

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
HOBOKEN DUAL LANGUAGE CHARTER
SCHOOL, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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JUNE 30, 2016
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November 29, 2016

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the Hoboken Dual Language Charter School for the fiscal year ended June 30, 2016, 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 six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES** The Hoboken Dual Language 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.

In 2010, the school opened with 132 students, the following represents the progression to full capacity

School Year	Grades	Enrollment
2010-2011	K-2	132
2011-2012	K-3	176
2012-2013	K-4	220
2013-2014	K-5	245
2014-2015	K-6	292
2015-2016	K-7	336

The Hoboken Dual Language Charter School (HoLa) is an exciting new dual language charter school that opened its doors to students in grades K-2 in September 2010 (a grade will be added each year until the school reaches K-8). HoLa offers a traditional core curriculum through instruction in both Spanish and English to children of all language backgrounds. The program utilizes the well-established immersion approach to dual language education with a range of opportunities for creative expression and experiential learning. Students become bilingual and biliterate in a culturally diverse and nurturing environment.

HoLa's curriculum meets the New Jersey Core Curriculum Standards, incorporating best practices of successful dual language schools and decades of research in immersion education. Each classroom has two certified full-time teachers, who are supplemented by art, gym, music, and other weekly specials.

Tutoring is available every day after school, free of charge, for those students who demonstrate academic need, and the school provides optional, fee-based Aftercare and Enrichment programs, based on parent demand. Scholarships are available to students who cannot afford to participate in Aftercare, Enrichment or field trips, through funds raised by the Parent-Teacher Organization and enterprise programs.

- 2) **ENROLLMENT OUTLOOK:** The school expects to have full enrollment every year supported by a strong wait list and a reputation for high academic performance.
- 3) **MAJOR ACCOMPLISHMENTS** – In the school's fifth year of operation these were the key financial highlights for the 2015-16 fiscal year:

During the 2015-2016 school year, our 6th year of operations, HoLa accomplished multiple goals and successes:

- The school expanded to add a 7th Grade, including curriculum, furniture, materials, facilities, scheduling, and staffing considerations.
- The school once again performed exceptionally well on the PARCC testing across all testing grades, ranking as a Tier 1 district.
- The school worked with a professional recruiter to facilitate and improve the hiring process, resulting in a much improved selection of teaching candidates than in prior years, and ultimately several very successful key hires for the following school year.

- The school expanded its STEM and Arts offerings, consistent with its mission as it grows to include middle school grades.
- The school conducted a complete revision of the Scope & Sequence for each grade and subject, in an effort to ensure vertical alignment, greater specificity and explicit alignment Common Core standards. As part of the process, we also added separate Scope & Sequence strands for Spanish Language Arts (previously combined with English Language Arts) and for Technology.
- The school ended the year with a financial surplus.

We are extremely pleased with our outcomes in all areas - academic, organizational and fiscal - and look forward to equal growth and success in the subsequent school year.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2016.

- 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, 2016.

Revenue	Amount	Percent of Total
Local	\$2,781,826	69%
State	702,698	17%
Special Revenue	40,806	1%
Misc.	134,217	3%
Enterprise Fund	<u>433,180</u>	<u>10%</u>
Total	<u>\$4,092,727</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2016.

Expenditures	Amount	Percent of Total
Current - General Fund	\$3,155,682	91%
Special Revenue	40,806	1%
Enterprise Fund	<u>263,903</u>	<u>8%</u>
Total	<u>\$3,460,391</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 the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Respectfully submitted,



Barbara Martinez
Board President

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2016**

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Barbara Martinez	3/19
Frank Raia	3/18
George Duke	3/17
Jennifer Austin	3/18
Susan Costomiris	3/17
Anthony Petrosino	3/17
Tia Narciso	3/17

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

Wilentz, Goldman & Spitzer
90 Woodbridge Center Drive
Woodbridge, NJ 07095

OFFICIAL DEPOSITORY

BCB Community Bank
401 Washington Street
Hoboken, NJ 07030

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
Hoboken Dual Language Charter School
County of Hudson
Hoboken, 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 Hoboken Dual Language Charter School, County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Hoboken Dual Language 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 Hoboken Dual Language Charter School as of June 30, 2016, 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.

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.

Supplementary and Other Information

My audit was conducted for the, purpose of forming opinions on the financial statements that collectively comprise the 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 the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *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.

The combining and individual fund financial statement information, and the schedules of expenditures of federal awards and state financial assistance required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are the responsibility of management and such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 29, 2016 on my consideration of the Hoboken Dual Language 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 Hoboken Dual Language 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 29, 2016

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

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

This section of Hoboken Dual Language 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, 2016. 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 2015-16 fiscal year include the following:

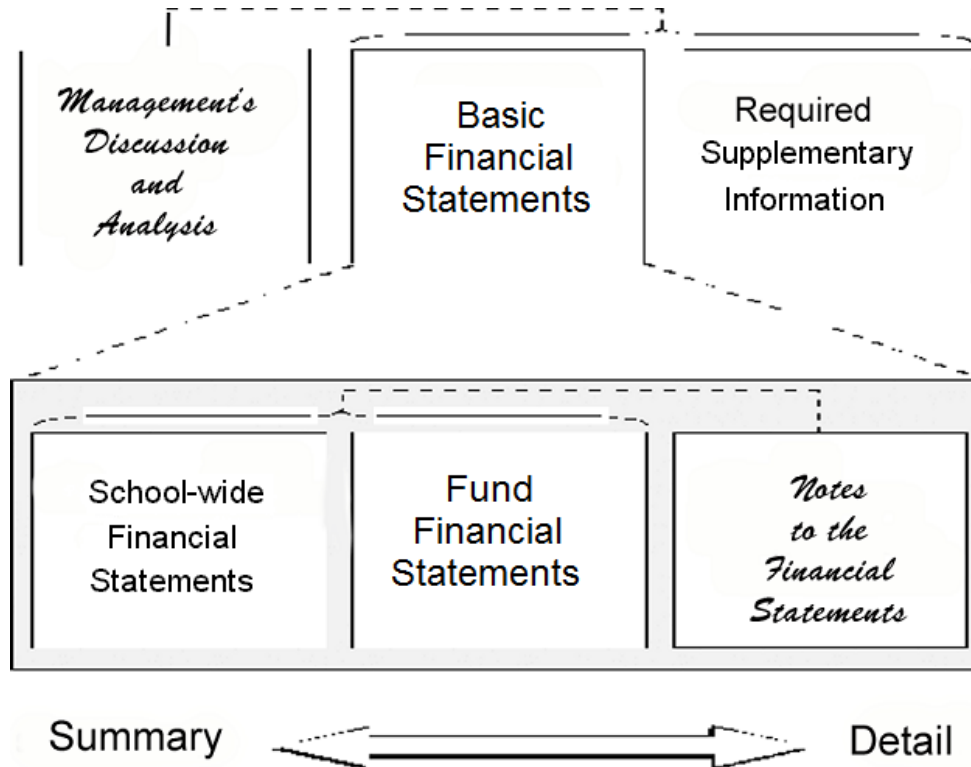
- Total Net Position was \$47,514, net of pension adjustment of (\$593,234).
- The unrestricted General Fund balance at June 30, 2016 is \$489,356.

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 Hoboken Dual Language Charter School.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(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 Hoboken Dual Language Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Hoboken Dual Language Charter School, reporting the Hoboken Dual Language Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the Hoboken Dual Language Charter School operates like businesses.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management’s Discussion and Analysis
Year Ended June 30, 2016
(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 Hoboken Dual Language Charter School’s financial statements, including the portion of the Hoboken Dual Language 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 Hoboken Dual Language 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 Hoboken Dual Language Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

School-wide Statements

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

In the school-wide financial statements, the Hoboken Dual Language Charter School's activities are shown in two categories:

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

Fund Financial Statements

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

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

- Some funds are required by State law.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

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

The Hoboken Dual Language Charter School has three kinds of funds:

- **Governmental funds-** Most of the Hoboken Dual Language 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 Hoboken Dual Language 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 Hoboken Dual Language 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 Hoboken Dual Language 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 Hoboken Dual Language Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Hoboken Dual Language 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 Hoboken Dual Language Charter School's government-wide financial statements because the Hoboken Dual Language Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE HOBOKEN DUAL LANGUAGE CHARTER SCHOOL AS A WHOLE

Net position. The Hoboken Dual Language Charter School's net position is \$47,514 net of pension adjustment of (\$593,234) on June 30, 2016. (See Table A-1).

Governmental	<u>\$47,514</u>
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The Statement of Net Position of \$151,392 reflects total capital assets at net of assumed depreciation from inception.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

The Hoboken Dual Language Charter School's financial position is the product of these factors:

- Special Revenues and Expenditures for Governmental Activities were \$363,769.
- General Fund Revenues were \$3,797,918.
- General Fund Expenditures were \$3,988,713.

Table A-1
HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	<u>Total</u>
Current and Other Assets	\$990,049
Pension Deferred Outflows	\$702,425
Capital Assets (Including Business Activities)	151,395
Total Assets	<u>\$1,843,869</u>
Other Liabilities	500,693
Net Pension Liability	1,275,157
Pension Deferred Inflows	20,502
Total Liabilities	<u>\$1,796,352</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	151,392
Restricted	0
Unrestricted	(103,878)
Total Net Position	<u><u>\$47,514</u></u>
Fund Balance 06/30/16	\$489,356
Invested In Capital Assets, Net of Related Debt	151,392
Net Position before Pension Adjustment	640,748
Less: Pension Adjustment (Note 15)	(593,234)
Net Position	<u><u>\$47,514</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$47,514 on June 30, 2016.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

Table A-2
HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2016

Revenues	<u>Total</u>	<u>Percentage</u>
Program revenues		
Charges for services	\$ -	
Operating grants and contributions		
General revenues		
Local Share	3,022,237	67%
Federal and State Aid-Unrestricted	698,187	16%
Federal Aid-Restricted	287,618	6%
Other	153,645	3%
Enterprise Fund	356,954	7%
Decrease in Capital Outlay	42,176	1%
Total revenues	<u>\$ 4,560,817</u>	<u>100%</u>
Expenses		
Regular Instruction	1,905,519	40%
General Administrative	1,124,305	24%
School Administrative	1,109,294	23%
On-behalf TPAF Social Security	185,806	4%
Capital Outlay	27,558	1%
Enterprise Fund	415,600	8%
Total expenses	<u>\$ 4,768,082</u>	<u>100%</u>
(Decrease) in net position	(207,265)	
Net Position, Beginning July 1	573,790	
Net Position, End of Year June 30	<u>366,525</u>	
Less Pension Adjustments Net (Note 15)	(319,011)	
Net Position	<u>47,514</u>	

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

Table A-3 (See Exhibit A-2)
HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Total and Net Cost of Services - School Wide
For the Fiscal Year Ended June 30, 2016

<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	\$ 1,905,519	\$ 1,905,519
Support Services			
General Administrative Services	B-2	1,124,305	1,124,305
School Administrative Services	B-2	1,109,294	1,109,294
On-behalf TPAF Social Security	B-2	185,806	185,806
Capital Outlay	B-2	27,558	27,558
Enterprise Fund	G-2	415,600	415,600
Total Governmental Activities		<u>\$ 4,768,082</u>	<u>\$ 4,768,082</u>

FINANCIAL ANALYSIS OF THE HOBOKEN DUAL LANGUAGE CHARTER SCHOOL FUNDS

The financial performance of the Hoboken Dual Language Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Hoboken Dual Language Charter School completed the year, its general funds reported a combined fund balance of \$489,356.

Revenues for the Hoboken Dual Language Charter School's governmental funds were \$4,518,641 while total expenses were \$4,768,082. (Table A-4) (Exhibit B-2)

GENERAL FUND

The General Fund includes the primary operations of the Hoboken Dual Language Charter School in providing educational services to students from grade K through grade 5.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

The following schedule presents a summary of Governmental Revenues.

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

General Fund Revenues	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 3,022,237	\$ 2,781,826	\$ 240,411
Other Local Revenue	485,765	547,680	(61,915)
Total Local Sources	\$ 3,508,002	\$ 3,329,506	\$ 178,496
Intergovernmental			
State Sources	698,187	724,415	(26,228)
Federal Sources	312,452	40,806	271,646
Total Intergovernmental Sources	\$ 1,010,639	\$ 765,221	\$ 245,418
Total Revenue	\$ 4,518,641	\$ 4,094,727	\$ 423,914

The following schedule presents a summary of Governmental expenditures.

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

General Fund Expenditures	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase (Decrease)
Current:			
Regular Instruction	\$ 1,905,519	\$ 1,513,799	\$ 391,720
General Administrative Services	1,124,305	939,219	185,086
School Administration	1,109,294	552,116	557,178
On-behalf TPAF Social Security	185,806	191,354	(5,548)
Capital outlay	27,228	-	27,228
Food Service	415,600	263,903	151,697
Total Expenditures	\$ 4,767,752	\$ 3,460,391	\$ 1,307,361

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

Table A-6
HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Changes in General Fund Unreserved-Undesignated Fund Balance - School Wide
For the Fiscal Years Ended June 30

General Fund	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unreserved-Undesignated						
Fund Balance	489,356	680,151	290,461	121,715	51,646	40,491
Expenditures	3,988,713	3,155,682	3,189,982	2,659,525	2,025,719	1,668,419
Percentages	12.3%	21.6%	9%	5%	2%	2%

The Hoboken Dual Language 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 \$489,356 for the 2016-17 school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year ended June 30, 2016, in the General Fund, the Hoboken Dual Language Charter School had invested \$215,481 in a broad range of capital assets, including building improvements, computer and audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements) and Total General Fund depreciation expense for the year was \$13,157.

Table A-7
HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Changes in Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2016

Facilities Improvement	\$182,948
Equipment	32,533
Total - General Fund	<u>\$215,481</u>
Less: Accumulated Depreciation	(64,089)
Total - Net Capital Assets General Fund	<u><u>\$151,392</u></u>

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the Hoboken Dual Language 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 HOBOKEN DUAL LANGUAGE 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 Hoboken Dual Language Charter School's finances and to demonstrate the Hoboken Dual Language 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, Hoboken Dual Language Charter School, 123 Jefferson St, Hoboken, New Jersey 07030.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Hoboken Dual Language Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2016.

SCHOOL-WIDE FINANCIAL STATEMENTS

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 894,872	\$ 259,356	\$ 1,154,228
Receivables, net	3,637	-	3,637
Security deposit	91,540	-	91,540
Capital assets, net (Note 2):	151,392	-	151,392
Total Assets	<u>1,141,441</u>	<u>259,356</u>	<u>1,400,797</u>
Deferred outflows of resources			
Pension deferred outflows	702,425		702,425
Total assets and deferred outflows of resources	<u>\$ 1,843,866</u>	<u>\$ 259,356</u>	<u>\$ 2,103,222</u>
LIABILITIES			
Accounts payable	63,540	-	63,540
Deposits payable	-		
Payable to school districts	-		-
Payable to federal government	-		-
Payable to state government			
Deferred revenue	437,153	73,356	510,509
Net pension liability	1,275,157		1,275,157
Total liabilities	<u>1,775,850</u>	<u>73,356</u>	<u>1,849,206</u>
Deferred inflows of resources			
Pension deferred inflows	20,502	-	20,502
NET POSITION			
Invested in capital assets, net of related debt	151,392	-	151,392
Restricted for:			
Debt service			
Capital reserve	-		-
Unrestricted (Note 15)	(103,878)	186,000	82,122
Total net position	<u>\$ 47,514</u>	<u>\$ 186,000</u>	<u>\$ 233,514</u>
Fund Balance June 30, 2016 - B-1	\$489,356		
Cost of capital assets net accumulated depreciation	151,392		
Net position before pension adjustments	640,748		
Less pension adjustments net (Note 15) (Deficit)	(593,234)		
Total net position	<u>\$47,514</u>		

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

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Exhibit A-2

Functions/Programs	Program Revenues			Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (1,905,519)		\$ (299,006)		\$ (1,606,513)		\$ (1,606,513)
Support services:							
General administration	(1,124,305)		(64,763)		\$ (1,059,542)		\$ (1,059,542)
School administrative services/ operations plant serv.	(1,109,294)				(1,109,294)		(1,109,294)
On - behalf TPAF Social Security	(185,806)				(185,806)		(185,806)
Capital Outlay	(27,558)				(27,558)		(27,558)
Total governmental activities	(4,352,482)		(363,769)		(3,988,713)		(3,988,713)
Business-type activities:							
Food Service and After School Program	(415,600)	(415,600)				(415,600)	(415,600)
Total business-type activities	(415,600)	(415,600)				(415,600)	(415,600)
Total primary government	\$ (4,768,082)	\$ (415,600)	\$ (363,769)		\$ (3,988,713)	\$ (415,600)	\$ (4,404,313)
General revenues:							
					3,022,237		3,022,237
					410,047		410,047
					288,140	24,834	312,974
						25,077	25,077
					77,494	307,043	384,537
					42,176		42,176
Total general revenues, special items, extraordinary					3,840,094	356,954	4,197,048
Change in Net Position					(148,619)	(58,646)	(207,265)
Net Position - July 1, 2015					329,144	244,646	573,790
Net Position - June 30, 2016					\$ 180,525	\$ 186,000	\$ 366,525

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 458,081	\$ 436,791	\$ -		\$ 894,872
Receivables, net	3,275	362	-		3,637
Security deposits	91,540	-	-		91,540
Total assets	\$ 552,896	\$ 437,153	\$ -		\$ 990,049
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft					
Accounts payable	63,540	-	-		63,540
Payable to federal government		-			0
Payable to School Districts	-				0
Payable to state government	-				0
Deferred revenue		437,153			437,153
Total liabilities	63,540	437,153	-		500,693
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve	-				
Excess surplus	-				
Excess surplus -- designated for Subsequent year's expenditures					
Reserve for NCLB Repayment	-				0
Unreserved, reported in:					
General fund	489,356		-		489,356
Capital projects fund					
Permanent fund					
Total Fund balances	489,356	-	-		489,356
Total liabilities and fund balances	\$ 552,896	\$ 437,153	\$ -		\$ 990,049

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	215,481	
and the accumulated depreciation	(64,089)	
		151,392
Net position before pension adjustments		640,748
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 6)		702,425
Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 6)		(20,502)
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 6)		(1,275,157)
Net position of governmental activities		\$ 47,514

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

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<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	\$ 3,022,237				\$ 3,022,237
State Share	410,047				410,047
Other Restricted Miscellaneous Revenues					
Miscellaneous	77,494	76,151			153,645
Total - Local Sources	<u>3,509,778</u>	<u>76,151</u>			<u>3,585,929</u>
State Sources	288,140	-			288,140
Federal Sources		287,618			287,618
Total Revenues	<u>3,797,918</u>	<u>363,769</u>			<u>4,161,687</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 1,606,513	\$ 299,006			\$ 1,905,519
Support services- General Administrative	1,059,542	64,763			1,124,305
Support Services- School Admin/ operations plant se	1,109,294				1,109,294
On-behalf TPAF Social Security	185,806				185,806
Capital outlay	27,558				27,558
Total expenditures	<u>3,988,713</u>	<u>363,769</u>			<u>4,352,482</u>
Excess (Deficiency) of revenues over expenditures	<u>(190,795)</u>	<u>-</u>			<u>(190,795)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-				-
Transfers out	-				-
Total other financing sources and uses	<u>* -</u>				<u>-</u>
Net change in fund balances	(190,795)	-			(190,795)
Fund balance—July 1, 2015	680,151	-			680,151
Fund balance—June 30, 2016	<u>\$ 489,356</u>	<u>\$ -</u>			<u>\$ 489,356</u>

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

Exhibit B-3

**HOBOKEN DUAL LANGUAGE 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, 2016**

	General Fund	Enterprise Fund	Total
Total net change in fund balances - governmental funds (from B-2)	\$ (190,795)	\$ (58,646)	\$ (249,441)

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

Capital outlays are reported in governmental funds as expenditures.

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

Depreciation expense	\$ (13,157)	
Capital outlays	<u>55,333</u>	
	\$ 42,176	\$ - \$ 42,176

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>\$ (148,619)</u>	<u>\$ (58,646)</u>	<u>\$ (207,265)</u>
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
As of June 30, 2016

		Business-type Activities Enterprise funds After School Program and Food Service
ASSETS		
Current assets:		
Cash and cash equivalents	\$	232,225
Accounts receivable		2,054
Other receivables		25,077
Inventories		
Total current assets		259,356
Noncurrent assets:		
Restricted cash and cash equivalents		
Furniture, machinery & equipment		
Less accumulated depreciation		
Total noncurrent assets		_____
Total assets		_____
LIABILITIES		
Current liabilities:		
Deferred Revenue		73,356
Accounts payable		-
Total current liabilities		73,356
Total liabilities		73,356
NET ASSETS		
Invested in capital assets net of related debt		
Restricted for:		
Capital projects		
Unrestricted		186,000
Total net position	\$	186,000

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

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Business-type Activities Enterprise Fund Food Service and After School Program
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$ 61,424
After School Revenue	245,619
Total operating revenues	307,043
Operating expenses:	
Cost of sales	
Salaries and Benefits	147,950
Supplies, Materials and Other Expenses	140,750
Rent	126,900
Total Operating Expenses	415,600
Operating income (loss)	(108,557)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	958
Federal sources:	
National snack	1,159
National school lunch program	22,717
Board Subsidy	25,077
Total nonoperating revenues (expenses)	49,911
Income (loss) before contributions & transfers	(58,646)
Capital contributions	-
Transfers in (out)	
Change in net position	(58,646)
Total net position - beginning	244,646
Total net position - ending	\$ 186,000

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

Exhibit B-6

Business-type
Activities
Enterprise Funds

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Participants	\$	354,592
Payments to employees and benefits		(147,950)
Payments to suppliers		(267,650)
Net cash provided by (used for) operating activities		(61,008)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State and Federal Sources		25,077
Operating subsidies and transfers to other funds		16,377
Net cash provided by (used for) non-capital financing activities		41,454

CASH FLOWS FROM INVESTING ACTIVITIES

Increase In Fixed Assets		
Proceeds from sale/maturities of investments		
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents		(19,554)
Cash Balances—beginning of year		251,779
Cash Balances—end of year	\$	232,225

Reconciliation of operating income (loss) to net cash provided

(used) by operating activities:		
Operating income (loss)		(58,646)
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		(8,457)
(Increase) decrease in inventories		
(Increase) decrease in USDA Communities		
Increase (decrease) in Deferred Revenue		47,549
Increase (decrease) in accrued compensated absences		
Total adjustments		39,092
Net cash provided by (used for) operating activities	\$	(19,554)

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

FIDUCIARY FUNDS

Exhibit B-7

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2016**

NOT APPLICABLE

Exhibit B-8

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Hoboken Dual Language 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 Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

The Hoboken Dual Language 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 Hoboken Dual Language Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Hoboken Dual Language 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 Hoboken Dual Language 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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements

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

B Fund Accounting

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

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General Fund - The General Fund is the primary operating fund of the Charter School. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. 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, 2016 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:

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds

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

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

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

C Measurement Focus and Basis of Accounting

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

Measurement Focus

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

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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).

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

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

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

E Cash, Cash Equivalent and Investments

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

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

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

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

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F Short-Term Interfund Receivables/Payables

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

G Inventories and Prepaid Expenses

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

H Capital Assets

Capital assets, which include 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>
Facility Improvements	15
Equipment	7

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I Compensated Absences

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

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, 2016.

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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NCLB Title I	\$5,705
HOLA PTO	100,000
PTO School Construction	118,747
Promotion Activation	3,500
Seeds of Change	2,189
Provident Grant	1,633
PTO Classroom	22,000
FOH Donations	5,348
Annual Appeal	69,827
Greater Giving	85,812
Sabor	11,510
Swing for Golf	10,437
Miscellaneous	445
Total	<u><u>\$437,153</u></u>

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds.

L Fund Balance and Equity (continued)

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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

O Net Position

A deferred outflow of resources is a consumption of net position by the Hoboken Dual Language Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Hoboken Dual Language Charter School that is applicable to a future reporting period. The Hoboken Dual Language Charter School did not have any deferred inflows or outflows of resources at June 30, 2016.

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.

P New Accounting Standards

During the prior fiscal year 2015, the Charter School adopted the following GASB statements:

GASB 68, Accounting and Financial Reporting for Pensions The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P New Accounting Standards (continued)

It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

3 DEPOSITS AND INVESTMENTS

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

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

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

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2016, the Charter School's carrying amount of deposits and investments are as follows:

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3 DEPOSITS AND INVESTMENTS (continued)

	General Fund	Special Revenue	Enterprise Funds	Total
Operating A/C	\$458,081	\$436,791	\$232,225	\$1,127,097

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2016, the Charter School’s bank balance was \$1,127,097.

Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2016 were secured by federal deposit insurance and \$877,097 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act (“GUDPA”).

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

Category 1

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

Category 2

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

Category 3

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

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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3 DEPOSITS AND INVESTMENTS (continued)

- 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, 2016, 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, 2016:

	Beginning Balance July 1, 2015	Net Additions (Deletions)	Ending Balance June 30, 2016
Governmental Activities			
Capital assets, being depreciated:			
Leasehold improvements	\$127,615	\$55,333	\$182,948
Equipment	32,533	---	32,533
Total capital assets being depreciated	<u>\$160,148</u>	<u>\$55,333</u>	<u>\$215,481</u>
Less accumulated depreciation for:			
Leasehold improvements	\$29,717	\$8,509	\$38,226
Equipment	21,215	4,648	25,863
Total accumulated depreciation	<u>\$50,932</u>	<u>\$13,157</u>	<u>\$64,089</u>
Total capital assets net	<u><u>\$109,216</u></u>	<u><u>\$42,176</u></u>	<u><u>\$151,392</u></u>

5. LONG-TERM LEASES

The school leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2016 amounted to \$420,038. Future obligations over the primary terms of the long-term lease are as follows:

2017 \$180,000

6 PENSION PLANS

Description of Plans - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division).

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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.

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 measured on June 30, 2015 was \$4,762,913 and \$1,877,229 as measured on June 30, 2014.

For the year ended June 30, 2016, the Charter School recognized pension expense of \$290,819 and revenue of \$290,819 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, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
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6 PENSION PLANS (continued)

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, 2014 and June 30, 2015.

In accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the Hoboken Dual Language Charter School is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the Hoboken Dual Language Charter School. Accordingly, the Hoboken Dual Language Charter School proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the Hoboken Dual Language Charter School for TPAF. Therefore; in addition, the Hoboken Dual Language Charter School does not recognize any portion of the TPAF.

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

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.003512%	.007536%

Actuarial assumptions - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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%

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
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6 PENSION PLANS (continued)

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, 2014 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:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreing-Developed Equity	12.00%	6.22%
Emerging Market Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
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For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

Discount rate - The discount rate used to measure the State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, 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 3.8% and 4.29% as of June 30, 2015 and 2014, 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.

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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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

At June 30, 2016, the Charter School a liability of \$1,275,157 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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, 2015 and 2014. At June 30, 2015, the Charter School's proportion was .00568%, which was an increase of .001202% from its proportion measured as of June 30, 2014.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:		
Changes of assumptions	136,942	\$---
Difference in experience	30,421	
Net difference between projected and actual earnings on pension plan investments	---	20,502
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	488,804	
Charter School contributions subsequent to the measurement date.	46,258	
Total	\$702,425	\$20,502

The \$46,258 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, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

	Year Ended June 30:
2016	48,937
2017	48,937
2018	48,937
2019	73,459
2020	41,517
Thereafter	---
Total:	\$261,787

	6/30/14	6/30/15
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	\$1,479,224,662	\$993,410,455
Collective net pension liability (Non State- Local Group)	\$18,722,735,003	\$22,447,996,119
Charter schools proportion of net pension liability	838,404	1,275,157
Charter School proportion percentage	.004478%	.005681%

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases:	
2012-2012	2.12%-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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

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:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
US Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount rate. The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, 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 3.8% and 4.29% as of June 30, 2015 and 2014, 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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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, 2015 and 2014, calculated using the discount rate of 4.9% and 5.39%, 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 (3.9%) or 1-percentage-point higher (5.9%) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the net pension liability	\$1,535,413	\$1,275,157	\$1,014,897

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, 2015. 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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

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

The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$128,853 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 \$56,953 during the year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the Charter School's financial statements in accordance with GASB Statement No. 68.

7 POST RETIREMENT BENEFITS

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

As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits and the State contributed \$1.25 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2014.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

8 **COMPENSATED ABSENCES**

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

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

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, 2016, Charter School-wide compensated absences amounted to \$-0-.

9 **DEFERRED COMPENSATION**

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

10 **ECONOMIC DEPENDENCY**

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

11 **CONTINGENT LIABILITIES**

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

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2016, 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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

11 CONTINGENT LIABILITIES (continued)

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

12 RISK MANAGEMENT

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

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

13 RECEIVABLES

Receivables as of June 30, 2016 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$3,275	\$362	\$27,131	\$30,761
Gross Receivables	<u>\$3,275</u>	<u>\$ 362</u>	<u>\$27,131</u>	<u>\$30,761</u>

14. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring in the Independent Auditors Report of November 29, 2016, 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.

15. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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	\$489,356
Cost of capital assets net accumulated depreciation	151,392
Pension deferred outflows	702,425
Pension deferred inflows	(20,502)
Deferred pension liability as of June 30, 2016	(1,275,157)
Net position (per A-1) as of June 30, 2016	<u>\$47,514</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2016
(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	\$ 3,187,337	\$ (242,594)	\$ 2,944,743	\$ 3,022,237	\$ (77,494)
State Share	525,507	123,286	648,793	410,047	238,746
Other Restricted Miscellaneous Revenues			0		
Miscellaneous	-	-	0	77,494	(77,494)
Total - Local Sources	<u>3,712,844</u>	<u>(119,308)</u>	<u>3,593,536</u>	<u>3,509,778</u>	<u>83,758</u>
Special Education	-	-	-	60,999	(60,999)
Security Aid	-	-	-	41,335	(41,335)
Non-Public Aid				-	-
TPAF Medical (On-Behalf - Non-Budgeted)	-		-	70,036	(70,036)
TPAF Pension (On-Behalf - Non-Budgeted)	-		-	58,817	(58,817)
TPAF Social Security (Reimbursed - Non-Budgeted)				56,953	(56,953)
Total State Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,140</u>	<u>(288,140)</u>
Total Revenues	<u>3,712,844</u>	<u>(119,308)</u>	<u>3,593,536</u>	<u>3,797,918</u>	<u>(204,382)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	1,096,700	(156,676)	940,024	940,024	\$ -
Other Salaries	380,250	81,725	461,975	461,975	-
Prof/Tech Services	50,600	484	51,084	51,084	-
Other Purchased Services (400-500 series)	-	10,067	10,067	10,067	-
General Supplies	66,000	3,740	69,740	69,740	-
Textbooks	125,000	(59,635)	65,365	65,365	-
Other Objects	2,000	6,258	8,258	8,258	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>1,720,550</u>	<u>(114,037)</u>	<u>1,606,513</u>	<u>1,606,513</u>	<u>-</u>

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2016
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	532,000	(51,877)	480,123	478,348	1,775
Salaries of Secretarial and Clerical Assistants	-	-	-	-	-
Cost of Benefits	677,000	(281,166)	395,834	394,654	1,180
Consultants	-	96,909	96,909	96,909	-
Other Purchased Services (400-500 series)	-	40,387	40,387	40,387	-
Communications/Telephone	45,600	(33,066)	12,534	12,534	-
Supplies and Materials	77,000	(44,450)	32,550	32,545	5
Other Objects	-	4,165	4,165	4,165	-
	<u>1,331,600</u>	<u>(269,098)</u>	<u>1,062,502</u>	<u>1,059,542</u>	<u>2,960</u>
Support Services - School Admin/Operation Plant Services					
Salaries	182,722	(9,154)	173,568	173,024	544
Purchased Professional and Technical Services	122,000	217,407	339,407	334,874	4,533
Other Purchased Services	-	29,834	29,834	29,834	-
Rental of Land and Building- other than Lease Purchase Agreements	463,000	(42,962)	420,038	420,038	-
Insurance	70,000	(1,916)	68,084	68,084	-
General Supplies	17,500	18,998	36,498	36,498	-
Transportation- Trips	-	-	-	-	-
Energy (Energy and Electricity)	22,000	(20,480)	1,520	1,520	-
Other Objects	-	20,345	20,345	20,345	-
	<u>877,222</u>	<u>212,072</u>	<u>1,089,294</u>	<u>1,084,217</u>	<u>5,077</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant					
Food Service and After Care Program					
Other Purchased Services	-	25,077	25,077	25,077	-
	<u>-</u>	<u>25,077</u>	<u>25,077</u>	<u>25,077</u>	<u>-</u>
Total Food Services					
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	70,036	(70,036)
On-behalf TPAF Medical Contributions (non-budgeted)	-	-	-	58,817	(58,817)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	56,953	(56,953)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,806</u>	<u>(185,806)</u>
TOTAL ON-BEHALF CONTRIBUTIONS					
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>2,208,822</u>	<u>(31,949)</u>	<u>2,176,873</u>	<u>2,354,642</u>	<u>(177,769)</u>
TOTAL GENERAL CURRENT EXPENSE					
	<u>3,929,372</u>	<u>(145,986)</u>	<u>3,783,386</u>	<u>3,961,155</u>	<u>(177,769)</u>

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2016
(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:					
Instructional Equipment	-	27,558	27,558	27,558	-
Non-Instructional Equipment	-	-	-	-	-
Building Improvements	-	-	-	-	-
Total Equipment	<u>-</u>	<u>27,558</u>	<u>27,558</u>	<u>27,558</u>	<u>-</u>
TOTAL EXPENDITURES- GENERAL FUND	3,929,372	(118,428)	3,810,944	3,988,713	(177,769)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(216,528)</u>	<u>(880)</u>	<u>(216,528)</u>	<u>(190,795)</u>	<u>(26,613)</u>
Other Financing Sources:					
Operating Transfer In:	216,528	-	216,528	-	216,528
Total Other Financing Sources:	<u>216,528</u>	<u>-</u>	<u>216,528</u>	<u>-</u>	<u>216,528</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	(190,795)	189,915
Fund Balance, July 1, 2015	-	-	-	680,151	
Fund Balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,356</u>	<u>\$ 189,915</u>

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(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:					
Local Sources	\$ 76,151		\$ 76,151	\$ 76,151	
State Sources	-		-	-	
Federal Sources	287,618		287,618	287,618	
Total Revenues	<u>363,769</u>		<u>363,769</u>	<u>363,769</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	78,157		78,157	78,157	
Other Salaries for Instruction					
Purchased Professional -Educational Services	29,105		29,105	29,105	
Purchased Professional and Technical Services	-		-	-	
Transportation	-		-	-	
Other Purchased Services (400-500 series)	46,026		46,026	46,026	
Travel	-		-	-	
General Supplies	20,818		20,818	20,818	
Personal Services- Employee Benefits	57,538		57,538	57,538	
Field Trip Transportation	-		-	-	
Building Improvements	55,333		55,333	55,333	
Instructional Equipment	12,029		12,029	12,029	
Total Instruction	<u>299,006</u>		<u>299,006</u>	<u>299,006</u>	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors					
Salaries of OtherPersonal Service	27,868		27,868	27,868	
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	2,132		2,132	2,132	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services					
Supplies	34,763		34,763	34,763	
Field Trips					
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
Total Support Services	<u>64,763</u>		<u>64,763</u>	<u>64,763</u>	

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(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	363,769		363,769	363,769	
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**

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2016
(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

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)	0.00568%	0.00351%	0.00249%
Charter School Proportionate share of the net pension liability (asset)	<u>1,275,517</u>	<u>838,404</u>	<u>423,899</u>
Charter School Covered employee payroll	\$804,787	\$346,400	\$195,578
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158%	2.42%	2.17%
Plan fiduciary net position as a percentage of the total pension liability	31.8%	41.3%	46.1%

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

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$48,837	\$36,916	\$16,712
Contributions in relation to the contractually required contribution	<u>(48,837)</u>	<u>(36,916)</u>	<u>(16,712)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Charter School Covered employee payroll	804,787	346,400	195,578
Contributions as a percentage of covered employee payroll	6.1%	10.7%	8.5%

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

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30**

Teachers' Pension and Annuity Fund (TPAF)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	4,762,913	1,877,229	1,260,077
Total	<u>4,762,913</u>	<u>1,877,229</u>	<u>1,260,077</u>
Charter School Covered employee payroll	772,779	777,816	338,585
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	16.3%	41.4%	26.9%

**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.

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	TOTAL	IDEA Pre-K	IDEA PART B-Basic TITLE VI	NCLB TITLE I	Title II	Charter Expansion Grant	PTO School	FOH Grant	Sabor Grant
REVENUES									
Intergovernmental									
State									
Federal	287,618	955	45,671	90,637	355	150,000			
Other Sources									
Miscellaneous	76,151						55,333	1,138	19,680
Total Revenues	<u>363,769</u>	<u>955</u>	<u>45,671</u>	<u>90,637</u>	<u>355</u>	<u>150,000</u>	<u>55,333</u>	<u>1,138</u>	<u>19,680</u>
EXPENDITURES									
Instruction									
Salaries	78,157			78,157		0			
Other Purchased Services	46,026		45,671		355				
Purchased Prof. and Tech.and Edu Services	29,105	955				28,150			
General Supplies	20,818			0				1,138	19,680
Personal Services - Employee Benefits	57,538			12,480		45,058			
Field trip transportation									
Other Objects									
Instructional Equipment	12,029					12,029			
Building Improvements	55,333					0	55,333		
Total Instruction	<u>299,006</u>	<u>955</u>	<u>45,671</u>	<u>90,637</u>	<u>355</u>	<u>85,237</u>	<u>55,333</u>	<u>1,138</u>	<u>19,680</u>
Support Services									
Salaries of Supervisors of Instruction									
Salaries of Personal Service	27,868					27,868			
Salaries of Other Prof. Staff									
Salaries of Secretarial and Clerical Ass't									
Personal Services - Employee Benefits	2,132					2,132			
Supplies and Materials	34,763					34,763			
Other Purchased Services									
Purchased Professional/Educational Services									
Class- room Improvements									
Building Improvements									
Non instructional Equipment									
Total Support Services	<u>64,763</u>				<u>0</u>	<u>64,763</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>363,769</u>	<u>955</u>	<u>45,671</u>	<u>90,637</u>	<u>355</u>	<u>150,000</u>	<u>55,333</u>	<u>1,138</u>	<u>19,680</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Exhibit G-1

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	Business-Type Activities
	Enterprise Fund Food Services and After School Program
ASSETS	
Current Assets	
Cash	\$ 232,225
Intergovernmental Receivable	
Federal	1,980
State	74
Accounts Receivable	25,077
Total Current Assets	259,356
Total Assets	\$ 259,356
 LIABILITIES	
Cash Overdraft	
Deferred Revenue	73,356
Accounts Payable	
Total Current Liabilities	\$ 73,356
 Net Position	
Unrestricted	186,000
Invested in capital assets net of related debt	
Total Net Position	\$ 186,000

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u> Enterprise Fund Summer Camp	<u>Business-Type Activities</u> Enterprise Fund Enrichment Program	<u>Business-Type Activities</u> Enterprise Fund After School Program	Enterprise Fund Food Services	Total Enterprise Fund
OPERATING REVENUES					
Local Sources					
Daily Sales - Reimbursable Programs					
After School Revenue	\$37,995	\$76,270	\$131,354		\$245,619
Lunch Revenue				\$61,424	61,424
Total Operating Revenues	37,995	76,270	131,354	61,424	307,043
OPERATING EXPENSES					
Salaries, wages and employee benefits	26,487	0	78,204	43,259	147,950
Supplies, Materials & Other	9,615	50,967	9,514	70,654	140,750
Rent			126,900		126,900
Total Operating Expenses	36,102	50,967	214,618	113,913	415,600
Income (Loss) From Operations	1,893	25,303	(83,264)	(52,489)	(108,557)
Nonoperating Revenues					
State Sources					
State Sources				958	958
Federal Sources					0
School Snack Program				1,159	1,159
National School Lunch Program				22,717	22,717
Board Subsidy				25,077	25,077
Total Nonoperating Revenues	0	0	0	49,911	49,911
Net Income (Loss)	1,893	25,303	(83,264)	(2,578)	(58,646)
Total Net Position - Beginning of Year	45,031	34,198	162,839	2,578	244,646
Total Net Position - End of Year	\$46,924	\$59,501	\$79,575	\$0	\$186,000

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Statements of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

Cash flows from operating activities	
Cash Received from Customers	354,592
Cash Payments to Employee's Salaries and Benefits	(147,950)
Cash Payments to Suppliers for Goods and Services	(267,650)
Net Cash (Used) by Operating Activities	<u>(61,008)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	25,077
Cash Received from State and Federal Subsidy Reimbursements	16,377
Net Cash Provided by Noncapital Financing Activities	<u>41,454</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	<u> </u>
Net Increase in Cash and Cash Equivalents	(19,554)
Cash and Cash Equivalents, Beginning of Year	251,779
Cash and Cash Equivalents, End of Year	<u><u>\$232,225</u></u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	<u>(\$58,646)</u>
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	(8,457)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	0
Increase/(Decrease) in Deferred Revenue	47,549
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>39,092</u>
 Net Cash Used by Operating Activities	<u><u>(\$19,554)</u></u>

FIDUCIARY FUNDS

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2016

	<u>Student</u> <u>Activity</u>	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
ASSETS			
Cash	\$14,319	\$113,711	\$128,030
Total Assets	\$14,319	\$113,711	\$128,030
LIABILITIES AND FUND BALANCES			
Liabilities			
Intergovernmental Payble - State			
Payroll Deductions and Withholdings		113,711	113,711
Accrued Salaries and Wages			
Due to Student Groups	14,319		1,975
Total Liabilities	14,319	113,711	128,030
Net Position			
Reserve For Unemploy. Trust Fund			
Total Net Position			
Total Liabilities and Net Position	\$0	\$0	\$0

Exhibit H-2

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2016**

NOT APPLICABLE

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
STUDENT ACTIVITY	<u>\$1,975</u>	<u>\$70,486</u>	<u>(\$58,142)</u>	<u>\$14,319</u>
Total	<u><u>\$1,975</u></u>	<u><u>\$70,486</u></u>	<u><u>(\$58,142)</u></u>	<u><u>\$14,319</u></u>

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Cash and Cash Equivalents		\$2,581,123	\$2,581,123	
Total Liabilities		2,581,123	2,581,123	
LIABILITIES				
Payroll Deductions and Withholdings		983,347	983,347	
Accrued Salaries and Wages		1,597,776	1,597,776	
Total Liabilities		\$2,581,123	\$2,581,123	

Exhibit H-5

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

NOT APPLICABLE

FINANCIAL TRENDS

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 151,392	\$ 109,216	\$ 122,573	\$ 112,197	\$ 130,020	\$ 126,645
Restricted						
Unrestricted	489,356	680,151	217,092	112,934	43,697	37,337
Total governmental activities net position	<u>\$ 640,748</u>	<u>\$ 789,367</u>	<u>\$ 339,665</u>	<u>\$ 225,131</u>	<u>\$ 173,717</u>	<u>\$ 163,982</u>
Business-type activities						
Invested in capital assets, net of related debt						
Unrestricted	186,000	244,646	73,369	8,581	7,949	3,154
Total business-type activities net position	<u>\$ 186,000</u>	<u>\$ 244,646</u>	<u>\$ 73,369</u>	<u>\$ 8,581</u>	<u>\$ 7,949</u>	<u>\$ 3,154</u>
School-wide						
Invested in capital assets, net of related debt	151,392	109,216	122,573	112,197	130,020	126,645
Restricted	-	-	-	-	-	-
Unrestricted	675,356	924,797	290,461	121,515	51,646	40,491
Total school net position	<u>\$ 826,748</u>	<u>\$ 1,034,013</u>	<u>\$ 413,034</u>	<u>\$ 233,712</u>	<u>\$ 181,666</u>	<u>\$ 167,136</u>

Source: School Financial Statements

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses						
Governmental activities						
Instruction						
Regular	\$ 1,905,519	\$ 1,513,799	\$ 1,287,124	\$ 1,136,268	\$ 916,824	\$ 634,903
Support Services:						
General administration	1,124,305	939,219	967,034	688,090	654,552	414,013
School Administrative Services	1,109,294	552,116	421,905	497,280	381,492	272,980
On-behalf TPAF Social Security	185,806	191,354	102,000	47,329	72,851	30,031
Capital outlay	27,558	-	90,448	-	-	129,268
Unallocated depreciation	-	13,157	12,404	17,823	4,925	2,623
Total governmental activities expenses	<u>4,352,482</u>	<u>3,209,645</u>	<u>2,880,915</u>	<u>2,386,790</u>	<u>2,030,644</u>	<u>1,483,818</u>
Business-type activities:						
Food service	111,335	76,954	94,584	91,520	169,364	58,702
Child Care	245,619	336,509	226,887	199,038	54,061	128,522
Total business-type activities expense	<u>356,954</u>	<u>413,463</u>	<u>321,471</u>	<u>290,558</u>	<u>223,425</u>	<u>187,224</u>
Total school expenses	<u>\$ 4,709,436</u>	<u>\$ 3,623,108</u>	<u>\$ 3,202,386</u>	<u>\$ 2,677,348</u>	<u>\$ 2,254,069</u>	<u>\$ 1,671,042</u>
Program Revenues						
Governmental activities:						
Charges for services:						
National Lunch Program					5,977	10,839
Pupil transportation						
Central and other support services						
Special revenue grants	363,769	40,806	56,493	43,025	50,278	118,304
Operating grants and contributions						30,032
Capital grants and contributions						
Total governmental activities program revenues	<u>363,769</u>	<u>40,806</u>	<u>56,493</u>	<u>43,025</u>	<u>56,255</u>	<u>159,175</u>
Business-type activities:						
Charges for services						
Food service	113,913	96,093	82,264	91,520	48,084	48,661
Child care	301,687	167,810	303,795	199,870	174,159	100,846
Operating grants and contributions						
Capital grants and contributions						
Total business type activities program revenues	<u>415,600</u>	<u>263,903</u>	<u>386,059</u>	<u>291,390</u>	<u>222,243</u>	<u>149,507</u>
Total school program revenues	<u>779,369</u>	<u>304,709</u>	<u>442,552</u>	<u>334,415</u>	<u>278,498</u>	<u>308,682</u>
Net (Expense)/Revenue						
Governmental activities	\$ (3,988,713)	\$ (3,340,116)	\$ (2,824,422)	\$ (2,343,765)	\$ (1,980,366)	\$ (1,365,514)
Business-type activities	\$ (58,646)	\$ 171,277	\$ 64,588	\$ 832	\$ 4,795	\$ 3,154
Total school-wide net expense	<u>\$ (4,047,359)</u>	<u>\$ (3,168,839)</u>	<u>\$ (2,759,834)</u>	<u>\$ (2,342,933)</u>	<u>\$ (1,975,571)</u>	<u>\$ (1,362,360)</u>

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities:						
Local share	3,022,237	2,781,826	2,344,808	1,977,856	1,575,106	685,134
State Share	512,381	385,263	292,375	219,302	197,464	507,841
State and Federal Aid aid	185,806	317,435	169,372	94,938	98,609	132,227
Miscellaneous income	77,494	134,217	109,621	103,083	110,622	75,026
Increase in Net Capital Outlay	-	-	22,580		8,300	129,268
Transfers						
Total governmental activities	<u>3,797,918</u>	<u>3,618,741</u>	<u>2,938,756</u>	<u>2,395,179</u>	<u>1,990,101</u>	<u>1,529,496</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>3,797,918</u>	<u>3,618,741</u>	<u>2,938,756</u>	<u>2,395,179</u>	<u>1,990,101</u>	<u>1,529,496</u>
Change in Net Position						
Governmental activities	\$ (190,795)	\$ 449,902	\$ 114,334	\$ 51,414	\$ 9,735	\$ 163,982
Business-type activities	\$ (58,646)	\$ 171,277	\$ 64,588	\$ 832	\$ 4,795	\$ 3,154
Total school	<u>\$ (249,441)</u>	<u>\$ 621,179</u>	<u>\$ 178,922</u>	<u>\$ 52,246</u>	<u>\$ 14,530</u>	<u>\$ 167,136</u>

Source: School Financial Statements

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
 FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEARS ENDED JUNE 30
 (Unaudited)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund						
Reserved						\$ -
Unreserved	675,356	680,151	217,092	112,934	46,697	37,337
Total General Fund	<u>\$ 675,356</u>	<u>\$ 680,151</u>	<u>\$ 217,092</u>	<u>\$ 112,934</u>	<u>\$ 46,697</u>	<u>\$ 37,337</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>	<u> </u>

Source: School Financial Statements

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues						
Local tax Levy	\$3,022,237	\$2,781,826	\$2,344,808	\$1,977,856	\$1,575,106	\$685,134
Other local revenue	512,381	385,263	292,375	219,302	110,622	75,026
Miscellaneous Income	153,645	134,217	128,561	112,082		
State sources	185,806	317,414	169,372	47,609	296,073	640,068
Federal sources	287,618	40,806	37,553	34,026	50,278	118,304
Total revenue	<u>4,161,687</u>	<u>3,659,526</u>	<u>2,972,669</u>	<u>2,390,875</u>	<u>2,032,079</u>	<u>1,518,532</u>
Expenditures						
Instruction	1,606,513	1,472,993	1,230,631	1,093,243	846,246	516,599
Regular Instruction						
Support Services:						
General administration	1,059,542	939,219	967,034	688,090	654,552	414,013
School administrative services/Plant	1,109,294	552,116	421,905	478,113	381,492	270,048
TPAF Social Security	185,806	191,354	102,000	19,167	72,851	32,963
Capital outlay	27,558	0	90,448	0	0	129,268
Debt service:						
Principal						
Interest and other charges						
Special Revenue	363,769	40,806	56,493	43,025	70,578	118,304
Total expenditures	<u>4,352,482</u>	<u>3,196,488</u>	<u>2,868,511</u>	<u>2,321,638</u>	<u>2,025,719</u>	<u>1,481,195</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>\$ (190,795)</u>	<u>\$ 463,038</u>	<u>\$ 104,158</u>	<u>\$ 69,237</u>	<u>\$ 6,360</u>	<u>\$ 37,337</u>

Source: School Financial Statements

REVENUE CAPACITY

Exhibit J-5

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

	<u>Philanthropic Support</u>	<u>Other Local</u>	<u>Totals</u>
2011	71,518	3,508	75,026
2012	90,322		90,322
2013	98,033	4,430	102,463
2014	109,621		109,621
2015	134,217		134,217
2016	77,494		79,494

Source: School Financial Statements

Exhibit J-6

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2016
(Unaudited)

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Instruction						
Regular	35	33	25	15	12	11
Special education						0
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services						0
General administration			1	1	1	1
School administrative services	3	2	2	2	2	3
Other administrative services	2	2				
Central services	1	1				
Administrative Information Technology						
Plant operations and maintenance	2	1.2	1	1		0
Pupil transportation						
Other support services	1	1				0
Special Schools						
Food Service	3	2	2	2	2	1
Child Care						0
Total	<u>47</u>	<u>42.2</u>	<u>31</u>	<u>21</u>	<u>17</u>	<u>16</u>

Source: School Personnel Records

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2011	132	1,292,239	9,789	N/A	6	6	N/A	132	130	N/A	98.50%
2012	190	1,955,141	10,290	5.12%	8	8	N/A	174	169	31.82%	97.00%
2013	208	2,276,385	10,944	6.36%	13	13	N/A	207	201	18.97%	97.10%
2014	244	2,710,018	11,107	1.48%	15	15	N/A	240	233	15.94%	97.08%
2015	292	3,436,266	11,808	6.31%	17	17	N/A	290.9	281.4	21.00%	96.89%
2016	336	4,404,313	13,108	11.00%	17	17	N/A	336			

Sources: School records

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(Unaudited)

<u>School Building</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Main Campus						
Square Feet	30,550	18,050	18,050	15,000	15,000	15,000
Capacity (students)	400	292	244	220	220	220
Enrollment	334	292	244	220	176	132
Second Campus						
Square Feet						
Capacity (students)						
Enrollment						
Number of Schools at June 30						
Elementary and Middle School =	1	1	1	1	1	1

Source: School Office

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
General Fund - Schedule of Required Maintenance By School Facility
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 40,000	\$ 1,000
Boiler and Machinery	1,000,000	1,000
General Automobile Liability	110,000	1,000
School Board Legal Liability	1,000,000	5,000
Umbrella	1,000,000	10,000
Workers' Compensation	1,000,000	-
 Surety Bonds		
School Board Legal Liability	1,000,000	N/A
Public Official Bond	115,000	N/A

Source: Charter School Records

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	1,154,228	1,172,250	341,045	128,035	18,089
Current Assets	1,249,405	1,204,965	430,746	203,591	108,668
Total Assets	<u>2,103,222</u>	<u>1,204,965</u>	<u>430,746</u>	<u>203,591</u>	<u>108,668</u>
Current Liabilities	574,049	280,168	140,284	81,876	57,022
Total Liabilities	<u>1,869,711</u>	<u>280,168</u>	<u>140,284</u>	<u>81,876</u>	<u>57,022</u>
Net Position	<u>233,511</u>	<u>924,797</u>	<u>290,462</u>	<u>121,715</u>	<u>51,646</u>
Total Revenue	4,197,048	4,094,727	3,358,728	2,729,594	2,260,299
Total Expenses	<u>4,404,313</u>	<u>(3,460,391)</u>	<u>(3,189,982)</u>	<u>(2,659,525)</u>	<u>(2,249,144)</u>
Change in Net Position	<u>(207,265)</u>	<u>634,336</u>	<u>168,746</u>	<u>70,069</u>	<u>11,155</u>
Depreciation	13,157	13,157	12,404	17,823	4,925
Principal Payments	0	0	0	0	0
Interest payments	0	0	0	0	0
Final average daily enrollment	336	291	244	201	190
March 30th budgeted Enrollment	336	291	244	200	190
Near term indicators	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
CURRENT RATIO	2.18	4.3	3.07	2.49	1.49
Unrestricted days cash	95.65	123.65	39.02	17.57	2.94
Enrollment variance	100%	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A	N/A

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited**

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	1,154,228	1,172,250	341,045	128,035	18,089
Current Assets	1,249,405	1,204,965	430,746	203,591	108,668
Total Assets	<u>2,103,222</u>	<u>1,204,965</u>	<u>430,746</u>	<u>203,591</u>	<u>108,668</u>
Current Liabilities	574,049	280,168	140,284	81,876	57,022
Total Liabilities	<u>1,869,711</u>	<u>280,168</u>	<u>140,284</u>	<u>81,876</u>	<u>57,022</u>
Net Position	<u>233,511</u>	<u>924,797</u>	<u>290,462</u>	<u>121,715</u>	<u>51,646</u>
Total Revenue	4,197,048	4,094,727	3,358,728	2,729,594	2,260,299
Total Expenses	<u>4,404,313</u>	<u>(3,460,391)</u>	<u>(3,189,982)</u>	<u>(2,659,525)</u>	<u>(2,249,144)</u>
Change in Net Position	<u>(207,265)</u>	<u>634,336</u>	<u>168,746</u>	<u>70,069</u>	<u>11,155</u>
Depreciation	13,157	13,157	12,404	17,823	4,925
Principal Payments	0	0	0	0	0
Interest payments	0	0	0	0	0
Final average daily enrollment	336	291	245	201	190
March 30th budgeted Enrollment	336	291	245	200	190
Sustainability Indicators	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Margin	(5.0%)	15%	5%	3%	1%
Debt to Asset	N/A	N/A	N/A	N/A	N/A
Cash Flow	(18,022)	831,205	213,010	109,946	18,089
Debt Service Coverage ratio	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
Hoboken Dual Language Charter School
County of Hudson
Hoboken, 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 Hoboken Dual Language Charter School ("the Charter School"), in the County of Hudson, State of New Jersey, as of and for the year ended June 30, 2016, 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 29, 2016.

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 29, 2016

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EXHIBIT K-2

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY OMB'S CIRCULAR LETTER 15-08**

The Honorable Chairman and
Members of the Board of Trustees
Hoboken Dual Language Charter School
County of Hudson
Hoboken, New Jersey

Compliance

I have audited the Hoboken Dual Language 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, 2016. 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Department of the Treasury Circular Letter 15-08 *OMB Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, The Uniform Guidance 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, 2016.

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 The Uniform Guidance 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 The Uniform Guidance 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 small "CPA" at the end.

Scott J. Loeffler, CPA
November 29, 2016

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

<u>Federal/Grantor Program Title</u>	<u>CFDA/GRANT Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2015</u>	<u>Prior Carry-over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjust</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2016</u>	<u>Due to Grantor at June 30, 2016</u>
Food Subsidy											
Federal School Lunch	10.555	07/01/15-06/30/16	22,717	(\$2,596)		\$23,333	\$22,717			(\$1,980)	
Federal School Snack	10.555	07/01/15-06/30/16	1,159	\$0		\$1,159	\$1,159			\$0	
Total				<u>(2,596)</u>		<u>24,492</u>	<u>23,876</u>			<u>(1,980)</u>	
Special Revenue											
NCLB Title I Part A	84.01	07/01/15-06/30/16	90,637	0		90,937	90,637				
NCLB Title II	84.366	07/01/15-06/30/16	355	0		355	355				0
Charter Expansion Grant	84-282b	07/01/15-06/30/16	150,000	0		150,000	150,000				0
IDEA Preschool	84.027	07/01/15-06/30/16	955	0		593	955			(\$362)	
IDEA Basic	84.027	07/01/15-06/30/16	45,671	0		45,671	45,671				
				<u>0</u>		<u>287,556</u>	<u>287,618</u>			<u>(362)</u>	<u>0</u>
Total				<u>(\$2,596)</u>		<u>\$312,048</u>	<u>\$311,494</u>			<u>(\$4,322)</u>	<u>\$0</u>

HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2016

<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, 2015</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, 2016</u>
GENERAL FUND										
TPAF Social Security	16-495-034-5095-002	7/1/15-06/30/16	56,953		56,953	56,953				
Equalization Aid	16-495-034-5120-078	7/1/15-06/30/16	3,022,237		3,022,237	3,022,237				
Equalization Aid	16-495-034-5120-078	7/1/15-06/30/16	410,047		410,047	410,047				
Special Education	16-495-034-5120-089	7/1/15-06/30/16	60,999		60,999	60,999				
Security Aid	16-495-034-5120-084	7/1/15-06/30/16	41,335		41,335	41,335				
Total General Fund					<u>3,591,571</u>	<u>3,591,571</u>				
SPECIAL REVENUE FUND										
Total Special Revenue Fund			-		<u>-</u>	<u>-</u>				
State School Lunch	16-100-034-5120-122	7/1/15-06/30/16		<u>(88)</u>	982	958			<u>(\$74)</u>	
Total State Financial Assistance Subject to OMB 04-04				<u>(88)</u>	<u>3,592,553</u>	<u>3,592,529</u>			<u>\$ (74)</u>	
On Behalf Medical	16-495-034-5095-001	7/1/15-06/30/16	128,853		128,853	128,853				
Grand Total					<u>3,721,406</u>	<u>3,721,382</u>				

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

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the Board of Trustees of the Hoboken Dual Language 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 on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in the schedules 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:

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	\$ ---	\$3,720,234	\$3,720,234
Special Revenue Fund	287,618	-0-	287,618
Food Service Fund	<u>22,717</u>	<u>1,159</u>	<u>23,876</u>
Total Awards and Financial Assistance	<u>\$ 310,335</u>	<u>\$ 3,721,393</u>	<u>\$ 4,031,728</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2016. TPAF Social Security Contributions of \$56,953 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

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.

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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
Type of auditor’s report on compliance for major programs:	N/A	None Reported
Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A)?		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)		\$750,000
Auditee qualified as low risk auditee:		X

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000	
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
Type of auditor’s report on compliance for major programs:	Unmodified	None Reported
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X
Identification of major programs:		
<u>C DFA Number(s)</u>	<u>Name of State Program or Cluster</u>	
16-495-034-5120-078	Equalization Aid - Cluster	

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

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

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 U.S. Uniform Guidance 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 U.S. Uniform Guidance or with NJOMB Circular 15-08.

**HOBOKEN DUAL LANGUAGE CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. Uniform Guidance (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.