**O Net Position**

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

The Philip's Academy Charter School implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the current fiscal year.

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

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

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

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

**3. DEPOSITS AND INVESTMENTS**

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**3 DEPOSITS AND INVESTMENTS (continued)**

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

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

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Enterprise Funds</b>	<b>Agency Funds</b>	<b>Total</b>
Operating A/C	\$794,162	(\$46,967)	\$14,374	\$11,373	\$772,942

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2015, the Charter School's bank balance was \$772,942.

Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2015 were secured by federal deposit insurance and \$522,942 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

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

***Category 1***

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

***Category 2***

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

***Category 3***

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**3. DEPOSITS AND INVESTMENTS (continued)**

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

**Investments**

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

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

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

**4. LEASE RELATED PARTY TRANSACTIONS**

The school leases its premises under the terms of the renewable annual lease from Philip's Education Partners, Inc. a not for profit organization formed to support Philip's Academy Charter School. The rent expense from the current year was \$440,842. The rent covered the school premises and the full furniture fixtures located throughout the school.

**Loan Agreement**

The school had entered into a loan agreement with Philip Education Partners, Inc., whereby they would advance monies up to \$1,700,000 at the beginning of the school year. The monies were paid back in six equal installments from January 15, 2014 to June 15, 2014. During the fiscal year, \$1,450,000 was advanced to the school and was paid back in six equal installments of \$241,667 ending at June 14, 2014. There was no interest charged or to be accrued. The balance owed at June 30, 2015 was \$0.

**5. PENSION PLANS**

**Description of Plans** - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate.



**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

**Description of Plans** - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate.

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtrnl>.

**Teachers' Pension and Annuity Fund (TPAF)** - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

*For the year ended June 30, 2015, the Charter School recognized pension expense of \$-0- and revenue of \$-0- for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.*

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

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

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

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

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

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

*Discount rate* - The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit pay.

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

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

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

At June 30, 2015, the Charter School a liability of \$-0- for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the Charter School's proportion was -0-%.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$-0-. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		
Changes of assumptions	\$-0-	\$-0-
Net difference between projected and actual earnings on pension plan investments	-0-	-0-
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	-0-	-0-
Charter School contributions subsequent to the measurement date.	-0-	-0-
Total	\$-0-	\$-0-

\$-0- reported as deferred outflows of resources related to pensions resulting from the Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

	<b>Year Ended June 30:</b>
2015	-0-
2016	-0-
2017	-0-
2018	-0-
2019	-0-
Thereafter	-0-
Total:	\$-0-

	<b>6/30/13</b>	<b>6/30/14</b>
Collective deferred outflows of resources	-	\$952,194,675
Collective deferred inflows of resources	-	\$1,479,224,662
Collective net pension liability (Non State- Local Group)	\$19,111,986,911	\$18,722,735,003
Charter schools proportion of net pension liability	-0-	-0-
Charter School proportion percentage	0.0%	0.0%

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

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

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

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

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

	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.49%)</b>
Charter School's proportionate share of the net pension liability	-0-	-0-	-0-

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

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

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

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

**PERS and TPAF Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.38, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined.



**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

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.

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

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

New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**5. PENSION PLANS (continued)**

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43: 15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employer contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll

**Three-Year Trend Information for PERS**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2015	-0-	100%	-0-
6/30/2014	-0-	100%	-0-
6/30/2013	-0-	100%	-0-

**Three-Year Trend Information for TPAF  
(Paid on-behalf of the Charter School)**

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2015	-0-	100%	-0-
6/30/2014	-0-	100%	-0-
6/30/2013	-0-	100%	-0-

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$-0- to the TPAF for post-retirement benefits on behalf of the Charter School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$110,375 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the Charter School's financial statements in accordance with GASB Statement No. 68.

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**6. POST RETIREMENT BENEFITS**

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

As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

**7. COMPENSATED ABSENCES**

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy.

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

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

**8. ECONOMIC DEPENDENCY**

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**9. CONTINGENT LIABILITIES**

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

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

**10. CONTINGENT LIABILITIES (continued)**

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

**11. RISK MANAGEMENT**

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

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

**12. RECEIVABLES**

Receivables as of June 30, 2015 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$57,745</u>	<u>\$52,067</u>	<u>\$13,103</u>	<u>\$122,915</u>
Gross Receivables	<u>\$57,745</u>	<u>\$52,067</u>	<u>\$13,103</u>	<u>\$122,915</u>

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**13. SUBSEQUENT EVENTS**

The school has evaluated subsequent events occurring after the balance sheet through the date of October 24, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**14. RETROACTIVE RESTATEMENT OF NET POSITION**

The Charter School adopted GASB No. 68 - *Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the Charter School to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the Charter School was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in the Notes to the Financial Statements), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*, The Charter School restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

**Governmental Activities Net Position**

Net Position (per A-1), June 30,2014	\$75,111
Restatement of Net Pension Liability	-0-
Restatement of Deferred Outflows-Pension	-0-
Net Position (per A-1), June 30, 2014, as Restated	\$75,111

**15. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

**15. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**  
**(continued)**

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

The reconciliation is as follows:

Fund balance per B-1	\$300,050
Cost of capital assets net accumulated depreciation	-0-
Pension deferred outflows	-0-
Pension deferred inflows	-0-
Deferred pension liability as of June 30, 2015	-0-
Net position (per A-1) as of June 30, 2015	<u>\$300,050</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**



**PHILIPS ACADEMY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Share	\$ 4,169,928	\$ 1,683	\$ 4,171,611	\$ 1,035,105	\$ 3,136,506
State Share	-	55,841	55,841	3,192,347	(3,136,506)
Other Restricted Miscellaneous Revenues					
Miscellaneous	-	40,000	40,000	59,681	(19,681)
Total - Local Sources	<u>4,169,928</u>	<u>97,524</u>	<u>4,267,452</u>	<u>4,287,133</u>	<u>(19,681)</u>
Nonpublic Aid	-	-	-	-	-
Special Education	64,309	12,594	76,903	76,903	-
Security Aid	87,582	(9,568)	78,014	78,014	-
Categorical Aid	-	-	-	-	-
Targeted At- Risk Aid	-	-	-	-	-
Bilingual Education	-	-	-	-	-
Demonstrably Effective	-	-	-	-	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	-	-
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	110,375	(110,375)
Total State Sources	<u>151,891</u>	<u>3,026</u>	<u>154,917</u>	<u>265,292</u>	<u>(110,375)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>4,321,819</u>	<u>100,550</u>	<u>4,422,369</u>	<u>4,552,425</u>	<u>(130,056)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Teachers Salary	1,730,492	(4,592)	1,725,900	1,713,968	\$ 11,932
Other Salaries	157,210	6,994	164,204	164,204	-
Prof/Tech Services	-	-	-	-	-
Other Purchased Services (400-500 series)	47,155	1,494	48,649	42,026	6,623
General Supplies	55,085	(908)	54,177	45,558	8,619
Textbooks	60,000	2,040	62,040	56,120	5,920
Other Objects	10,000	7,006	17,006	16,461	545
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>2,059,942</u>	<u>12,034</u>	<u>2,071,976</u>	<u>2,038,337</u>	<u>33,639</u>

**PHILIPS ACADEMY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Support Services - General Administrative</b>					
Salaries of Administrative Salaries	425,145	-	425,145	425,145	-
Salaries of Secretarial and Clerical Assistants	-	-	-	-	-
Cost of Benefits	483,027	930	483,957	454,981	28,976
Consultants	35,000	(1,100)	33,900	12,263	21,637
Other Purchased Services (400-500 series)	67,635	18,653	86,288	79,535	6,753
Communications/Telephone	26,000	9,000	35,000	33,217	1,783
Supplies and Materials	6,000	-	6,000	5,582	418
Other Objects	9,720	(4,980)	4,740	4,737	3
	<u>1,052,527</u>	<u>22,503</u>	<u>1,075,030</u>	<u>1,015,460</u>	<u>59,570</u>
<b>Support Services - School Admin/Operation Plant Services</b>					
Salaries	275,330	63,829	339,159	237,800	101,359
Purchased Professional and Technical Services	-	-	-	-	-
Other Purchased Services	56,812	800	57,612	57,612	-
Rental of Land and Building- other than Lease Purchase Agreements	610,009	-	610,009	610,009	-
Insurance	87,519	12,560	100,079	94,623	5,456
General Supplies	2,000	154	2,154	2,154	-
Transportation- Trips	9,700	-	9,700	8,617	1,083
Energy (Energy and Electricity)	155,000	(10,000)	145,000	143,473	1,527
Other Objects	13,000	(1,350)	11,650	9,026	2,624
	<u>1,209,370</u>	<u>65,993</u>	<u>1,275,363</u>	<u>1,163,314</u>	<u>112,049</u>
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>					
<b>Food Service and After Care Program</b>					
Other Purchased Services	-	-	-	-	-
<b>Total Food Services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On-behalf TPAF pension Contributions (non-budgeted)					
Reimbursed TPAF Social Security Contributions (non-budgeted)				110,375	(110,375)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,375</u>	<u>(110,375)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>					
	<u>2,261,897</u>	<u>88,496</u>	<u>2,350,393</u>	<u>2,289,149</u>	<u>61,244</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>4,321,839</u>	<u>100,530</u>	<u>4,422,369</u>	<u>4,327,486</u>	<u>94,883</u>

PHILIPS ACADEMY CHARTER SCHOOL  
Budgetary Comparison Schedule  
General Fund  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Regular Programs - Instruction:</b>					
Instructional Equipment	-	-	-	-	-
Interest Expense- Mortgages	-	-	-	-	-
Building Improvements	-	-	-	-	-
Lease paymernts	-	-	-	-	-
<b>Total Equipment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES- GENERAL FUND</b>	4,321,839	100,530	4,422,369	4,327,486	94,883
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(20)</u>	<u>--</u>	<u>--</u>	<u>224,939</u>	<u>(224,939)</u>
<b>Other Financing Sources:</b>					
<b>Operating Transfer In:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>224,939</u>	<u>(224,939)</u>
<b>Fund Balance, July 1, 2014</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,111</u>	
<b>Fund Balance, June 30, 2015</b>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,050</u>	<u>\$ (224,939)</u>

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

**Exhibit C-2**  
**Page 1**

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources					
State Sources	-		-	-	
Federal Sources	\$ 146,793		\$ 146,793	\$ 146,793	
<b>Total Revenues</b>	<u>146,793</u>		<u>146,793</u>	<u>146,793</u>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	115,787		115,787	115,787	
Other Salaries for Instruction					
Purchased Professional -Educational Services	-		-	-	
Purchased Professional and Technical Services	17,889		17,889	17,889	
Food Service Subsidy	-		-	-	
Other Purchased Services (400-500 series)	-		-	-	
Textbooks	-		-	-	
General Supplies	13,117		13,117	13,117	
Personal Services- Employee Benefits	-		-	-	
Instructional services	-		-	-	
Equipment- Non instructional	-		-	-	
Reccruitment	-		-	-	
<b>Total Instruction</b>	<u>146,793</u>	<u>-</u>	<u>146,793</u>	<u>146,793</u>	
<b>Support Services</b>					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants	-		-	-	
Other Salaries	-		-	-	
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services	-		-	-	
Supplies					
Field Trips					
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
<b>Total Support Services</b>	<u>-</u>		<u>-</u>	<u>-</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
<b>Total Facilities Acquisition and Construction Services</b>					
<b>Transfer to Charter School</b>					
Total Expenditures	146,793		146,793	146,793	
<b>Other Financing Sources (Uses)</b>					
<b>Transfer in from General Fund</b>					
<b>Transfer Out to Whole School Reform (General Fund)</b>					
<b>Total Other Financing Sources (Uses)</b>					
<b>Total Outflows</b>					
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
<b>Expenditures and Other Financing Sources (Uses)</b>	\$ ---		\$ ---	\$ ---	

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**



**PHILIPS ACADEMY CHARTER SCHOOL  
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS  
FOR THE FISCAL YEARS ENDED JUNE 30\***

**Public Employees' Retirement System (PERS)**

	<u>2013</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)	<u>N/A</u>	<u>N/A</u>
Charter School Covered employee payroll	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL  
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS  
FOR THE FISCAL YEARS ENDED JUNE 30\***

**Public Employees' Retirement System (PERS)**

	<u>2013</u>	<u>2014</u>
Contractually required contribution	N/A	N/A
Contributions in relation to the contractually required contribution	N/A	N/A
Contribution deficiency (excess)	N/A	N/A
Charter School Covered employee payroll	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL  
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE  
OF NET PENSION LIABILITY - TPAF  
FOR THE FISCAL YEARS ENDED JUNE 30**

**Teachers' Pension and Annuity Fund (TPAF)**

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

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

**PHILIPS ACADEMY CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
PENSION SCHEDULES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Public Employees' Retirement System (PERS)**

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

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

**Teachers' Pension and Annuity Fund (TPAF)**

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

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

## **SPECIAL REVENUE FUND**

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

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

	<u>TOTAL</u>	<u>NCLB Title I</u>	<u>IDEA PART B</u>	<u>IDEA PART B C/O</u>
<b>REVENUES</b>				
Intergovernmental				
State				
Federal	\$ 146,793	\$ 68,968	\$ 60,516	\$ 17,309
Other Sources				
Miscellaneous				
Total Revenues	<u>146,793</u>	<u>68,968</u>	<u>60,516</u>	<u>17,309</u>
<b>EXPENDITURES</b>				
Instruction				
Salaries	115,787	58,878	39,600	17,309
Other Purchased Services	-			
Purchased Prof. and Tech.and Edu Services	17,889		17,889	-
General Supplies	-		-	-
Recruitment	-			
Personal Services - Employee Benefits	13,117	10,090	3,027	-
Food Service Subsidy	-			
Textbooks	-			
Instructional Services	-			
Equipment Non- Instructional	-			
Total Instruction	<u>146,793</u>	<u>68,968</u>	<u>60,516</u>	<u>17,309</u>
Support Services				
Salaries of Supervisors of Instruction				
Salaries of Program Directors				
Salaries of Other Prof. Staff				
Salaries of Secretarial and Clerical Ass't				
Personal Services - Employee Benefits				
Supplies and Materials				
Other Purchased Services				
Purchased Professional/Educational Services				
Class- room Improvements				
Building Improvements				
Non instructional Equipment				
Total Support Services	<u>-</u>			
<b>TOTAL EXPENDITURES</b>	<u>\$ 146,793</u>	<u>\$ 68,968</u>	<u>\$ 60,516</u>	<u>\$ 17,309</u>

## **PROPRIETARY FUNDS**

## **ENTERPRISE FUND**

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

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



Exhibit G-1

PHILIPS ACADEMY CHARTER SCHOOL  
 Statement of Net Assets  
 As of June 30, 2015

	<b>Business-Type Activities</b>
	<b>Enterprise Fund</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$14,374
Intergovernmental Receivable	
Federal	12,602
State	501
Accounts Receivable	
Total Current Assets	<u>27,477</u>
Total Assets	<u><u>\$27,477</u></u>
<b>LIABILITIES</b>	
Cash Over Draft	
Accounts Payable	<u>27,477</u>
Total Current Liabilities	<u><u>\$27,477</u></u>
Net Assets	
Unrestricted	
Invested in capital assets net of related debt	
Total Net Assets	<u><u>                    </u></u>

**PHILIPS ACADEMY CHARTER SCHOOL**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Fiscal Year June 30, 2015**

	<b>Enterprise Fund Food Services</b>
<b>OPERATING REVENUES</b>	
Local Sources	
Daily Sales - Reimbursable Programs	
After School Revenue	
Self Pay Revenue	
Total Operating Revenues	0
<b>OPERATING EXPENSES</b>	
Salaries, wages and employee benefits	0
Supplies, Materials & Other	(27,477)
Professional Services	
Total Operating Expenses	(27,477)
Income (Loss) From Operations	(27,477)
Nonoperating Revenues	
State Sources	
State Sources	1,059
Federal Sources	
School Breakfast Program	
National School Lunch Program	26,418
National School Snack Program	0
Board Subsidy	
Total Nonoperating Revenues	27,477
Net Income (Loss)	0
Total Net Assets- Beginning of Year	0
Total Net Assets- End of Year	\$0

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

Cash flows from operating activities	
Cash Received from Customers	0
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	
Net Cash (Used) by Operating Activities	0
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	14,374
Net Cash Provided by Noncapital Financing Activities	14,374
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	14,374
Cash and Cash Equivalents, Beginning of Year	0
Cash and Cash Equivalents, End of Year	\$14,374
 Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities	
Operating (Loss)	\$0
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	(13,103)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	27,477
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	14,374
 Net Cash Used by Operating Activities	\$14,374

## **FIDUCIARY FUNDS**

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Combining Statement of Agency Fund Net Position**  
**Fiduciary Funds**  
**As of June 30, 2015**

	<b>Student Activity Fund</b>	<b>Agency Fund Payroll</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$6,916	\$71,782	\$78,698
Total Assets	<u>\$6,916</u>	<u>\$71,782</u>	<u>\$78,698</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Payroll deductions and withholdings		71,782	71,782
Interfund payables			
Account payable - due to students group	6,916		6,916
Total Liabilities	<u>6,916</u>	<u>71,782</u>	<u>78,698</u>
Net Position			
Total Liabilities and Net Position	<u>\$6,916</u>	<u>\$71,782</u>	<u>\$78,698</u>

**Exhibit H-2**

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

**NOT APPLICABLE**

**Exhibit H-3**

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

**NOT APPLICABLE**

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	_____	\$2,895,469	\$2,895,469	_____
Total Liabilities	=====	2,895,469	2,895,469	=====
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings		1,088,169	1,088,169	
Accrued Salaries and Wages	_____	1,807,300	1,807,300	_____
Total Liabilities	=====	\$2,895,469	\$2,895,469	=====



Exhibit H-5

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

**NOT APPLICABLE**

## **FINANCIAL TRENDS**

Exhibit J-1

**PHILIP'S ACADEMY CHARTER SCHOOL  
NET POSITION BY COMPONENT  
FOR THE FISCAL YEAR ENDED JUNE 30  
(Unaudited)**

	<u>2015</u>	<u>2014</u>
Governmental activities		
Invested in capital assets, net of related debt	\$ -	\$ -
Restricted		
Unrestricted	300,050	75,111
Total governmental activities net position	<u>\$ 300,050</u>	<u>\$ 75,111</u>
Business-type activities		
Invested in capital assets, net of related debt		
Restricted	-	-
Unrestricted	<u>\$ -</u>	<u>\$ -</u>
Total business-type activities net position		
School-wide		
Invested in capital assets, net of related debt	-	-
Restricted	-	-
Unrestricted	300,050	75,111
Total school net position	<u>\$ 300,050</u>	<u>\$ 75,111</u>

**Source: School Financial Statements**

**PHILIP'S ACADEMY CHARTER SCHOOL  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30  
(Unaudited)**

	<u>2015</u>	<u>2014</u>
<b>Expenses</b>		
Governmental activities		
Instruction		
Regular	\$2,185,130	\$2,069,961
Support Services:		
General administration	1,015,460	1,153,835
School Administrative Services	1,163,314	1,135,769
On-behalf TPAF Social Security	110,375	84,025
Capital outlay	--	--
Unallocated depreciation	--	--
Total governmental activities expenses	<u>4,474,279</u>	<u>4,443,590</u>
Business-type activities:		
Food service	27,477	0
Total business-type activities expense	<u>27,477</u>	<u>0</u>
Total school expenses	<u>\$4,501,756</u>	<u>\$4,443,590</u>
<b>Program Revenues</b>		
Governmental activities:		
Operating grants and contributions	\$146,793	\$39,777
Capital grants and contributions		
Total governmental activities program revenues	<u>146,793</u>	<u>39,777</u>
Business-type activities:		
Charges for services		
Food service	27,477	0
Operating grants and contributions	0	0
Capital grants and contributions		
Total business type activities program revenues	<u>27,477</u>	<u>0</u>
Total school program revenues	<u>\$174,270</u>	<u>\$39,777</u>
<b>Net (Expense)/Revenue</b>		
Governmental activities	(\$4,327,486)	(\$4,403,813)
Business-type activities	0	0
Total school-wide net expense	<u>(\$4,327,486)</u>	<u>(\$4,403,813)</u>
Governmental activities:		
Local share	\$1,035,105	\$113,114
State Share	3,192,347	603,541
State and Federal Aid aid	265,292	3,581,862
Miscellaneous income	59,681	180,407
Decrease in Net Capital Outlay	--	--
Transfers		
Total governmental activities	<u>\$4,552,425</u>	<u>\$4,478,924</u>
Business-type activities:		
Investment earnings		
Transfers	0	0
Total business-type activities	<u>0</u>	<u>0</u>
Total school-wide	<u>\$4,552,425</u>	<u>\$4,478,924</u>
<b>Change in Net Position</b>		
Governmental activities	\$224,939	\$75,111
Business-type activities	0	0
Total school	<u>\$224,939</u>	<u>\$75,111</u>

Source: School Financial Statements

Exhibit J-3

**PHILIP'S ACADEMY CHARTER SCHOOL  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30  
 (Unaudited)**

	<u>2015</u>	<u>2014</u>
General Fund		
Reserved	\$ -	\$ -
Unreserved	300,050	75,111
Total General Fund	<u>\$ 300,050</u>	<u>\$ 75,111</u>
All Other Governmental Funds		
Reserved		
Unreserved, reported in:		
Special revenue fund		
Capital projects fund		
Debt service fund		
Permanent fund		
Total all other governmental funds	<u>_____</u>	<u>_____</u>

**Source: School Financial Statements**

Exhibit J-4

**PHILIP'S ACADEMY CHARTER SCHOOL  
GOVERNMENTAL REVENUES AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30  
(Unaudited)**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Local tax Levy	\$1,035,105	\$113,114
Other local revenue	59,681	180,407
State sources	3,457,639	4,185,403
Federal sources	146,793	39,777
Enterprise Fund	27,477	
Total revenue	<u>4,726,695</u>	<u>4,518,701</u>
<b>Expenditures</b>		
Instruction		
Regular Instruction	2,038,337	2,030,184
Support Services:		
General administration	1,015,460	1,153,835
School administrative services/Plant	1,163,314	1,135,769
TPAF Social Security	110,375	84,025
Food Service	27,477	
Capital outlay	0	0
Debt service:		
Principal		
Interest and other charges		
Special Revenue	146,793	39,777
Total expenditures	<u>4,501,756</u>	<u>4,443,590</u>
Excess (Deficiency) of revenues over (under) expenditures		
<b>Other Financing sources (uses)</b>		
Proceeds from borrowing		
Capital leases (non-budgeted)		
Proceeds from refunding		
Payments to escrow agent		
Transfers in		
Transfers out		
Total other financing sources (uses)	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$224,939</u>	<u>\$75,111</u>

**Source: School Financial Statements**

## **REVENUE CAPACITY**

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**General Fund - Other Local Revenue By Source**  
**For the Fiscal Year Ended June 30**  
**(Unaudited)**

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2014		\$180,000				407	\$180,407
2015		\$40,000		15,739		3,452	\$59,191

Source: School records



**Exhibit J-6**

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

**NOT APPLICABLE**

**Exhibit J-7**

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

**NOT APPLICABLE**

**Exhibit J-8**

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

**NOT APPLICABLE**

## **DEBT CAPACITY**

**Exhibit J-9**

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

**NOT APPLICABLE**

**Exhibit J-10**

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

**NOT APPLICABLE**

**Exhibit J-11**

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

**NOT APPLICABLE**

**Exhibit J-12**

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

**NOT APPLICABLE**



## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Exhibit J-13**

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

**NOT APPLICABLE**

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Demographic and Economic Statistics**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

**NOT APPLICABLE**

**OPERATING INFORMATION  
(UNAUDITED)**

**Exhibit J-15**

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

**NOT APPLICABLE**

**PHILIPS ACADEMY CHARTER SCHOOL**  
**Full-time Equivalent School Employees by Function/Program**  
**For the Fiscal Year Ended June 30**  
**(Unaudited)**

<u>Function/Program</u>	<u>2015</u>	<u>2014</u>
Instruction		
Regular	35	34
Special education	2	2
Other special education	3	3
Vocational		
Other instruction		
Nonpublic school programs		
Adult/continuing education programs		
Support Services:		
Student & instruction related services	3	3
General administration	2	2
School administrative services	2	3
Other administrative services	2	3
Central services		
Administrative Information Technology		
Plant operations and maintenance		
Pupil transportation		
Other support services		
Special Schools		
Food Service		
Child Care		
Total	<u>49</u>	<u>50</u>

**Source:** School Personnel Records

**PHILIPS ACADEMY CHARTER SCHOOL**  
**Operating Statistics**  
**For the Fiscal Year Ended June 30**  
**(Unaudited)**

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2014	371.2	4,443,590	11,971	N/A	39	34	N/A	371.2	98.25	NA	94.50%
2015	370.5	4,396,813	11,867	-0.9%	40	35	N/A	370.5	98.55	0.0030	94.50%

Sources: School records

**PHILIPS ACADEMY CHARTER SCHOOL**  
**School Building Information**  
**For the Fiscal Year Ended June 30**  
**(Unaudited)**

<u>School Building</u>	2015	2014
Main Campus		
Square Feet	70,000	70,000
Capacity (students)	408	408
Enrollment	370	371
Second Campus		
Square Feet		
Capacity (students)		
Enrollment		
Number of Schools at June 30		
Elementary	1	1

**Source:** School Office



**Exhibit J-19**

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

**NOT APPLICABLE**

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Insurance Schedule**  
**For the Fiscal Year Ended June 30, 2015**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$20,522,800	\$5,000
Each Occurrence	\$11,000,000	
Damages/Rented Premises	20,522,800	5,000
Medical	10,000	0
Personal & Adv Injury	11,000,000	0
General Aggregate	11,000,000	0
Products -Comp/OP/AGG	11,000,000	0
Automobile	11,000,000	-
Umbrella	29,000,000	-
Workers' Compensation		
Each Accident	2,000,000	-
Disease - Each Employee	2,000,000	
Disease - Policy Limiy	2,000,000	
Property	20,522,800	5,000

**CHARTER SCHOOL PERFORMANCE  
FRAMEWORK FINANCIAL INDICATORS**

Exhibit J-21

**PHILIP'S ACADEMY CHARTER SCHOOL  
FINANCIAL PERFORMANCE - FINANCIAL RATIOS  
FOR THE FISCAL YEAR ENDED JUNE 30  
Unaudited**

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

	<u>2015</u>	<u>2014</u>
Cash	761,569	437,653
Current Assets	884,484	665,330
Capital Assets-Net	0	0
Total Assets	<u>884,484</u>	<u>665,330</u>
Current Liabilities	584,434	590,219
Long Term Liabilities	0	0
Total Liabilities	<u>584,434</u>	<u>590,219</u>
Net Position	<u>300,050</u>	<u>75,111</u>
Total Revenue	4,726,695	4,518,701
Total Expenses	<u>(4,501,756)</u>	<u>(4,443,590)</u>
Change in Net Position	<u>224,939</u>	<u>75,111</u>
Depreciation	0	0
Principal Payments	0	0
Interest payments	0	0
Final average daily enrollment	371	371
March 30th budgeted Enrollment	371	371
Near term indicators	<u>2015</u>	<u>2014</u>
CURRENT RATIO	1.52	1.13
Unrestricted days cash	61.75	35.95
Enrollment variance	100%	100%
Default	N/A	N/A

**PHILIP'S ACADEMY CHARTER SCHOOL  
FINANCIAL PERFORMANCE - FINANCIAL RATIOS  
FOR THE FISCAL YEAR ENDED JUNE 30  
Unaudited**

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

	<u>2015</u>	<u>2014</u>
Cash	761,569	437,653
Current Assets	884,484	665,330
Capital Assets-Net	0	0
Total Assets	<u>884,484</u>	<u>665,330</u>
Current Liabilities	584,434	590,219
Long Term Liabilities	0	0
Total Liabilities	<u>584,434</u>	<u>590,219</u>
Net Position	<u>300,050</u>	<u>75,111</u>
Total Revenue	4,726,695	4,518,701
Total Expenses	<u>(4,501,756)</u>	<u>(4,443,590)</u>
Change in Net Position	<u>224,939</u>	<u>75,111</u>
Depreciation	0	0
Principal Payments	0	0
Interest payments	0	0
Final average daily enrollment	371	371
March 30th budgeted Enrollment	371	371
Sustainability Indicators	<u>2015</u>	<u>2014</u>
Total margin	5.0%	1.6%
Debt to Asset	0.00%	0.00%
Cash Flow	323,916	437,653
Debt Service Coverage ratio	N/A	N/A

**SINGLE AUDIT SECTION K**

SCOTT J. LOEFFLER  
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**EXHIBIT K-1**

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated October 24, 2015.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Licensed Public School Accountant No. 870

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

Scott J Loeffler, CPA  
October 24, 2015



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**EXHIBIT K-2**

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

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

**Compliance**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

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

### **Opinion on Each Major Federal and State Program**

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

### **Report on Internal Control over Compliance**

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

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

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

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

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA  
October 24, 2015

**PHILIP'S ACADEMY CHARTER SCHOOL  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2015**

<b>Federal/Grantor Program Title</b>	<b>FEDERAL CFDA Number</b>	<b>Grant Period</b>	<b>Award Amount</b>	<b>Balance July 1, 2014</b>	<b>Prior Carry over</b>	<b>Cash Received</b>	<b>Budgetary Expenditures</b>	<b>Refund of Prior Years' Balances</b>	<b>Adjustment</b>	<b>Deferred Revenue/ (Accounts Receivable) June 30, 2015</b>	<b>Due to Grantor at June 30, 2015</b>
<b>Food Subsidy</b>											
Federal School Lunch	10.555	07/01/14-06/30/15	26,418	0		13,816	26,418			(12,602)	
<b>Special Revenue</b>											
<b>NCLB</b>											
Title I PART A	84.010 A	07/01/14-06/30/15	68,968	0		68,968	68,968			0	
IDEA PART B	84.027 A	07/01/14-06/30/15	60,516	0		60,516	60,516			0	
IDEA PART B C/O	84.027 A	07/01/14-06/30/15	17,309	0		17,309	17,309			0	
Total Special Revenue				\$0		\$146,793	\$146,793			\$0	
Total Special Revenue				\$0		\$160,609	\$173,211			(\$12,602)	

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

**PHILIP'S ACADEMY CHARTER SCHOOL**  
**Schedule of Expenditures of State Awards**  
**For the Fiscal Year Ended June 30, 2015**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2014</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2015</u>
<b>GENERAL FUND</b>									
TPAF Social Security	15-495-034-5095-002	9/1/14-06/30/15	110,375		110,375	110,375			
Equalization Aid - Local	15-495-034-5120-078	9/1/14-06/30/15	1,035,105		1,035,105	1,035,105			
Equalization Aid - State	15-495-034-5120-078	9/1/14-06/30/15	3,192,347		3,192,347	3,192,347			
Special Education	15-495-034-5120-060	9/1/14-06/30/15	76,903		76,903	76,903			
Security Aid	15-495-034-5120-084	9/1/14-06/30/15	78,014		78,014	78,014			
Total General Fund				--	4,492,744	4,492,744			
<b>ENTERPRISE FUND</b>									
State School Lunch	15-100-010-3350-023	7/1/14-06/30/15		0	558	1,059			
Total Enterprise									(501)
GRAND TOTAL			--	0	4,493,302	4,493,803			(501)

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

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

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

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

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

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ -0-	\$ 4,492,744	\$ 4,492,744
Special Revenue Fund	146,793	-0-	146,793
Enterprise Fund	26,418	1,059	27,477
Total Awards and Financial Assistance	<u>\$ 173,211</u>	<u>\$ 4,493,803</u>	<u>\$ 4,667,014</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER INFORMATION**

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2015. TPAF Social Security Contributions of \$110,375 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

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

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

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

**PART 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statement Section**

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

**Federal Awards**

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X	

Identification of major programs:

<u>C DFA Number(s)</u>	<u>Name of Federal Program</u>	
None	None	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000
Auditee qualified as low risk auditee:		X



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

**PART 1 – SUMMARY OF AUDITOR’S RESULTS (continued)**

<b>State Awards</b>	<b><u>YES</u></b>	<b><u>NO</u></b>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000	
Auditee qualified as low risk auditee:	<b>X</b>	
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		<b>X</b>
Significant deficiencies identified not considered to be material weakness(es)?		<b>X</b> None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		<b>X</b>
Identification of major programs:		
<u><b>C DFA Number(s)</b></u>		<u><b>Name of State Program</b></u>
15-495-034-5120-070		Equalization Aid

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

**PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

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

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

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

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

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

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

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

**Status of Prior Year Findings**

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

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