

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

LEARNING COMMUNITY CHARTER SCHOOL
JUNE 30, 2015
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	1
Roster of Trustees and Officers	5
Consultants and Advisors	6

FINANCIAL SECTION

Independent Auditor's Report on General Purpose Financial Statements and Supplementary Schedule of Expenditures of Federal Awards and State Financial Assistance	7
Required Supplementary Information - Part I Management's Discussion and Analysis	10

Basic Financial Statements:

A. School-wide Financial Statements

A-1 Statement of Net Position	21
A-2 Statement of Activities	22

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet	23
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	24
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25

Proprietary Funds:

B-4 Statement of Net Position	26
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	27
B-6 Statement of Cash Flows	28

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position	29
B-8 Statement of Changes in Fiduciary Net Position	30

Notes to Financial Statements	31
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Required Supplementary Information - Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule General Fund	59
C-2 Budgetary Comparison Schedule Special Revenue Fund	62

**LEARNING COMMUNITY CHARTER SCHOOL
JUNE 30, 2015
TABLE OF CONTENTS**

Notes to Required Supplementary Information:

C-3 Budget to GAAP Reconciliation.....	64
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Required Supplementary Information - Part III

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68):

L-1 Schedule of the Charter School’s Proportionate Share of the Net Pension Liability-PERS.....	65
L-2 Schedule of Charter School Contributions - PERS.....	66
L-3 Schedule of the Charter School Proportionate Share of the Net Pension Liability-TPAF	67
L-4 Notes to Required Supplementary Information Pension Schedules	68

Other Supplementary Information

E. Special Revenue Fund:

E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund - Budgetary Basis	69
E-2 Budgetary Comparison Schedule - Preschool Education Aid.....	70

G. Proprietary Funds:

Enterprise Fund:

G-1 Combining Statement of Net Position	72
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	73
G-3 Combining Statement of Cash Flows	74

Fiduciary Funds:

H-1 Combining Statement of Fiduciary Net Position.....	75
H-2 Combining Statement of Changes in Fiduciary Net Position.....	76
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	77
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	78
H-5 Unemployment Compensation Insurance Trust Fund	79

J. Financial Trends:

J-1 Net Position by Component	80
J-2 Changes in Net Position.....	81
J-3 Fund Balances – Governmental Funds	83
J-4 Changes in Fund Balances – Governmental funds	84

**LEARNING COMMUNITY CHARTER SCHOOL
JUNE 30, 2015
TABLE OF CONTENTS**

J. Revenue Capacity:

J-5	General Fund - Other Local Revenue By Source	85
J-6	Assessed Value and Actual Value of Taxable Property	86
J-7	Direct and Overlapping Properties.....	87
J-8	Principal Property Taxpayers.....	88

J. Debt Capacity:

J-9	Property Tax Levies and Collections	89
J-10	Ratios of Outstanding Debt by Type.....	90
J-11	Ratios of Net General Bonded Debt Outstanding.....	91
J-12	Direct and Overlapping Governmental Activities Debt.....	92

J. Demographic and Economic Information:

J-13	Legal Debt Margin Information.....	93
J-14	Demographic and Economic Statistics	94

J. Operating Information:

J-15	Principal Employers	95
J-16	Full Time Equivalent Charter School Employees by Function/Program	96
J-17	Operating Statistics	97
J-18	School Building Information	98
J-19	General Fund-Schedule of Required Maintenance	99
J-20	Insurance Schedule	100

J. Charter School Performance Framework Financial Indicators:

J-21	Near Term Indicators	101
J-22	Sustainability Indicators.....	102

SINGLE AUDIT SECTION K.

K-1	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103
K-2	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular letter 15-08.....	105
K-3	Schedule of Expenditures of Federal Awards	108
K-4	Schedule of Expenditures of State Financial Assistance.....	109
K-5	Notes to the Schedule of Awards and Financial Assistance.....	110
K-6	Schedule of Findings of Noncompliance.....	112
K-7	Summary Schedule of Prior Audit Findings.....	116



learning community charter school

November 3, 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 Learning Community Charter School for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first seven fiscal years. 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:** Learning Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

Learning Community was chartered by The New Jersey Department of Education as one of the state's very first charter schools in January 1997. The school opened its doors to its first 98 students: 30 kindergarteners, 34 first graders, and 34 second graders in accordance with its charter. After years of sharing a space with the Boys and Girls Club, the school community was able to purchase its own building in 2009. The Learning Community served 540 K-8 students and 45 Pre-K students during the 2014-2015 school year.

- 2) **ENROLLMENT OUTLOOK:** Learning Community began the 2014-15 school year with 540 students in grades K-8 and ended the year with 540 and a waiting list of 569. The student retention rate was 95.8%. The anticipated enrollment for the 2015-16 school year is 585 students in Pre-K-8.
- 3) **MAJOR ACCOMPLISHMENTS** – The Learning Community Charter School (LCCS) is a small public elementary and middle school in Jersey City, New Jersey, founded by a group of parents and other community members dedicated to excellence and diversity in public education. Since its inception, the school has grown each year, as has its reputation. The desire for open spots in the school is large and the waiting list grows each year. Learning Community’s goal is to offer a diverse group of Jersey City students a world-class education, and is having great success engaging inner-city children who otherwise might fall through the cracks at larger schools. LCCS does this by maintaining a small school environment with small classes (18-20) and by incorporating parents into the educational process. High expectations are maintained for all students, recognizing that children learn in different ways and at different paces. It was one of two charter schools in the state approved to run a pre-school.

During the 2014-15 school year, LCCS served a diverse population of children from every neighborhood of Jersey City. The student body is approximately 26% African-American, 34% White, 14% Hispanic, and 22% Asian. As a public school located in one of New Jersey’s “Special Needs” districts, many students at LCCS come from low-income households; approximately 32% of our students are eligible for the National School Lunch Program.

The curriculum at LCCS is theme-based and incorporates the traditional disciplines of literacy, mathematics, science, social studies and the arts through an integrated curriculum over an extended period of time. Visual and performing arts are highly valued and practiced at LCCS. This thematic approach allows our teaching and our assessments to focus on the mastery of core concepts. Unit studies often culminate in presentations to parents and the entire school community. The content of the curriculum is directly aligned with the NJ Core Curriculum Content Standards. The entire teaching staff is involved in ongoing curriculum planning. The teachers study and share a wide range of instructional strategies that reflect research-based principles of learning and teaching. LCCS students receive instruction in Spanish beginning in kindergarten. The school is fully networked, with all classrooms and offices having high-speed Internet access.

A social curriculum is employed throughout the grades, modeling respect for everyone in the school community, teaching character development and conflict resolution skills and encouraging community involvement on the part of the students. The school celebrates its core values - Community, Independence, Respect, Courage, Leadership and Effort - which serve as the centerpiece for weekly student CIRCLE awards and recognition.

- 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 Board of Trustees and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

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

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

Revenue	Amount	Percent of Total
Local Sources	\$1,363,064	18%
State Sources	5,413,245	70%
Federal Sources	200,699	3%
Miscellaneous Local Revenues	175,703	3%
Enterprise Fund	498,001	6%
	<u>\$7,650,712</u>	<u>100%</u>

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

Expenditures	Amount	Percent of Total
Current Expense	\$6,330,690	83%
Special Revenue	876,977	11%
Enterprise Fund	<u>479,721</u>	<u>6%</u>
	<u>\$7,687,388</u>	<u>100%</u>

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

10) **OTHER INFORMATION:**

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

Respectfully submitted,



Colin Hogan
Head of Learning Community Charter School

LEARNING COMMUNITY CHARTER SCHOOL

ROSTER OF TRUSTEES AND OFFICERS JUNE 30, 2015

BOARD OF TRUSTEES

Toby Dowling – President
Yasmin Meah - Vice President
Achal Agarwal – Board Member
Horace Anderson - Board Member
Mace Bell - Board Member
Tia Biasi – Board Member
Elizabeth Morrison Brown - Board Member
Bhavini Doshi - Board Member
Colin Dunn - Board Member
Roger Sayre - Board Member
Shelly Skinner – Board Member
Ilse Sigmund – Board Member
Brian Uy - Board Member
Tammy Walters - Board Member

Other Members

Colin Hogan - Head of School
Michael Falkowski - School Business Administrator/Board Secretary
Kyle Bleeker - Treasurer of School Monies

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

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

OFFICIAL DEPOSITORY

PNC Bank
Jersey City, NJ

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Learning Community Charter School, County of Hudson, 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 Learning Community Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

Emphasis of Matter

Adoption of New Accounting Pronouncement

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

Other Matters

Required Supplementary Information

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

Other Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2015 on my consideration of the Learning Community Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Learning Community Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA

November 3, 2015

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

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

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

FINANCIAL HIGHLIGHTS

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

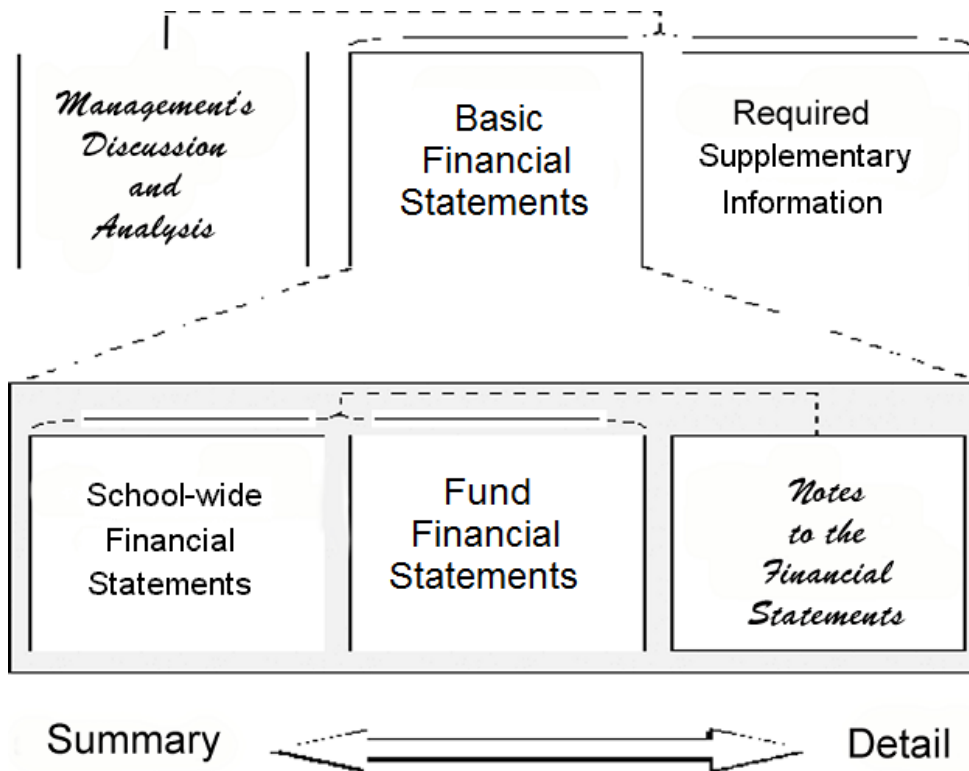
- Total Net Position (Deficit) was (\$409,391) a total of \$160,867 was pension adjustments of (\$2020,258) See table A-1.
- Total Net Position (Deficit) (decreased) by (\$273,423) from July 1, 2014 to June 30, 2015.
- The General Fund balance at June 30, 2015 is \$836,220, (decreased) by (\$14,662) when compared with the beginning balance at July 1, 2014.

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 Learning Community Charter School.

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

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



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

LEARNING COMMUNITY 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 Learning Community Charter School's financial statements, including the portion of the Learning Community Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the Learning Community Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Learning Community Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; 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/outflow 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

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

School-wide Statements

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

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

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

- *Governmental activities*- Most of the Learning Community Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aids finance most of these activities.
- *Business-type activities*- The Learning Community Charter School's after school program fund is included here.

Fund Financial Statements

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

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

- Some funds are required by State law.

The Learning Community 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).

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

The Learning Community Charter School has three kinds of funds:

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

FINANCIAL ANALYSIS OF LEARNING COMMUNITY CHARTER SCHOOL AS A WHOLE

Net Position. The Learning Community Charter School's net position (deficit) is (\$409,391) on June 30, 2015. (See Table A-1).

Governmental	(\$449,685)
Enterprise Fund	<u>40,294</u>
Total	<u><u>(\$409,391)</u></u>

The Statement of Net Position of \$937,394 reflects total capital assets at net of assumed depreciation from inception of \$700,647.

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

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

- General Fund Revenues were \$6,284,503.
- General Fund Expenditures were \$6,035,859.

Table A-1
LEARNING COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2015

	<u>Total</u>
Current and Other Assets	\$1,235,232
Pension Deferred Outflows	\$142,553
Capital Assets (Including Business Activities)	7,199,647
Total Assets	<u>\$8,577,432</u>
Other Liabilities-Current	325,012
Mortgage Payable	6,499,000
Net Pension Liability	1,888,704
Pension Deferred Inflows	274,107
Total Liabilities	<u>8,986,823</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	700,647
Restricted	74,000
Unrestricted	836,220
Total Net Position	<u><u>\$1,610,867</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$1,610,867 on June 30, 2015 which reflects a capital reserve of \$74,000.

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

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

Revenues	Total	Percentage
Program revenues	\$ -	
Charges for services		
Operating grants and contributions		
General revenues		
Local Share	1,363,064	18%
State Aid-Unrestricted	3,715,796	49%
Federal Aid	200,699	3%
State Aid-Restricted	1,697,449	23%
Other	175,703	3%
Enterprise fund	498,001	4%
Total revenues	\$ 7,650,712	100%
Expenses		
Regular Instruction	3,371,003	44%
General Administrative	2,118,545	28%
School Administrative	822,690	11%
On-behalf TPAF Social Security	533,474	7%
Capital Outlay	361,955	5%
Enterprise Fund	479,721	5%
Total expenses	\$ 7,687,388	100%
Increase in net position	(36,676)	
(Decrease) in Net Assets	(236,747)	
Net Position, Beginning of Year July 1	1,884,290	
Net Position Before Pension Adjustment	\$ 1,610,867	
Less Pension Adjustment Net (Note 15)	(2,020,258)	
Net Position (Deficit)	(409,391)	

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

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

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 3,371,003	\$ 3,237,916
Support Services			
General Administrative Services	B-2	2,118,545	2,119,309
School Administrative Services	B-2	822,690	659,325
On-behalf TPAF Social Security	B-2	533,474	462,712
Capital Outlay	B-2	361,955	361,955
Enterprise Fund	G-2	479,721	422,564
Total Governmental Activities		<u>\$ 7,687,388</u>	<u>\$ 7,263,781</u>

FINANCIAL ANALYSIS OF THE LEARNING COMMUNITY CHARTER SCHOOL'S FUNDS

The financial performance of the Learning Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Learning Community Charter School completed the year, its General Fund reported an unrestricted fund balance of \$836,220 and capital reserve of \$74,000.

GENERAL FUND

The General Fund includes the primary operations of the Learning Community Charter School in providing educational services to students from Pre K through grade 8.

LEARNING COMMUNITY 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. The summary reflects the dollar increase (decrease) from the prior year.

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

General Fund Revenues	Year Ended 06/30/2015	Year Ended 06/30/2014	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 1,363,064	\$ 1,340,286	\$ 22,778
Other Local Revenue	576,295	591,476	(15,181)
Total Local Sources	\$ 1,939,359	\$ 1,931,762	\$ 7,597
Intergovernmental			
State Sources	5,416,093	5,163,091	253,002
Federal Revenue	295,260	389,166	(93,906)
Total Intergovernmental Sources	\$ 5,711,353	\$ 5,552,257	\$ 159,096
Total Revenue	\$ 7,650,712	\$ 7,484,019	\$ 166,693

The following schedule presents a summary of Governmental expenditures. The summary reflects the dollar increase (decreases) from the prior year.

Table A-5 (See Exhibit B-2)
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Governmental Expenditures - School Wide
For the Fiscal Years Ended June 30

General Fund Revenues	Year Ended 06/30/2015	Year Ended 06/30/2014	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 3,371,003	\$ 3,237,916	\$ 133,087
General Administrative Services	2,118,545	2,119,309	(764)
School Administration	822,690	659,325	163,365
On-behalf TPAF Social Security	533,474	462,712	70,762
Capital outlay	361,955	361,955	-
Enterprise Fund	479,721	422,564	57,157
Total Expenditures	\$ 7,687,388	\$ 7,263,781	\$ 423,607

**LEARNING COMMUNITY 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
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Unreserved-Undesignated Fund Balance - School Wide
For the Fiscal Years Ended June 30**

General Fund	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Unreserved-Undesignated Fund Balance	836,220	850,882	652,658	544,871	517,260	623,659
Expenditures	7,687,388	7,263,781	6,776,353	6,541,109	5,673,674	4,332,132
Percentages	11%	12%	10%	8%	9%	14%

The Learning Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designated to support the subsequent years budgets is \$836,220 for the 2015-16 school year with an additional Capital Reserve of \$74,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, in the General Fund, the Learning Community Charter School had invested \$8,560,286 in a broad range of capital assets, including facilities, computer equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expense for the year was \$236,747.

**Table A-7
LEARNING COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2015**

Building, Building Improvements and Equipment	\$8,560,286
Total - General Fund	\$8,560,286
Less: Accumulated Depreciation	(1,360,639)
Total - Net Capital Assets General Fund	\$7,199,647
Less: Mortgage Payable	(6,499,000)
Total - Net Assets	\$700,647

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

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

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

CONTACTING THE LEARNING COMMUNITY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Learning Community Charter School's finances and to demonstrate the Learning Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Learning Community Charter School, 2495 JFK Blvd., Jersey City, New Jersey, 07302.

BASIC FINANCIAL STATEMENTS

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

SCHOOL-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,088,301	\$ (46,575)	\$ 1,041,726
Receivables, net	106,637	86,869	193,506
Capital assets, net	7,199,647		7,199,647
Total Assets	<u>8,394,585</u>	<u>40,294</u>	<u>8,434,879</u>
Deferred outflows of resources			
Pension deferred outflows	142,553		142,553
Total assets and deferred outflows of resources	<u>\$ 8,537,138</u>	<u>\$ 40,294</u>	<u>\$ 8,577,432</u>
LIABILITIES			
Accounts payable	285,724	-	285,724
Due to Jersey City Board of Education	-		-
Payable to State government	-		-
Deferred revenue	39,288		39,288
Long Term Debt	6,499,000		6,499,000
Net pension liability	1,888,704		1,888,704
Total liabilities	<u>8,712,716</u>	<u>-</u>	<u>8,712,716</u>
Deferred inflows of resources			
Pension deferred inflows	274,107	-	274,107
NET POSITION			
Invested in capital assets, net of related debt	700,647		700,647
Restricted for:			
Debt service			
Capital Reserve	74,000		74,000
Other purposes			
Unrestricted (Note 17)	(1,224,332)	40,294	(1,184,038)
Total net position (Deficit)	<u>\$ (449,685)</u>	<u>\$ 40,294</u>	<u>\$ (409,391)</u>
Fund Balance June 30, 2015 - B-1	\$869,926		
Cost of capital assets net accumulated depreciation	700,647		
Net position before pension adjustments	1,570,573		
Less pension adjustments net (Note 17) (Deficit)	(2,020,258)		
Total net position (Deficit)	<u>(\$449,685)</u>		

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

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ (3,371,003)		\$ (723,375)		\$ (2,647,628)	\$ (2,647,628)
Support services:					-	
General administratrion	(2,118,545)		(153,602)		(1,964,943)	(1,964,943)
School administrative services/ operations plant serv.	(822,690)		-		(822,690)	(822,690)
On - behalf TPAF Social Security	(533,474)				(533,474)	(533,474)
Capital Outlay	(361,955)				(361,955)	(361,955)
Total governmental activities	<u>(7,207,667)</u>		<u>(876,977)</u>		<u>(6,330,690)</u>	<u>(6,330,690)</u>
Business-type activities:						
Enterprise Fund		(479,721)			(479,721)	(479,721)
Total business-type activities						<u>(479,721)</u>
Total primary government	<u>(7,207,667)</u>	<u>\$ (479,721)</u>	<u>\$ (876,977)</u>		<u>\$ (6,330,690)</u>	<u>\$ (6,810,411)</u>
General revenues:						
					1,363,064	1,363,064
					3,715,796	3,715,796
					1,113,770	97,409
					83,104	400,592
					(236,747)	(236,747)
Total general revenues, special items, extraordinary					<u>6,038,987</u>	<u>498,001</u>
Change in Net Position					(291,703)	18,280
Net Position (Deficit) - as restated Note 17					(157,982)	22,014
Net Position (Deficit) - ending					<u>\$ (449,685)</u>	<u>\$ 40,294</u>
						<u>\$ (409,391)</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,108,521	\$ (20,220)		\$ -	\$ 1,088,301
Receivables, net	47,129	59,508			106,637
Security Deposit	-				-
Interfund Receivable	-				-
Total assets	<u>\$ 1,155,650</u>	<u>\$ 39,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,194,938</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	285,724	-			285,724
Payable to Jersey City	-				-
Payable to state government	-				-
Deferred revenue		39,288			39,288
Total liabilities	<u>285,724</u>	<u>39,288</u>		<u>-</u>	<u>325,012</u>
Fund Balances:					
Reserved for:					
Capital Reserve	74,000				74,000
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	795,926			-	795,926
Capital projects fund					
Permanent fund					
Total Fund balances	<u>869,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>869,926</u>
Total liabilities and fund balances	<u>\$ 1,155,650</u>	<u>\$ 39,288</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 is	8,560,286 <u>(1,360,639)</u>
Net Capital Assets	<u>7,199,647</u>

Long-term liabilities - mortgage payable are not due and payable in the current period and therefore are not reported as liabilities in the funds (6,494,000)

Net position before pension adjustments 1,570,573

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 5) 142,553

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 5) (274,107)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5) (1,888,704)

Net position of governmental activities \$ (449,685)

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

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Share	\$ 1,363,064	\$ -			\$ 1,363,064
State Share	3,715,796	-			3,715,796
Other Restricted Miscellaneous Revenues					
Miscellaneous	83,104	92,599			175,703
Total - Local Sources	5,161,964	92,599			5,254,563
State Sources	1,113,770	583,679			1,697,449
Federal Sources		200,699			200,699
Total Revenues	<u>6,275,734</u>	<u>876,977</u>			<u>7,152,711</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 2,647,628	\$ 723,375			\$ 3,371,003
Support services- General Administrative	1,964,943	153,602			2,118,545
Support Services- School Admin/ operations plant se	822,690				822,690
On-behalf TPAF Social Security/Pension	533,474				533,474
Capital outlay	361,955				361,955
Total expenditures	<u>6,330,690</u>	<u>876,977</u>			<u>7,207,667</u>
Excess (Deficiency) of revenues over expenditures	<u>(54,956)</u>				<u>(54,956)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	122,594				
Transfers out	<u>(122,594)</u>				
Total other financing sources and uses	<u>-</u>				
Net change in fund balances	(54,956)				(54,956)
Fund balance - July 1, 2014	850,882				850,882
Fund balance - June 30, 2015	<u>\$ 795,926</u>				<u>\$ 795,926</u>

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

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

	GENERAL FUND	ENTERPRISE FUND	TOTAL
Total net change in fund balances - governmental funds (from B-2 and G-2)			
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	\$ (54,956)	\$ 18,280	\$ (36,676)
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.			
Decrease in Capital Outlay	0		
Depreciation expense	<u>(236,747)</u>		
	(236,747)	-	(236,747)
Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.			
Change in net position of governmental activities	<u><u>\$ (291,703)</u></u>	<u><u>\$ 18,280</u></u>	<u><u>\$ (273,423)</u></u>

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

PROPRIETARY FUNDS

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

		Business-type Activities Enterprise funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$	(46,575)
Investments		
Accounts receivable		8,409
Other receivables		78,460
Total current assets		40,294
Total assets		40,294
LIABILITIES		
Current liabilities:		
Accounts payable		-
Deposits payable		
Compensated absences		
Total current liabilities		-
Total liabilities		-
NET POSITION		
Invested in capital assets net of related debt		
Restricted for:		
Capital projects		
Unrestricted		40,294
Total net position	\$	40,294

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

Exhibit B-5

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

	Business-type Activities Enterprise Fund
Operating revenues:	
Charges for services:	
Daily Fees	\$ 400,592
Special functions	
Total operating revenues	400,592
Operating expenses:	
Salaries	317,885
Building Expense	
Supplies, Materials and Other Expenses	161,836
Professional Services	0
Total Operating Expenses	479,721
Operating income (loss)	(79,129)
Income (loss) before contributions & transfers	
Capital contributions	
Federal and State Subsidy	97,409
Total	97,409
Change in net assets	18,280
Total net position - beginning	22,014
Transfer to general fund	0
Total net position - ending	\$ 40,294

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

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

	<u>Business-type Activities Enterprise Funds After School Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 327,321
Payments to employees and benefits	
Payments to suppliers	(479,721)
Net cash provided by (used for) operating activities	<u>(152,400)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Federal Sources	98,648
Capital Contributions	
Net cash provided by (used for) non-capital financing activities	<u>98,648</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase In Fixed Assets	
Transfer to General fund	-
Net cash provided by (used for) investing activities	
Net increase (decrease) in cash and cash equivalents	(53,752)
Cash Balances—beginning of year	7,177
Cash Balances—end of year	<u>\$ (46,575)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 18,280
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	(72,032)
(Increase) decrease in inventories	
(Increase) decrease in USDA Communities	
Increase (decrease) in accounts payable	-
Increase (decrease) in accrued compensated absences	
Total adjustments	<u>(72,032)</u>
Net cash provided by (used for) operating activities	<u>\$ (53,752)</u>

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

FIDUCIARY FUNDS

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

NOT APPLICABLE

Exhibit B-8

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

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Learning Community Charter School (the “Charter School”) was incorporated in the State of New Jersey in 2002 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 principal 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 Learning Community Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Basis of Presentation

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

Charter School Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements

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

B Fund Accounting

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

Governmental Funds

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

LEARNING COMMUNITY 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds

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

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

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

C Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All 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.

LEARNING COMMUNITY 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G Inventories and Prepaid Expenses

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

H Capital Assets

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

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

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Building and building improvements	25
Equipment	10

I Compensated Absences

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

J Accrued Liabilities and Long-Term Obligations

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

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

K Deferred Revenue

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

There is no deferred revenue in the general fund.

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

NJ Early Childhood	<u>\$39,288</u>
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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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L Fund Balance and Equity

Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. 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.

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

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

O Net Position

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

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

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

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

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

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

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.

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

3 DEPOSITS AND INVESTMENTS (continued)

Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

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

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

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

	General Fund	Special Revenue	Enterprise Funds	Total
Operating A/C	\$1,108,521	(\$20,220)	(\$46,575)	\$1,041,727

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 \$1,228,762.

Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2015 were secured by federal deposit insurance and \$791,627 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:

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

3 DEPOSITS AND INVESTMENTS (continued)

Category 1

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

Category 2

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

Category 3

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

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

Investments

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

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

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

4 CAPITAL ASSETS

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

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

4 **CAPITAL ASSETS (continued)**

	<u>Beginning Balance July 1, 2014</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance June 30, 2015</u>
Governmental Activities			
Capital assets, being depreciated:			
Building and building improvements	\$8,221,685	\$ ---	\$8,221,685
Equipment	338,601	---	338,601
Total capital assets being depreciated	<u>\$8,560,286</u>	<u>\$0</u>	<u>\$8,560,286</u>
Less accumulated depreciation for:			
Equipment	\$87,136	\$20,973	\$108,109
Building and building improvements	1,036,756	215,774	1,252,530
Total accumulated depreciation	<u>\$1,123,892</u>	<u>\$236,747</u>	<u>\$1,360,639</u>
Total capital assets net	<u><u>\$7,436,394</u></u>	<u><u>(\$236,747)</u></u>	<u><u>\$7,199,647</u></u>

5 **PENSION PLANS**

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

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.

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

5 PENSION PLANS (continued)

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

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

The employer contributions for the Charter Schools are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$12,906,073 measured on June 30, 2014 and \$10,407,340 as measured on June 30, 2013.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$694,468 and revenue of \$694,468 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.

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

5 PENSION PLANS (continued)

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	---	\$2,306,623,861
Collective deferred inflows of resources	---	\$1,763,205,593
Collective net pension liability (Nonemployer-State of New Jersey)	\$50,539,213,484	\$53,446,745,367
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.020593%	.024148%

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

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

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

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

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

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

5 PENSION PLANS (continued)

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

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

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

5 PENSION PLANS (continued)

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

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

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

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

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

At June 30, 2015, the Charter School a liability of \$1,888,704 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 .010088%, which was a decrease of (.00100)% from its proportion measured as of June 30, 2013.

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

5 PENSION PLANS (continued)

For the year ended June 30, 2015, the Charter School recognized pension expense of \$67,406. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions	\$59,391	\$---
Net difference between projected and actual earnings on pension plan investments		112,556
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	---	161,556
Charter School contributions subsequent to the measurement date.	83,162	---
Total	\$142,553	\$274,112

\$83,162 reported as deferred outflows of resources related to pensions resulting from the Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2015	(17,087)
2016	(17,087)
2017	(17,087)
2018	(17,087)
2019	10,832
Thereafter	4,766
Total:	(\$52,750)

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

5 PENSION PLANS (continued)

	6/30/13	6/30/14
Collective deferred outflows of resources	-	\$952,194,675
Collective deferred inflows of resources	-	\$1,479,224,662
Collective net pension liability (Non State- Local Group)	\$19,111,986,911	\$18,722,735,003
Charter schools proportion of net pension liability	2,119,218	1,888,704
Charter School proportion percentage	.011088%	.010088%

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:	
2012-2021	2.15%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment Rate of Return	7.90%

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

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

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

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

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

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

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

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

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

5 PENSION PLANS (continued)

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the net pension liability	2,247,558	1,888,704	1,587,146

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

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

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

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

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

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

5 PENSION PLANS (continued)

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

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

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

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

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

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

Contribution Requirements - The contribution policy is set by N.J.S.A. 43: 15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. 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

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

5 **PENSION PLANS (continued)**

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$355,080 to the TPAF for post-retirement benefits on behalf of the Charter School. Also, in accordance with NJ.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$178,394 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the Charter School's financial statements in accordance with GASB Statement No. 68.

6 **POST RETIREMENT BENEFITS**

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

As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62.

Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

7 **COMPENSATED ABSENCES**

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

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

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

7 **COMPENSATED ABSENCES (continued)**

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

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

8 **DEFERRED COMPENSATION**

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

9 **ECONOMIC DEPENDENCY**

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

10 **CONTINGENT LIABILITIES**

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

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

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

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.

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

11 RISK MANAGEMENT (continued)

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 Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$47,129</u>	<u>\$59,508</u>	<u>\$86,869</u>	<u>\$193,506</u>
Gross Receivables	<u>\$47,129</u>	<u>\$59,508</u>	<u>\$86,869</u>	<u>\$193,506</u>

13 PURCHASE OF BUILDING AND NOTES PAYABLE

In April 2009, the school purchased land and building located at 2495 Kennedy Blvd, Jersey City, New Jersey for use as its school location commencing for the 2012-2013 school year. The purchase price amounted to \$ 5,700,000, plus closing costs. The terms of the notes are summarized below. The proceeds of the notes were used to purchase the land and building, along with providing for improvements to be made to the property. A total of \$571,000 from the proceeds of the notes was placed into a restricted bank account to fund the improvements. The collateral for the notes are a first priority mortgage on the property, a first security interest in all assets of the school and a first assignment of leases. The Friends of Learning Community Charter School, Inc. are Guarantors of the notes.

14 LONG TERM DEBT

In accordance with the note agreements, the school is subject to certain loan covenants. The school was in compliance with its loan covenants at June 30, 2015. At maturity, the two Subordinate Notes will be forgiven, subject to the payment of certain fees amounting to approximately \$201,000.

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

14 LONG TERM DEBT (continued)

The amounts and terms of the notes are as follows:

Senior Note payable - Balloon payment due April 25, 2016. Interest only, payable monthly at a fixed rate of 6.69% per annum.	\$4,840,750
Subordinate Note payable - Balloon payment due April 25, 2016. Interest only, payable monthly at a fixed rate of 1.9991% per annum.	201,000
Subordinate Note payable - maturing April 25, 2044. Interest only, payable monthly at a fixed rate of 1.9991% per annum until April 25, 2016 and a fixed rate of 5.4931% per thereafter until maturity.	1,457,250
TOTAL:	<u><u>\$6,499,000</u></u>

During 2014-2015 no principal payments were made.

15 SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of November 3, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

16 RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period

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

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

16 RETROACTIVE RESTATEMENT OF NET POSITION (continued)

Restatement of Prior Period (continued)

Governmental Activities Net Position

Net Position (per A-1), June 30,2014	\$1,884,290
Restatement of Net Pension Liability	(2,119,218)
Restatement of Deferred Outflows-Pension	76,946
Net Position (per A-1), June 30, 2014, as Restated	<u>(157,982)</u>

17. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

The reconciliation is as follows:

Fund balance per B-1	\$869,926
Cost of capital assets net accumulated depreciation	700,647
Pension deferred outflows	142,553
Pension deferred inflows	(274,107)
Deferred pension liability as of June 30, 2015	(1,888,704)
Net position (per A-1) as of June 30, 2015	<u>(\$449,685)</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ -	\$ -	\$ -	\$ 1,363,064	(1,363,064)
State Share	4,959,238	119,622	\$ 5,078,860	3,715,796	1,363,064
Miscellaneous	-	17,208	17,208	83,104	(65,896)
Total - Local Sources	<u>4,959,238</u>	<u>136,830</u>	<u>5,096,068</u>	<u>5,161,964</u>	<u>(65,896)</u>
Categorical Aid	123,761	(6,388)	117,373	117,373	
Adjustment Aid	408,023	(150,608)	257,415	257,415	-
Preschool Aid	-	-	-	-	-
Non Public Aid	-	-	-	-	-
Special Education	185,342	20,166	205,508	205,508	-
TPAF Medical (On-Behalf - Non-Budgeted)	-	-	-	217,851	(217,851)
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	137,229	(137,229)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	178,394	(178,394)
Total State Sources	<u>717,126</u>	<u>(136,830)</u>	<u>580,296</u>	<u>1,113,770</u>	<u>(533,474)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>5,676,364</u>	<u>-</u>	<u>5,676,364</u>	<u>6,275,734</u>	<u>(599,370)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 1,902,014	152,037	2,054,051	2,054,051	\$ -
Other Salaries	479,862	(188,971)	290,891	290,881	10
Prof/Tech Services	90,000	7,029	97,029	97,029	-
Other Purchased Services (400-500 series)	30,200	34,730	64,930	64,930	-
General Supplies	61,217	19,277	80,494	80,494	-
Textbooks	15,000	2,407	17,407	17,407	-
Other Objects	15,000	27,836	42,836	42,836	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>2,593,293</u>	<u>54,345</u>	<u>2,647,638</u>	<u>2,647,628</u>	<u>10</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2015
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	561,857	19,523	581,380	581,380	-
Salaries of Secretarial and Clerical Assistants	95,912	6,481	102,393	102,393	-
Cost of Benefits	1,231,352	(143,833)	1,087,519	1,087,519	-
Consultants	85,000	41,212	126,212	126,147	65
Other Purchased Services (400-500 series)	10,000	19,700	29,700	29,700	-
Communications/Telephone	18,900	2,231	21,131	21,131	-
Supplies and Materials	20,000	(14,698)	5,302	5,302	-
Other Objects	15,000	(3,629)	11,371	11,371	-
	<u>2,038,021</u>	<u>(73,013)</u>	<u>1,965,008</u>	<u>1,964,943</u>	<u>65</u>
Support Services - School Admin/Operation Plant Services					
Salaries	238,199	(20,865)	217,334	217,334	-
Purchased Professional and Technical Services	115,000	8,665	123,665	123,665	-
Other Purchased Services	146,550	14,345	160,895	160,502	393
Rental of Land and Building- other than Lease Purchase Agreements	-	-	-	-	-
Insurance	72,895	(14,267)	58,628	58,628	-
General Supplies	47,000	10,803	57,803	57,803	-
Transportation- Trips	16,000	21,082	37,082	37,082	-
Energy (Energy and Electricity)	94,000	(13,842)	80,158	80,158	-
Other Objects	20,000	(3,795)	16,205	14,931	1,274
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>749,644</u>	<u>2,126</u>	<u>751,770</u>	<u>750,103</u>	<u>1,667</u>
Food Service					
Other Purchased Saervices		72,587	72,587	72,587	-
Total Food Services		<u>72,587</u>	<u>72,587</u>	<u>72,587</u>	
On-behalf TPAF Medical Contributions (non-budgeted)				217,851	(217,851)
On-behalf TPAF pension Contributions (non-budgeted)				137,229	(137,229)
Reimbursed TPAF Social Security Contributions (non-budgeted)			-	178,394	(178,394)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>		<u>-</u>	<u>533,474</u>	<u>(533,474)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>2,787,665</u>	<u>1,700</u>	<u>2,789,365</u>	<u>3,248,520</u>	<u>(531,742)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>5,380,958</u>	<u>56,045</u>	<u>5,437,003</u>	<u>5,968,735</u>	<u>(531,732)</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:			-		
Building Purchase other lease purchase	-	-	-	-	-
Facilities Acquisition & Construction	-	-	-	-	-
Interest Expense	363,000	(1,045)	361,955	361,955	-
Instructional Equipment	-	-	-	-	-
Non-Instructional Equipment	-	-	-	-	-
Capital Reserve	55,000	(55,000)	-	-	-
Total Equipment	<u>418,000</u>	<u>(56,045)</u>	<u>361,955</u>	<u>361,955</u>	<u>-</u>
TOTAL EXPENDITURES- GENERAL FUND	5,798,958	-	5,798,958	6,330,690	(531,732)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(122,594)</u>	<u>-</u>	<u>(122,594)</u>	<u>(54,956)</u>	<u>248,644</u>
Other Financing Sources:					
Operating Transfer In:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(122,594)</u>	<u>-</u>	<u>(122,594)</u>	<u>(54,956)</u>	<u>248,644</u>
Fund Balance, July 1, 2014	-	-	850,882	850,882	
Fund Balance, June 30, 2015	<u>\$ (122,594)</u>	<u>\$ -</u>	<u>\$ 728,288</u>	<u>\$ 795,926</u>	<u>\$ 248,644</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Exhibit C-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 200,699		\$ 200,699	\$ 200,699	
State Sources	583,679		583,679	583,679	
Misc. Sources	92,599		92,599	92,599	
Total Revenues	876,977		876,977	876,977	
EXPENDITURES:					
Instruction					
Salaries of Teachers	319,294		319,294	319,294	
Other Salaries for Instruction	95,121		95,121	95,121	
Purchased Professional -Educational Services	13,194		13,194	13,194	
Purchased Professional and Technical Services	-		-	-	
Travel	-		-	-	
Other Purchased Services (400-500 series)	-		-	-	
General Supplies	144,475		144,475	144,475	
Personal Services- Employee Benefits	150,961		150,961	150,961	
Building Improvements	-		-	281,873	
Miscellaneous Expense	330		330	330	
Total Instruction	723,375		723,375	723,375	
Support Services					
Salaries of Supervisor of Instruction	15,785		15,785	15,785	
Salaries of Master Teacher	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants	-		-	-	
Other Salaries	44,321		44,321	44,321	
Travel	987		987	987	
Purchased Professional - Educational Services	34,341		34,341	34,341	
Other Purchased Services	47,758		47,758	47,758	
Contracted Services	4,406		4,406	4,406	
Supplies and Materials	365		365	365	
Other Objects	820		820	820	
Cleaning, Repairs and Maintenance	4,819		4,819	4,819	
Afterschool Club	-		-	-	
Equipment-	-		-	-	
Equipment- Non-Instructional	-		-	-	
Total Support Services	153,602		153,602	153,602	

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2015
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	876,977		876,977	876,977	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LEARNING COMMUNITY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2015
(Unaudited)

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

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

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

Public Employees' Retirement System (PERS)

	<u>2013</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)	0.010088	0.011088%
Charter School Proportionate share of the net pension liability (asset)	<u>2,119,218</u>	<u>1,888,704</u>
Charter School Covered employee payroll	\$695,324	\$649,704
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	304.8%	290.7%
Plan fiduciary net position as a percentage of the total pension liability	32.81%	34.40%

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

**LEARNING COMMUNITY 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	\$102,576	\$133,371
Contributions in relation to the contractually required contribution	<u>(102,576)</u>	<u>(133,371)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Charter School Covered employee payroll	695,324	649,704
Contributions as a percentage of covered employee payroll	14.75%	20.53%

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

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

Teachers' Pension and Annuity Fund (TPAF)

	<u>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)**	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	<u>10,407,340</u>	<u>12,906,073</u>
Total	<u>10,407,340</u>	<u>12,906,073</u>
Charter School Covered employee payroll	2,509,080	2,249,526
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	24.11%	17.43%

**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.

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

Public Employees' Retirement System (PERS)

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

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

SPECIAL REVENUE FUND

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

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

	TOTAL	IDEA PART B-Basic	IDEA Preschool	TITLE I	TITLE II	Preschool Education Aid	Friends of LCCS
REVENUES							
Intergovernmental							
Federal	\$ 200,699	105,716	1,286	80,503	13,194		
State Sources	583,679					583,679	
Miscellaneous	92,599					-	92,599
Total Revenues	<u>876,977</u>	<u>105,716</u>	<u>1,286</u>	<u>80,503</u>	<u>13,194</u>	<u>583,679</u>	<u>92,599</u>
EXPENDITURES							
Instruction							
Salaries	319,294	83,901	1,021	55,000	-	179,372	
Other Instructional Salaries	95,121	-	-	-	-	95,121	-
Other Purchased Services	-	-	-			-	
Purchased Prof. and Tech.and Edu Services	13,194	-	-		13,194	-	
General Supplies	144,475	-	-	11,203		40,673	92,599
Support Services	-					-	
Textbooks	-					-	
Personal Services - Employee Benefits	150,961	21,815	265	14,300		114,581	
Miscellaneous Expenses	330					330	
Total Instruction	<u>723,375</u>	<u>105,716</u>	<u>1,286</u>	<u>80,503</u>	<u>13,194</u>	<u>430,077</u>	<u>92,599</u>
Support Services							
Salaries of Supervisors of Instruction	15,785					15,785	
Salaries of Master Teachers	-					-	
Other Salaries	44,321					44,321	
Salaries of Clerical	-					-	
Purchases Professional Sves	34,341					34,341	
Other Purchased Services	47,758					47,758	
Cleaning , Repairs, and Maintenance Services	4,819					4,819	
Contracted Services	4,406					4,406	
Supplies and Materials	365					365	
Travel	987					987	
Equipment -Non- instructional	-					-	
Community Specialist	-					-	
Transportation-Field Trips	-					-	
Other Objects	820					820	
Total Support Services	<u>153,602</u>			<u>-</u>	<u>-</u>	<u>153,602</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 876,977</u>	<u>105,716</u>	<u>1,286</u>	<u>80,503</u>	<u>13,194</u>	<u>583,679</u>	<u>92,599</u>

LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Preschool Education Aid
For the Fiscal Year Ended June 30, 2015

Exhibit E-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Available</u>
REVENUES:					
State Sources	595,080	(11,401)	583,679	583,679	
Total Revenues	<u>595,080</u>	<u>(11,401)</u>	<u>583,679</u>	<u>595,080</u>	<u>-</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	159,290	20,082	179,372	179,372	-
Other Salaries for Instruction	99,081	(3,960)	95,121	95,121	-
Purchased Professional -Educational Services	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
Travel	-	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	14,034	26,639	40,673	40,673	-
Personal Services- Employee Benefits	-	-	-	-	-
Tuition Reimbursements	-	-	-	-	-
Building Improvements	-	-	-	-	-
Textbooks	-	-	-	-	-
Miscellaneous Expenses	3,360	(3,030)	330	330	-
Total Instruction	<u>275,765</u>	<u>39,731</u>	<u>315,496</u>	<u>315,496</u>	<u>-</u>
Support Services					
Salaries of Supervisor of Instruction	2,409	13,376	15,785	15,785	-
Salaries of Nurse	-	-	-	-	-
Salaries of Other Professional Staff	39,291	5,030	44,321	44,321	-
Salaries of Secretaries & Clerical Assistants	3,696	(3,696)	-	-	-
Other Salaries	13,868	(13,868)	-	-	-
Salaries of Community Involvement	2,409	(2,409)	-	-	-
Salaries Master Teacher	6,022	(6,022)	-	-	-
Personal Services- Employee Benfits	127,201	(12,620)	114,581	114,581	-
Travel	-	987	987	987	-
Field Trips	3,000	1,406	4,406	4,406	-
Other Purchased Services -Education Services	12,390	21,951	34,341	34,341	-
Other Purchased Services -Education Services	11,382	36,376	47,758	47,758	-
Supplies and Material	6,800	(6,435)	365	365	-
Repairs	9,000	(4,181)	4,819	4,819	-
Other Objects	750	70	820	820	-
Equipment--Instructional	78,097	(78,097)	-	-	-
Equipment- Non-Instructional	3,000	(3,000)	-	-	-
Total Support Services	<u>319,315</u>	<u>(51,132)</u>	<u>268,183</u>	<u>268,183</u>	<u>-</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	<u>595,080</u>	<u>(11,401)</u>	<u>583,679</u>	<u>583,679</u>	<u>-</u>

**LEARNING COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Preschool Education Aid
For the Fiscal Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Deferred Revenue</u>
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Outflows	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

LEARNING COMMUNITY CHARTER SCHOOL
Statement of Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Business Type Activities	Business Type Activities	Business Type Activities	Total
	Enterprise Food Program	Enterprise Fund Before-School	Enterprise Fund After School Program	Enterprise Funds
ASSETS				
Current Assets				
Cash	\$23,640	5,170	(75,385)	(\$46,575)
Intergovernmental Receivable				0
Federal	8,216			8,216
State	193			193
Accounts Receivable	3,075	0	75,385	78,460
Total Current Assets	<u>35,124</u>	<u>5,170</u>	<u>0</u>	<u>40,294</u>
Total Assets	<u>35,124</u>	<u>5,170</u>	<u>0</u>	<u>40,294</u>
LIABILITIES				
Cash Overdraft				
Accounts Payable	0	0	0	0
Total Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Position				0
Unrestricted	35,124	5,170	0	40,294
Invested in capital assets net of related debt				0
Total Net Position	<u>\$35,124</u>	<u>5,170</u>	<u>0</u>	<u>\$40,294</u>

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

	Business Type Activities	Business Type Activities	Business Type Activities	Total
	Enterprise Fund Food Service Fund	Enterprise Fund Before-School	Enterprise Fund After School Program	Enterprise Funds
OPERATING REVENUES				
Local Sources				
Daily Fees	\$77,637	\$8,950	\$314,005	\$400,592
Total Operating Revenues	<u>77,637</u>	<u>8,950</u>	<u>314,005</u>	<u>400,592</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits		3,880	314,005	317,885
Supplies, Materials & Other	161,836			161,836
Professional Services				
Total Operating Expenses	<u>161,836</u>	<u>3,880</u>	<u>314,005</u>	<u>479,721</u>
	<u>161,836</u>	<u>3,880</u>	<u>314,005</u>	<u>479,721</u>
Income (Loss) From Operations	<u>(84,199)</u>	<u>5,070</u>	<u>0</u>	<u>(79,129)</u>
Nonoperating Revenues				
State Sources				
State Sources	2,448			2,448
Federal Sources				
School Breakfast Program	9,118			9,118
National School Lunch Program	82,879			82,879
Federal PB	2,964			2,964
Board Subsidy				
Total Nonoperating Revenues	<u>97,409</u>	<u>0</u>	<u>0</u>	<u>97,409</u>
Net Income (Loss)	13,210	5,070	0	18,280
Interaccount Transfers	0	0	0	0
Total Net Position - Beginning of Year	<u>21,914</u>	<u>100</u>	<u>0</u>	<u>22,014</u>
Total Net Position - End of Year	<u>\$35,124</u>	<u>\$5,170</u>	<u>\$0</u>	<u>\$40,294</u>

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

Cash flows from operating activities	
Cash Received from Customers	327,321
Cash Payments to Employee's Salaries and Benefits	0
Cash Payments to Suppliers for Goods and Services	(479,721)
Net Cash (Used) by Operating Activities	<u>(152,400)</u>
 Cash Flows from Noncapital Financing Activities	 0
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	98,648
Net Cash Provided by Noncapital Financing Activities	<u>98,648</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	<u>(53,752)</u>
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	7,177
Cash and Cash Equivalents, End of Year	<u><u>(\$46,575)</u></u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	\$18,280
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	(72,032)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	0
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(72,032)</u>
 Net Cash Used by Operating Activities	 <u><u>(\$53,752)</u></u>

FIDUCIARY FUNDS

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

	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
ASSETS		
Cash	\$318,107	\$318,107
Total Assets	\$318,107	\$318,107
LIABILITIES AND FUND BALANCES		
Liabilities		
Intergovernmental Payble	\$77,020	\$77,020
Payroll Deductions and Withholdings	241,087	241,087
Accrued Salaries and Wages		
Due to Student Groups		0
Total Liabilities	318,107	318,107
Reserve For Unemploy. Trust Fund		0
Total Net Position		0
Total Liabilities and Net Position	\$0	\$0

Exhibit H-2

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

NOT APPLICABLE

Exhibit H-3

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

NOT APPLICABLE

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and Cash Equivalents	_____	\$4,625,076	\$4,625,076	_____
Total Liabilities	=====	4,625,076	4,625,076	=====
LIABILITIES				
Payroll Deductions and Withholdings	_____	2,009,075	2,009,075	_____
Accrued Salaries and Wages	_____	2,616,001	2,616,001	_____
Total Liabilities	=====	\$4,625,076	\$4,625,076	=====

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and Cash Equivalents	\$8,042	\$398	(\$8,440)	\$0
Total Assets	<u>\$8,042</u>	<u>\$398</u>	<u>(\$8,440)</u>	<u>\$0</u>
LIABILITIES				
Reserve for Unemployment Compensation	\$8,042	\$398	(\$8,440)	\$0
Total Liabilities	<u>\$8,042</u>	<u>\$398</u>	<u>(\$8,440)</u>	<u>\$0</u>

FINANCIAL TRENDS

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 937,394	\$ 1,174,141	\$ 1,174,141	\$ 1,023,454	\$ 1,187,460	\$ 1,226,840
Restricted	74,000	74,000	74,000	74,000		
Unrestricted Fund Balance	(1,461,079)	850,882	602,238	525,264	517,260	623,659
Total governmental activities net position	<u>\$ (449,685)</u>	<u>\$ 2,099,023</u>	<u>\$ 1,850,379</u>	<u>\$ 1,622,718</u>	<u>\$ 1,704,720</u>	<u>\$ 1,850,499</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted	40,294	22,014	50,420	19,607	19,353	14,714
Unrestricted	\$ 40,294	\$ 22,014	\$ 50,420	\$ 19,607	\$ 19,353	\$ 14,714
Total business-type activities net position						
School-wide						
Invested in capital assets, net of related debt	937,394	1,174,141	1,174,141	1,023,454	1,187,460	1,226,840
Restricted	74,000	74,000	74,000	74,000		
Unrestricted*	(1,420,785)	872,896	652,658	544,871	536,613	638,373
Total school-wide net position	<u>\$ (409,391)</u>	<u>\$ 2,121,037</u>	<u>\$ 1,900,799</u>	<u>\$ 1,642,325</u>	<u>\$ 1,724,073</u>	<u>\$ 1,865,213</u>

*As restated

Source: School Financial Statements

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expenses						
Governmental activities						
Instruction						
Regular	3,371,003	3,237,916	2,820,035	3,072,449	2,278,514	2,559,395
Support Services:						
General administration	2,118,545	2,119,309	2,002,963	1,675,830	1,576,453	1,588,036
School Administrative Services	822,690	659,325	677,010	663,870	667,075	481,388
On-behalf TPAF Social Security	533,474	462,712	487,571	354,189	273,405	146,495
Capital outlay	361,955	361,955	416,955	410,946	490,955	416,988
Unallocated depreciation	236,747	236,747	266,268	212,006	208,295	200,576
Total governmental activities expenses	<u>7,444,414</u>	<u>7,077,964</u>	<u>6,670,802</u>	<u>6,389,290</u>	<u>5,494,697</u>	<u>5,392,878</u>
Business-type activities:						
Food service	161,836	154,459	128,299	363,825	385,272	365,306
Child Care	317,885	268,105	243,520	0		
Total business-type activities expense	<u>479,721</u>	<u>422,564</u>	<u>371,819</u>	<u>363,825</u>	<u>385,272</u>	<u>365,306</u>
Total school expenses	<u>7,924,135</u>	<u>7,500,528</u>	<u>7,042,621</u>	<u>6,753,115</u>	<u>5,879,969</u>	<u>5,758,184</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Daily Sales- National Lunch Program	97,409	94,985	64,705	0	0	0
Pupil transportation	0	0	0	0	0	0
Central and other support services						
Operating grants and contributions	876,977	805,358	467,554	0	0	0
Capital grants and contributions						
Total governmental activities program revenues	<u>974,386</u>	<u>900,343</u>	<u>532,259</u>	<u>0</u>	<u>0</u>	<u>0</u>
Business-type activities:						
Charges for services						
Food service	77,637	74,247	77,633	364,079	389,911	319,260
Child care	322,955	224,926	260,294			
Operating grants and contributions						
Capital grants and contributions						
Total business type activities program revenues	<u>400,592</u>	<u>299,173</u>	<u>337,927</u>	<u>364,079</u>	<u>389,911</u>	<u>307,706</u>
Total school program revenues	<u>1,374,978</u>	<u>1,199,516</u>	<u>870,186</u>	<u>364,079</u>	<u>389,911</u>	<u>307,706</u>
Net (Expense)/Revenue						
Governmental activities	(6,567,437)	(6,272,606)	(6,234,061)	(6,389,290)	(5,494,697)	(5,450,478)
Business-type activities	18,280	(28,406)	30,813	254	4,639	0
Total school-wide net expense	<u>(6,549,157)</u>	<u>(6,301,012)</u>	<u>(6,203,248)</u>	<u>(6,389,290)</u>	<u>(5,494,697)</u>	<u>(5,450,478)</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Local share	1,363,064	1,340,286	1,246,939	849,137	1,002,039	830,966
State Share	3,715,796	3,684,592	3,508,194	3,594,129	3,106,026	2,849,946
State and Federal Aid aid	1,113,770	1,079,329	1,129,387	1,564,847	810,024	1,646,940
Miscellaneous income	83,104	180,296	129,433	177,175	261,914	148,373
Increase in Net Capital Outlay	0	0	416,955	122,000	168,915	567,678
Total governmental activities	<u>6,275,734</u>	<u>6,284,503</u>	<u>6,430,908</u>	<u>6,307,288</u>	<u>5,348,918</u>	<u>6,043,903</u>
Business-type activities:						
Investment earnings						
Transfers						
Total business-type activities	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total school-wide	<u>6,275,734</u>	<u>6,284,503</u>	<u>6,430,908</u>	<u>6,307,288</u>	<u>5,348,918</u>	<u>6,043,903</u>
Change in Net Position						
Governmental activities	(291,703)	248,644	227,660	(82,002)	(145,779)	593,425
Business-type activities	18,280	(28,406)	30,813	254	4,639	(124,440)
Total school-wide	<u>(273,423)</u>	<u>220,238</u>	<u>258,473</u>	<u>(81,748)</u>	<u>(141,140)</u>	<u>468,985</u>

Source: School Financial Statements

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund						
Reserved	74,000	74,000	74,000	74,000	74,000	
Unreserved	795,926	850,882	602,238	525,264	517,260	623,659
Total general fund	<u>\$ 869,926</u>	<u>\$ 924,882</u>	<u>\$ 676,238</u>	<u>\$ 599,264</u>	<u>\$ 591,260</u>	<u>\$ 623,659</u>
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Source: School Financial Statements

**LEARNING COMMUNITY CHARTER SCHOOL
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30
(Unaudited)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues						
Local tax Levy	\$ 1,363,064	\$ 1,340,286	\$ 1,246,939	\$ 849,137	\$ 1,002,039	\$ 830,966
Other local revenue	576,295	591,476	454,432	471,542	587,728	714,842
State sources	5,415,693	5,255,626	5,028,119	4,962,508	3,714,313	3,636,716
Federal sources	295,660	296,631	154,649	266,180	265,834	293,701
Total revenue	<u>7,650,712</u>	<u>7,484,019</u>	<u>6,884,139</u>	<u>6,549,367</u>	<u>5,569,914</u>	<u>5,476,225</u>
Expenditures						
Instruction	2,647,628	2,624,642	2,536,333	2,443,188	1,894,619	1,765,289
Regular Instruction						
Support Services:						
General administration	1,964,943	1,927,225	1,819,111	1,650,777	1,573,136	1,521,972
School administrative services/Plant	822,690	659,325	677,010	663,870	667,075	481,388
TPAF Social Security	533,474	462,712	487,571	354,189	273,405	146,495
Enterprise Fund	479,721	422,564	371,819	363,825	385,272	
Capital outlay	361,955	361,955	416,955	410,946	490,955	416,988
Debt service:	0	0	0			
Principal						
Interest and other charges						
Special Revenue	876,977	805,358	467,554	654,314	387,212	860,170
Total expenditures	<u>7,687,388</u>	<u>7,263,781</u>	<u>6,776,353</u>	<u>6,541,109</u>	<u>5,671,674</u>	<u>5,192,302</u>
Excess (Deficiency) of revenues over (under) expenditures						
Other Financing sources (uses)						
Proceeds from borrowing						
Capital leases (non-budgeted)						
Proceeds from refunding						
Payments to escrow agent						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$ (36,676)</u>	<u>\$ 220,238</u>	<u>\$ 107,786</u>	<u>\$ 8,258</u>	<u>\$ (101,760)</u>	<u>\$ 283,923</u>

Source: School Financial Statements

REVENUE CAPACITY

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

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2010						148,373	148,373
2011						83,226	83,226
2012						76,460	76,460
2013						129,433	129,433
2014						180,296	180,296
2015						83,104	83,104

Source: School records

Exhibit J-6

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

NOT APPLICABLE

Exhibit J-7

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

NOT APPLICABLE

Exhibit J-8

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

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

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

NOT APPLICABLE

Exhibit J-10

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

NOT APPLICABLE

Exhibit J-11

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

NOT APPLICABLE

Exhibit J-12

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

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

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

NOT APPLICABLE

**LEARNING COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Years Ended June 30
(Unaudited)**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

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

NOT APPLICABLE

LEARNING COMMUNITY CHARTER SCHOOL
Full-time Equivalent District Employees by Function/Program
For the Fiscal Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Instruction	36.3	36.4	34	32.5	32	29
Regular	4	4	8			
Special education						
Other special education						
Vocational						
Other instruction	8	8				
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	10	10	9	7	5	5
General administration	8	8	6	6	5	5
School administrative services	4	4	3.5	3	3	3
Other administrative services						
Central services						
Administrative Information Technology						
Plant operations and maintenance	1	1	1	1	2	1
Pupil transportation						
Other support services			5	7	5	7
Special Schools						
Food Service	1.2	1.2	1.2	1.2	1.2	1.2
Child Care						
Total	<u>72.5</u>	<u>72.6</u>	<u>67.7</u>	<u>57.7</u>	<u>53.2</u>	<u>51.2</u>

Source: School Personnel Records

LEARNING COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2010	454	5,192,302	11,437	-1.22%	31.00	16	15	N/A	454.4	425	4.60%	93.16%
2011	475	5,286,402	11,129	2.69%	32.00	16	16	N/A	475.0	454	4.50%	93.16%
2012	518	6,104,241	11,784	-2.69%	34.00	18	16	N/A	518.0	492	9.10%	93.16%
2013	542	6,288,782	11,603	5.89%	33.00	22	12	N/A	542.0	516	4.60%	95.11%
2014	567	6,841,217	12,066	3.99%	36.40	24	12	N/A	567.0	539	4.60%	95.06%
2015	585	7,687,388	13,141	8.90%	36.30	24	12	N/A	583.2	556	2.85%	95.40%

Sources: School records

LEARNING COMMUNITY CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(Unaudited)

<u>School Building</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Main Campus						
Square Feet	76,000	76,000	76,000	76,000	76,000	76,000
Enrollment	585	567	542	541	475	454

Source: School Office

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

NOT APPLICABLE

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Property	\$ 17,315,113	\$ 1,000
Boiler and Machinery	10,000,000	1,000
General Liability	16,000,000	1,000
School Board Legal Liability	1,000,000	10,000
Workers' Compensation	2,000,000	-
 Surety Bonds		
School Board Legal Liability	250,000	1,000
Public Official Bond	165,000	N/A

Source: Charter School Records

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

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

Unaudited

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	1,041,726	678,109	882,778	970,921
Current Assets	1,235,232	1,012,574	922,241	1,087,998
Capital Assets-Net	7,199,647	7,436,394	7,673,141	7,522,454
Total Assets	<u>8,434,879</u>	<u>8,448,968</u>	<u>8,595,382</u>	<u>8,610,452</u>
Current Liabilities	325,012	65,678	195,583	469,127
Long Term Liabilities	6,499,000	6,499,000	6,499,000	6,499,000
Total Liabilities	<u>6,824,012</u>	<u>6,564,678</u>	<u>6,694,583</u>	<u>6,968,127</u>
Net Position	<u>1,610,867</u>	<u>1,884,290</u>	<u>1,900,799</u>	<u>1,642,325</u>
Total Revenue	7,650,712	6,441,914	6,884,139	6,549,367
Total Expenses	<u>7,687,388</u>	<u>6,458,423</u>	<u>(6,776,353)</u>	<u>(6,541,109)</u>
Change in Net Position	<u>(36,676)</u>	<u>(16,509)</u>	<u>107,786</u>	<u>8,258</u>
Depreciation	236,747	236,747	266,268	212,006
Principal Payments	0	0	0	0
Interest payments	361,955	361,955	361,955	362,946
Final average daily enrollment	595	567	542	541
March 30th budgeted Enrollment	595	567	542	541
Near term indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
CURRENT RATIO	3.8	15.4	4.72	2.92
Unrestricted days cash	49.51	38.32	47.55	57.97
Enrollment variance	100%	100%	100%	100%
Default	NO	NO	NO	NO

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	1,041,726	678,109	882,778	970,921
Current Assets	1,235,232	1,012,574	922,241	1,087,998
Capital Assets-Net	7,199,647	7,436,394	7,673,141	7,522,454
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Long Term Liabilities	6,499,000	6,499,000	6,499,000	6,499,000
Total Liabilities	<u>6,824,012</u>	<u>6,564,678</u>	<u>6,694,583</u>	<u>6,968,127</u>
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Change in Net Position	<u>(36,676)</u>	<u>(16,509)</u>	<u>107,786</u>	<u>8,258</u>
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Interest payments	361,955	361,955	361,955	362,946
Final average daily enrollment	595	567	542	541
March 30th budgeted Enrollment	595	567	542	541
Sustainability Indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total margin	-1%	13%	7%	6%
Debt to Asset	0.81	0.78	0.78	N/A
Cash flow	363,617	(204,669)	(88,203)	1,492,316
Debt Service Coverage ratio	1.65	1.65		

SINGLE AUDIT SECTION K

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

TELEPHONE
973-585-4989

FAX
973-240-7318

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 President and
Members of the Board of Trustees
Learning Community Charter School
County of Hudson
Jersey City, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Learning Community Charter School ("the Charter School"), in the County of Hudson, 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 November 3, 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
November 3, 2015

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

TELEPHONE
973-585-4989

FAX
973-240-7318

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 President and
Members of the Board of Trustees
Learning Community Charter School
County of Hudson
Jersey City, New Jersey

Compliance

I have audited the Learning Community Charter School, in the County of Hudson, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the 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
November 3, 2015

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

Federal/Grantor Program Title	Project Number	Grant Period	Award Amount	Balance July 1, 2014	Prior Carry over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Deferred Revenue/ (Accounts Receivable) June 30, 2015	Due to Grantor at June 30, 2015
Food Subsidy											
National School Lunch Program	10.555	07/01/14-06/30/15	85,842	(8,524)		87,127	85,842			(7,239)	
School Breakfast Program	10.553	07/01/14-06/30/15	9,118	(884)		9,025	9,118			(977)	
Special Revenue Fund											
NCLB											
Early Childhood Grant	84.01 A	07/01/14-06/30/15	80,503	0		80,503	80,503			0	
Title II A	84.368	07/01/14-06/30/15	13,194	0		13,194	13,194			0	
IDEA Part B, Basic	84.027	07/01/14-06/30/15	105,716	0		105,716	105,716			0	
IDEA Preschool	84.173	07/01/14-06/30/15	1,286	0		1,286	1,286			0	
Total Special Revenue				0	0	200,699	200,699			0	
Total Federal Awards				(9,408)	0	296,851	295,659			(8,216)	

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

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

EXHIBIT K-4

<u>State Grantor Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2014</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjust</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2015</u>	<u>Due to Grantor at June 30, 2015</u>
GENERAL FUND										
TPAF Social Security	15-495-034-5095-002	7/1/14-06/30/15	\$178,394		\$178,394	\$178,394				
Equalization Aid - Local	15-495-034-5120-078	7/1/14-06/30/15	1,363,064		1,363,064	\$1,363,064				
Equalization Aid - State	15-495-034-5120-078	7/1/14-06/30/15	3,715,796		3,715,796	\$3,715,796				
Categorical Aid	15-100-034-5120-084	7/1/14-06/30/15	117,373		117,373	\$117,373				
Adjustment Aid	15-100-034-5120-085	7/1/14-06/30/15	257,415		257,415	\$257,415				
Special Education	15-100-034-5120-089	7/1/14-06/30/15	<u>205,508</u>		<u>205,508</u>	<u>\$205,508</u>				
Total General Fund						5,837,550	5,837,550			--
SPECIAL REVENUE FUND										
Preschool Education Aid	15-495-034-5120-086	7/1/14-06/30/15	<u>595,080</u>	(10,579)	633,546	583,679			<u>\$39,288</u>	
ENTERPRISE FUND										
National School Lunch-State	15-100-010-3350-23	7/1/14-06/30/15	2,448	(240)	2,495	2,448			(\$193)	
Total State Financial Assistance subject to OMB 04-04				(10,819)	\$6,473,591	\$6,423,677			(\$193)	
On Behalf TPAF Pension	15-495-034-5095-050	7/1/13-06/30/14	355,080		<u>355,080</u>	<u>355,080</u>				
Grand Total State Awards						<u>6,828,671</u>	<u>6,778,757</u>			

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

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

	Federal	State	Total
General Fund	\$ ---	\$ 5,837,550	\$ 5,837,550
Enterprise Fund	94,960	2,448	97,407
Special Revenue Fund	<u>200,699</u>	<u>583,679</u>	<u>794,378</u>
Total Awards and Financial Assistance	<u>\$295,659</u>	<u>\$ 6,423,677</u>	<u>\$ 6,729,335</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 of \$137,229 and \$205,508 for medical paid by the state on behalf of the Charter School for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount of \$178,394 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.

**LEARNING COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, 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 or Cluster</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

**LEARNING COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

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

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
15-495-034-5120-078	Equalization Aid Local and State - Cluster
15-100-034-5120-085	Adjustment Aid
15-495-034-5120-086	Preschool Education Aid
15-495-034-5120-084	Special Education - Cluster
15-495-034-5120-084	Security Aid - Cluster

**LEARNING COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, 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.

**LEARNING COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, 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.

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

Status of Prior Year Findings

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

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