

newark**legacy**charterschool

SCHOLARSHIP · DISCIPLINE · CHARACTER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2016

PREPARED BY

NEWARK LEGACY CHARTER SCHOOL

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INTRODUCTORY SECTION



November 24, 2016

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN – 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Newark Legacy Charter School (the “Charter School”) for the fiscal period ended June 30, 2016. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the Management’s Discussion and Analysis, the basic financial statements, required supplementary information and other supplementary information, as well as the auditor’s report thereon. The statistical section includes three unaudited fiscal years of data. 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.

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1) REPORTING ENTITY AND ITS SERVICES

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

NLCS received its approved charter in July 2010. The school was founded by Paula White Bradley along with a group of committed community members. Kenneth Schultz became Executive Director July 1, 2012 replacing Paula White Bradley.

With the opening of its first year in August 2010, NLCS’s initial enrollment was 120 students, with 60 scholars in the full day Kindergarten and 60 scholars in Grade 1. This includes general education and special needs student enrollment. NLCS accepts special education and disabled children if appropriate application is made to the Charter School as required by law. The following details the changes in student enrollment of the school over the last six years:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percentage Change</u>	
2015-2016	640		0.04
2014-2015	613		1.02
2013-2014	304		0.27
2012-2013	240		0.43
2011-2012	168		0.45
2010-2011	116		-

In 2014-2015, to accommodate its growth, NLCS moved out of its’ premises at 460 Lyons Avenue, Newark, NJ and leased the entire Madison School located at 823 S. 16th Street, Newark, NJ 07108.

2) ECONOMIC CONDITION AND OUTLOOK

The city of Newark’s proximity to New York City and easy access via major highways are attractive features that made it a choice for many companies that conduct business in the metropolitan New York area. In addition, the city’s close proximity to the Port of New York/New Jersey and Newark International airport make it a desirable business location and transportation hub. The City is the largest city in the state. It serves as the county seat for Essex County, State and Federal Courts as well as State’s public utility and governmental offices attracting a large number of law firms and small businesses to the central business district.

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2) **ECONOMIC CONDITION AND OUTLOOK**

The City of Newark is the financial capital of the state, harboring financial institutions like Prudential Insurance Company, Horizon Blue Cross Blue Shield of New Jersey as well the State's largest public utility, Public Service Electric and Gas Company (PSEG). The City has experienced a surge of large scale economy in the recent years by way of development projects initiated by the Private Sector in partnership with the City including a professional ice hockey team, "New Jersey Devils" and the Panasonic Corporation located its U.S. Headquarter in Downtown Newark in 2014. However, poverty remains a consistent problem in Newark, despite its revitalization in recent years.

Major initiatives:

The mission of Newark Legacy Charter School is to develop in kindergarten through eighth grade students the scholarship, discipline and character necessary for them to gain entry to, succeed in, and graduate from demanding, college preparatory high schools. In a knowledge-based economy, scholars must be prepared to meet the challenges of a college curriculum. The curriculum of the Lower School is designed to provide scholars with the most solid foundation possible to propel them forward in their later years. The Common Core Standards delineate discrete standards to be taught to the state's public school students. As a public charter school, Newark Legacy Charter School uses various resources to suit the mandates of the state and nation, and to meet established goals. Our commitment is to teaching the common core standards, and not to a particular textbook or curricular program.

Though reading comprehension is developed daily through guided reading lessons, the School's literacy program has a heavy focus on phonics and word study throughout the lower school grades. Scholars become intimately familiar with the structure of the English language, such that they are able to decode unfamiliar words successfully. Word study lessons are designed to help students predict word meanings based on knowledge of a word's parts. Scholars also participate in the school's unique Oral Literacy Enrichment Program (OLEP), where they express themselves orally for varied purposes.

A minimum of one hour of daily math instruction is provided, focusing on conceptual understanding in mathematics as well as mastery of mathematics procedures. We supplement our curriculum with a robust blended learning approach.

A carefully-sequenced, standards-based instructional program is provided in social studies and science. The goal of the social studies curriculum is to provide scholars with a framework from which to become positive change agents in the world. We begin this process by helping the children to understand and appreciate their own heritage and

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background, and then we teach them about the various geographies, cultures, economies and heritages around them. Several field trips with social studies connections are planned yearly for each grade level.

Science instruction at our school educates students about physical, earth and life sciences so that they can understand natural phenomena. To maximize instructional time for literacy, kindergarten, first, second and third grade students receive a minimum of 90 minutes of science instruction and 90 minutes of social studies instruction each week. The time increases as the students proceed to the next grade.

Finally, in the spirit of being a true data driven school, NLCS tracks data from the following sources: (i) STEP and Fountas and Pinnell; (ii) Achievement Network; (iii) internal quarterly assessments and (iv) MAP. We use this data to drive our lesson planning and overall instruction. We also created a robust database to allow teachers and leaders the ability to view all data points at once. It is incredible valuable.

Finance and Operations

A few of the School's financial and operational goals are:

1. The School will maintain organizational strength by demonstrating fiduciary and financial responsibility.
2. The School will be fully enrolled and show high levels of daily attendance and student retention.
3. Newark Legacy's stakeholders will be satisfied with the school's performance.
4. The School's Oral Literacy Enrichment Program (OLEP) will be the public hallmark of the school.

Progress towards these goals has been steadily evidenced over the course of the past year, through ever-increasing adherence to all state and federal guidelines governing the school's finances. In addition, the school maintained a high enrollment throughout the entire school. Unlike past years, we engaged in a charter launch that doubled our enrollment. More details regarding the satisfaction of the school's stakeholders with the school's performance can be found below in the Parent Satisfaction section. Midway through the school year, and again at year's end, the School delivered an oral literacy performance to an audience of parents, friends and other community members.

Parent Involvement

Family Engagement is a hallmark of Newark Legacy Charter School's culture. It begins as soon as scholars enter the school with in-person registration and orientation meetings,

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and continues through Back to School night and regular conference opportunities through the school year at all grade levels. Beyond these standard means of family engagement, we have two paths for increased family engagement: cultural celebrations and teacher outreach.

Cultural celebrations at Newark Legacy provide an opportunity for parents to come together as a larger community. This happens for scholar presentations such as Kwanzaa, Black History Month, and Kindergarten and Pre-K Graduation Ceremonies, for which scholars carefully prepare and practice. It happens at collaborative academic events such as our Math and Literacy Parent Nights where teachers prepare packets and presentations to help parents connect with the content being taught to their scholars, and gives parents the tools to support their scholars' academic progress from home. And lastly, the community-building happens through events focused primarily on celebrating the joy in our scholars, such as our Fall Celebration in October, our Skate Nights and Parent/Scholar Dances sponsored by our Parent Circle, and our "Family Game Night" events in the spring. By maintaining a variety of events through the school year, Newark Legacy strives to provide multiple entry points to engagement for families with different educational goals/needs and different external commitments.

Even with this range of involvement opportunities, Newark Legacy recognizes that some parents will have personal commitments or family priorities that work against participation at such organized events. This has led to a more systematic and sustainable approach to teacher-parent relationship building. Our teachers reach out to parents regularly throughout the school year, whether to problem-solve together when a scholar is struggling or to deliver congratulations when a scholar reaches a benchmark or deserves a boost. By providing multiple means for parents to engage with their scholar's learning experience, we hope to continue to improve our parent involvement in future years.

3) INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

3) INTERNAL ACCOUNTING CONTROLS

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

4) BUDGETARY CONTROLS

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

5) ACCOUNTING SYSTEM AND REPORT

The Charter School's accounting records reflect Generally Accepted Accounting Principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

We are currently using Abila MIP fund accounting application for the school's fiscal operations to deliver and establish a complete program including encumbrances, general ledger, accounts payable, accounts receivable, budgetary accounts and Board Secretary's monthly report. This system is a core component of our internal control system and has helped with the accountability of our financial structure.

6) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, and special revenue funds for the fiscal years ended June 30, 2016 and 2015

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6) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>% change</u>
<u>Revenue</u>				
Local Sources	\$ 1,576,725	\$ 2,207,776	\$ (631,051)	-28.58%
State Sources	8,884,041	8,326,671	557,370	6.69%
Federal Sources	1,026,526	457,799	568,727	124.23%
Total	<u>\$ 11,487,292</u>	<u>\$ 10,992,246</u>	<u>\$ 495,046</u>	

The amount of monies received from local sources is determined by the per pupil cost of the Newark Public School District. We received 90% of this cost in accordance with current statute. NLCS received monies from federal and state sources attributable to grants and aids for instruction and administrative expenses for fiscal year ended June 30, 2016. The federal funds consisted of "No Child Left Behind" (NCLB), including Title I and II, as well as IDEA Part B for students identified with special needs.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal years ended June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Expenditures</u>				
Instruction	\$ 5,340,748	\$ 8,282,354	\$ (2,941,606)	-36%
Undistributed	-	-	-	-
Expenditures	4,145,690	3,537,214	608,476	17%
Capital Outlay	1,422,465	316,350	1,106,115	350%
Total	<u>\$ 10,908,903</u>	<u>\$ 12,135,918</u>	<u>\$ (1,227,015)</u>	

The increase in cost in capital outlay 2016 over 2015 was primarily due to the building improvement and acquisition of major equipment needed for the school operations one grade. For the year ending June 30, 2016, the significant portion of our expenditures were based upon 1 Executive Director, 1 Chief Academic Officer, 1 Chief Financial Officer/SBA, 1 Chief Operating Officer, 2 Asst. Principals, 2 Deans, 2 Instructional Leaders, 1 Asst. Dean, 2 Child Study Team, 1 HR Specialist, 2 IT Personnel, 63 Teachers, 21 Instructional Aides, 1 Lunch Aide, 2 clerical personnel, 4 Operations Personnel, 1 Accountant, 1 Accounts payable, 3 part time nurses, 2 Social Workers, 2 Custodians. We contracted security and cleaning services.

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Commissioner**

7) **CASH MANAGEMENT**

The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. The Charter School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey.

The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act. Our funds are presently deposited in TD Bank N.J, in compliance with the state and federal regulations.

8) **RISK MANAGEMENT**

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

9) **OTHER INFORMATION**

Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ilori CPA LLC was appointed by the Charter School’s Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the 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*.” The auditor’s report on the general-purpose financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

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Commissioner**

Anticipated Merger

On July 1, 2016, Great Oaks Charter School merged with Newark Legacy Charter School to create a single entity--Great Oaks Legacy Charter School (GOLCS). Together, GOLCS will serve PreK-12th grade in three (3) separate locations in Newark, NJ: 823 S. 16th St., 24 Maiden Lane and 17-19 Crawford St. The consolidation into a single entity provides students with a continuous preschool through grade 12 educational program. The two school's missions and educational programs are uniquely aligned which is facilitating a smooth transition into a single entity. This consolidation accommodates the transfer of students who would otherwise be subject to the random selection process.

Through its expansion and consolidations, Great Oaks Legacy Charter School continues to serve a population that is more than 85% low-income and virtually 100% African-American and Latino.

10) ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Newark Legacy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and Newark Public School district and thereby contributing their full support to the development and maintenance of our financial operations.

Respectfully submitted,



Executive Director,
Newark Legacy Charter

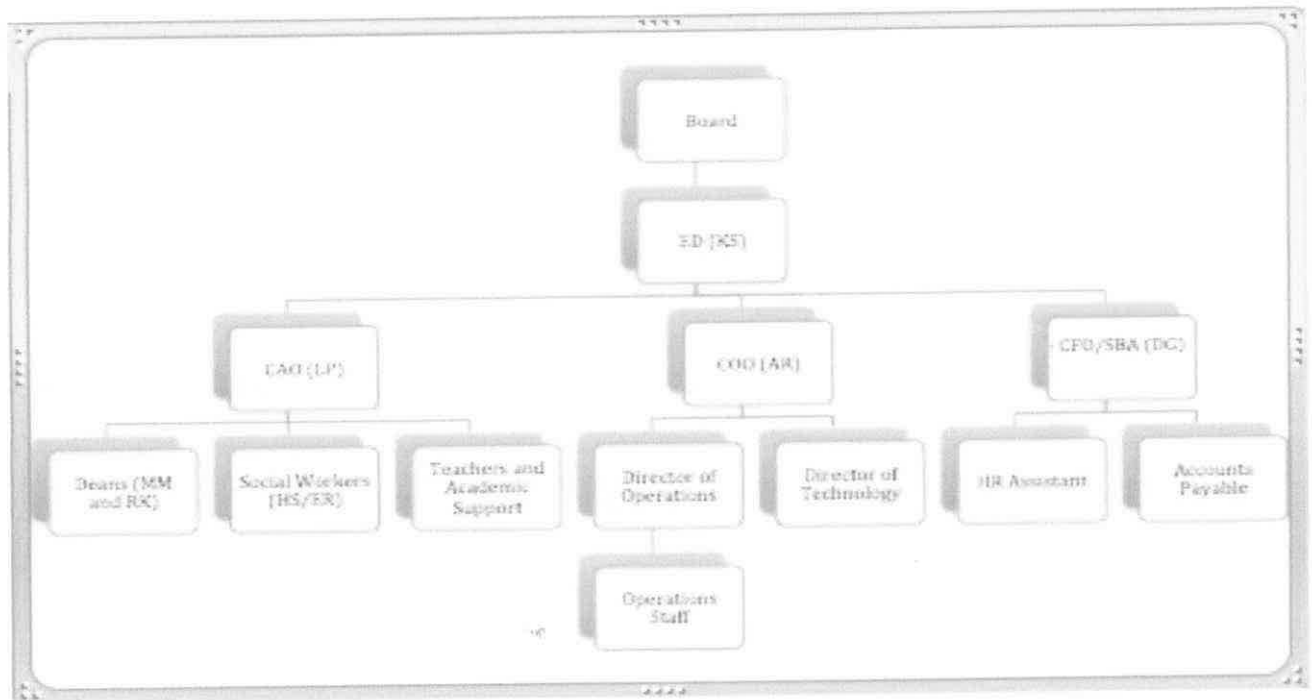


School Business Administrator/Board Secretary

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Organizational Chart



NEWARK LEGACY CHARTER SCHOOL

**ROSTER OF OFFICIALS
JUNE 30, 2016**

Members of Board of Trustees

Mirtha Sabio	President
Everett M. Johnson	Vice President
Krystal R. Canady	Member
Allison Bowman	Member
Kyle Rosenkrans	Member
Dan McNeal	Member
Max Silverstein	Member
Lara Oyetunde-Baer	Member
P Hantes	Member
Aileen Philbrick	Member

Other Officials

Kenneth Schultz	Executive Director
Darice Gonzalez	School Business Administrator/Board Secretary
Lisa Powell	Chief Academic Officer

NEWARK LEGACY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Law Firms

**Porzio, Bromberg and Newman LLC
100 South Gate Parkway
Morristown, NJ 07962**

**Johnston Law Firm LLC
75 Midland Avenue
Montclair, NJ 07042**

Audit Firm

**Ilori CPA LLC
24 Commerce Street Suite 1427
Newark, NJ 07102**

Official Depository

**TD Bank
Newark, NJ 07102**

**First Bank
2465 Kuser Road
Hamilton, New Jersey 08690**

FINANCIAL SECTION



ILORI CPA LLC
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS
Member of AICPA, NJCPA & MACPA

24 COMMERCE STREET SUITE 1427
NEWARK, NEW JERSEY 07102
Telephone (973)-621-5780
Fax (973) 404- 8858

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Newark Legacy Charter School
Essex County, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Newark Legacy Charter School, Inc., (the "Charter School") in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2016, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 school's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter School, as of June 30, 2016, and the respective changes in financial positions and cash flows, where applicable 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 on pages 17 and 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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 statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 our opinion, the combining and individual financial statements, and the Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2016, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Ilori CPA LLC

Kunleilori

Kunle B. Ilori, CPA
Licensed Public School Accountant
No. 20CS00233100

Ilori CPA LLC

November 24, 2016
Newark, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

MANGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The discussion and analysis of Newark Legacy Charter School's financial performance provide an overview of the School's financial activities for the fiscal year ended June 30, 2016. The objective of this overview and analysis is to examine the District's financial performance as a whole and to disclose important financial commentary that will provide overall understanding of the District's financial position. However, readers of this document are encouraged to review the CAFR's Letter of Transmittal in the Introductory Section, and the Basic Financial Statements and Notes to Financial Statements in the Financial Section to enhance their understanding of the Board's financial performance.

The Management's Discussion and Analysis (MD&A) as a required Supplementary Information Specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001, and; in GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

The Charter School conforms to GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. GASB Statements No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications is detailed in Note 1Q, Fund Balance and Equity in the Notes to Financial Statements section of this report.

The Charter School also implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2014. In accordance with GASB Statement No. 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

NEWARK LEGACY CHARTER SCHOOL

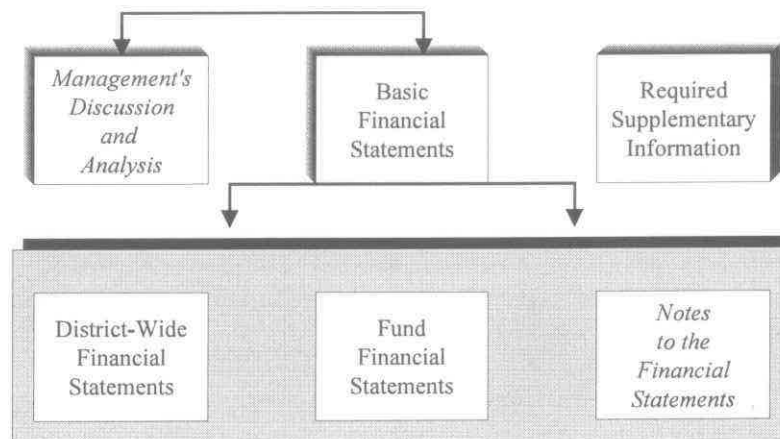
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Overview of the Financial Statements

This annual report consists of six parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, *other supplementary information*, *the statistical section*, and *the single audit section*.

Table A-1. Required Components of the School's Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Charter School *financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the district-wide statements.
 - *Governmental funds* statements tell how *basic* services such as regular and special education were financed in the *short term* as well as what remains for future spending.
 - *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.
 - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain certain information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Table A-1 shows how the required parts of this annual report are arranged and related to one another.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Table A-2 Major Features of the School-Wide and Fund Financial Statements				
	School-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except Fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: Food Service Fund and Extended Day Program	Instances in which the School administers resources on behalf of someone else, such as state unemployment insurance, payroll and payroll agency and student activities
Required financial statements	*Statements of Net Position *Statements of Activities	*Balance Sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of Net Position *Statement of revenues, expenditures and changes in fund Net Position *Statement of cash flows	*Statement of Fiduciary Net Position *Statement of changes in fiduciary Net Position
Accounting Basis and Measurement Focus	Actual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and dedications during the year; regardless of when cash is received or paid

Table A-2 summarizes the major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements. The basic financial statements include two kinds of statements that present different views of the School:

- Charter School-wide Statements
- Fund Financial Statements

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Charter School-wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets and liabilities. All of the current year's revenues 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 School's *Net Position* and how they have changed. Net Position is the difference between the School's assets and liabilities is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School, you need to consider additional non-financial factors such as changes in the School's property tax base and the condition of school buildings and other facilities.

The School-wide financial statements of the School are divided into two categories:

- *Governmental activities* – Most of the School's basic services are included here, such as regular and special education, instruction, extracurricular activities, curriculum and staff development, health services, operations and maintenance of plant and administration. Property taxes and state grants finance most of these activities.
- *Business-type activities* – The School charges fees to customers to help it cover the costs of certain services it provides. The School's Food Service Fund and Extended Day Program Fund are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant *funds*-not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular programs. The School considers all Governmental and Proprietary funds to be major funds in accordance with requirements of the Division of Finance, Department of Education, of the State of New Jersey.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Fund Financial Statements Cont'd

The School has three kinds of funds:

- *Governmental funds* – Most of the School's basic services are included in governmental funds, which 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 fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the School-wide statements, provide both long- and short-term financial information. In fact, the School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The School's Enterprise Fund includes the Food Service Program and the Extended Day Program.
- *Fiduciary funds* – The School is the trustee, or *fiduciary*, for assets that belong to others such as the state unemployment insurance, payroll, and student activity funds. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position. We exclude these activities from the School's School-wide financial statements because the School cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the School-wide and fund financial statements and can be found starting on page 38 of this report. In addition to the basic financial statements and accompanying notes, this report also includes required supplementary information.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

FINANCIAL ANALYSIS OF THE CHARTER SCHOOL AS A WHOLE

The perspective of the Statement of Net Position is of the Charter School as a whole. Net Position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

Government Activities

The Charter School's total revenues amounted to \$12,045,619 and \$11,419,676 for the years ended June 30, 2016 and 2015 which included non-budgeted state reimbursement of TPAF contributions of \$558,327 and \$263,071, respectively.

The total cost of all programs and services amounted to \$10,218,440 and \$9,155,088 for the years ended June 30, 2016 and 2015.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interactions between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support Services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents school equipment purchased over the \$2,000 threshold.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Business-Type Activities

Revenue for the Charter School’s business-type activity “Food Service and After School” Programs for the years ended June 30, 2016 and 2015 amounted to \$756,984 and \$523,543, respectively. Newark Legacy Charter School is solely responsible for the management and fiscal accountability of the food program.

The Charter School’s Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. The fund balance for the years 2016 and 2015 in the amount of \$4,752,868 and \$4,174,479, respectively, is very significant as it presents the school residual interest after all financial obligations have been met. As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<u>Revenue</u>				
Local Sources	\$ 1,576,725	\$ 2,207,776	\$ (631,051)	-28.58%
State Sources	8,884,041	8,326,671	557,370	6.69%
Federal Sources	1,026,526	457,799	568,727	124.23%
Total	<u>\$ 11,487,292</u>	<u>\$ 10,992,246</u>	<u>\$ 495,046</u>	

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Governmental Activities- Continued

It identifies the cost of these services supported by unrestricted state entitlements for the fiscal years ended June 30, 2016 and 2015.

	<u>Total Cost of Services</u>	<u>Grants/Contributions</u>	<u>2016 Net Cost of Services</u>	<u>2015 Net Cost of Services</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Instruction	\$ 5,340,748	\$ 1,191,893	\$ 4,148,855	\$ 4,003,375	\$ 145,480	3.6%
Support Services:	-	-	-	-	-	-
Administrative expenses	1,788,117	438,118	1,349,999	1,881,404	(531,405)	-28.2%
Other support services	2,357,573	261,276	2,096,297	1,193,164	903,133	75.7%
Unallocated depreciation	148,991	-	148,991	75,034	73,957	100.0%
Total Expenses	<u>\$ 9,635,429</u>	<u>\$ 1,891,287</u>	<u>\$ 7,744,142</u>	<u>\$ 7,152,977</u>	<u>\$ 591,165</u>	

Changes in expenditures were the results of varying factors. Current expense increased due to addition of a new grade and all the requisite costs associated with it and increased health benefit and utility costs.

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to realign the budget to actual expenditures in accordance with state law.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Governmental Activities- Continued

It identifies the cost of these services supported by unrestricted state entitlements for the fiscal years ended June 30, 2016 and 2015.

	Total Cost of Services	Grants/ Contributions	2016 Net Cost of Services	2015 Net Cost of Services	Increase (Decrease)	% Change
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Support Services:	-	-	-	-	-	-
Administrative expenses	1,788,117	438,118	1,349,999	1,881,404	(531,405)	-28.2%
Other support services	2,357,573	261,276	2,096,297	1,193,164	903,133	75.7%
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NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Charter school</u>		<u>Total Percentage change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
Building and							
Improvement	\$ 1,316,719	\$ 209,938	\$ -	\$ -	\$ 1,316,719	\$ 209,938	486.82%
Equipment/Computer	117,769	133,664	47,900	45,000	165,669	178,664	74.18%
Site Improvement	60,100	34,650	0	0	60,100	34,650	73.44%
Furniture	0	0	0	0	0	0	0.00%
Total	\$ 1,494,588	\$ 378,252	\$ 47,900	\$ 45,000	\$ 1,542,488	\$ 423,252	

Long-term debt and capitalized lease obligations

At June 30, 2016 and 2015, the Charter School had no long-term debt or mortgages on the school buildings as they are currently under short term lease agreements.

Economic Factors and Next Year’s Budget

The State of New Jersey continues to face serious budgetary constraints. This has impacted the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2016- 2015. Every effort was directed to providing quality education to the community. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs needed to meet New Jersey’s Core Curriculum Content Standards.

NEWARK LEGACY CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it received during the course of the fiscal year. If you have questions about this report or require additional financial information, contact the business office.

Ms. Darice Gonzalez
School Business Administrator/ Board Secretary

Newark Legacy Charter School

Newark, New Jersey 07112

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Charter School's operation. These financial statements present the financial position and operating results of all funds and account groups as of June 30, 2016.

CHARTER SCHOOL–WIDE FINANCIAL STATEMENTS

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal 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.

NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,391,518	\$ 25,389	\$ 4,416,907
Receivables- state	964,139	834	964,973
Receivables-federal	150,623	83,172	233,795
Other receivable	58,596	-	58,596
Interfund receivable	62,940	-	62,940
Prepaid -Security Deposit	64,842	-	64,842
Capital assets, net of accumulated depreciation	1,271,387	29,320	1,300,707
Total Assets	<u>6,964,045</u>	<u>138,715</u>	<u>7,102,760</u>
Deferred Outflows of Resources			
Pension deferred outflows	1,237,685	-	1,237,685
Total assets and deferred outflows	<u>8,201,730</u>	<u>138,715</u>	<u>8,340,445</u>
LIABILITIES			
Accounts payable	280,510	17,899	298,409
Interfund payable	133,704	36,353	170,057
Other Current liabilities	-	-	-
Contract payable	155,525	-	155,525
Deferred Revenue	79,815	-	79,815
Net pension Liability	2,211,243	-	2,211,243
Total Liabilities	<u>2,860,797</u>	<u>54,252</u>	<u>2,915,049</u>
Deferred Inflows of Resources			
Pension deferred inflows	35,553	-	35,553
NET POSITION			
Invested in capital assets, net of related debt	1,271,387	29,320	1,300,707
	-	-	-
Unrestricted	4,033,993	55,143	4,089,136
Total net position	<u>\$ 5,305,380</u>	<u>\$ 84,463</u>	<u>\$ 5,389,843</u>

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

NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
JUNE 30, 2016

Functions/Programs	Expenses	Invested in Capital Assets, Net of Related Debt	Grants and			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction	\$ 5,340,748		\$ -	\$ 1,191,893	\$ -	(4,148,855)	\$ -	\$ (4,148,855)
Support services:								
Student & Support services	1,788,117		-	438,118	-	(1,349,999)	-	(1,349,999)
School administrative services	2,357,573		-	261,276	-	(2,096,297)	-	(2,096,297)
Capital outlay	219,992		-	-	-	(219,992)	-	(219,992)
Unallocated depreciation	151,346		-	-	-	(151,346)	-	(151,346)
Total governmental activities	9,857,776		-	1,891,287	-	(7,966,489)	-	(7,966,489)
Business-type activities:								
Food and After care service	583,011		182,887	574,097	-	-	173,973	173,973
Total business-type activities	583,011		182,887	574,097	-	-	173,973	173,973
Total primary government	\$ 10,440,787	\$ -	\$ 182,887	\$ 2,465,384	\$ -	\$ (7,966,489)	\$ 173,973	\$ (7,792,516)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						\$ 1,271,515	\$ -	\$ 1,271,515
Taxes levied for debt service							-	-
Federal and State aid not restricted						8,251,262	-	8,251,262
Miscellaneous Income						26,132	-	26,132
Total general revenues, special items, extraordinary items and transfers						9,548,909	-	9,548,909
Change in Net Assets B-3						1,582,420	173,973	1,756,393
Net Position—beginning						3,722,960	(89,510)	3,633,450
Adjustment						-	-	-
Adjusted -beginning net position						3,722,960	(89,510)	3,633,450
Net Position—ending A-1						\$ 5,305,380	\$ 84,463	\$ 5,389,843

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

FUND FINANCIAL STATEMENTS

NEWARK LEGACY CHARTER SCHOOL
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit B-1

	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and cash equivalents	4,391,518		\$ 4,391,518
Receivables- state-tax levy	923,558	40,581	964,139
Receivables - Federal		150,623	150,623
Interfund Receivable	62,940		62,940
Other receivable	36,281	22,315	58,596
Other - Prepaid Expenses	64,842	-	64,842
Total assets	5,479,139	213,519	5,692,658

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	280,510	-	280,510
Interfund payable	-	133,704	133,704
Deferred revenue	-	79,815	79,815
Contract payable	155,525		155,525
	-		-
Other Current Liabilities			-
Total liabilities	436,035	213,519	649,554
Fund Balances:			
Reserved for:			
Unreserved, reported in:			
General fund	5,043,104		5,043,104
Special revenue fund	-	-	-
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total Fund balances	5,043,104	-	5,043,104
Total liabilities and fund balances	\$ 5,479,139	\$ 213,519	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 1,592,483	-
Accumulated depreciation	321,096	-
		1,271,387

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 7)

1,237,685

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

(35,553)

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 7)

(2,211,243)

Net position of governmental activities - A-1

\$ 5,305,380

See independent auditor's report and accompanying notes to basic financial statements.

NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Exhibit B-2

For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenue			
Local sources:			
"Local levy" local share	\$ 1,271,515	\$ -	\$ 1,271,515
Contributions	26,132	279,078	305,210
Total - Local Sources	<u>1,297,647</u>	<u>279,078</u>	<u>1,576,725</u>
State sources	8,251,262	632,779	8,884,041
Other sources- TPAF	558,327	-	558,327
Federal sources	-	1,026,526	1,026,526
Total revenues	<u>10,107,236</u>	<u>1,938,383</u>	<u>12,045,619</u>
EXPENDITURES			
Current:			
Instruction	4,148,855	1,191,893	5,340,748
Undistributed Expenditures:			
Administrative cost	1,919,455	438,118	2,357,573
Support services	1,526,841	261,276	1,788,117
TPAF reimbursed	558,327	-	558,327
Capital outlay	1,085,133	47,096	1,132,229
Total expenditures	<u>9,238,611</u>	<u>1,938,383</u>	<u>11,176,994</u>
Excess (Deficiency) of revenues over expenditures	<u>868,625</u>	<u>-</u>	<u>868,625</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	868,625	-	868,625
Fund balance—July 1	4,174,479	-	4,174,479
Fund balance—June 30	<u>\$ 5,043,104</u>	<u>\$ -</u>	<u>\$ 5,043,104</u>

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

**NEWARK LEGACY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total net change in fund balances - governmental funds (from B-2) \$ 868,625

Amounts reported for governmental activities (A-2) are different :

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 expense in the period. In addition, in the statement of activities gains and (losses) are recognized upon disposition.

Capital outlay	1,085,133	
Depreciation Expense	<u>151,346</u>	
		933,787

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

(219,992)

Change in net assets of governmental activities A-2		<u><u>\$ 1,582,420</u></u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit B-4

	Food & After Care Services
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 25,389
Government grants receivable-Federal	83,172
Government grants receivable- State	834
Interfund receivable General Fund	
Other receivables	-
Total current assets	109,395
Property, plant and equipment	47,900
less accumulated depreciation	(18,580)
Total non current assets	29,320
Total assets	138,715
LIABILITIES	
Current liabilities:	
Accounts payable	17,899
Interfund payable	36,353
Total liabilities	54,252
NET POSITION	
Invested in capital assets net	
Unrestricted net assets	84,463
Total net assets	84,463
Total Laibilities and Net Position	\$ 138,715

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

NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Exhibit B-5

FOR THE YEAR ENDED JUNE 30, 2016

	Food & After Care Services
Operating revenues:	
Charges for services:	
Daily sales - non-reimbursable programs	\$ 5,875
After care fees	3,774
Miscellaneous revenue	0
Total operating revenues	9,649
Operating expenses:	
Salaries	50,590
Employee benefits	2,120
Other purchased services	439,168
Other purchased services	2,156
Supplies	18,208
Purchased services	61,189
Depreciation	9,580
Total Operating Expenses	583,011
Operating loss	(573,362)
Nonoperating revenues:	
State sources:	
State school lunch program	5,830
Federal sources:	-
National school breakfast program	124,059
National school lunch program	309,784
Federal snack	94,444
Reimbursement FFVP	33,705
Federal PB lunch	6,275
Total nonoperating revenues	574,097
Income /(Loss) before transfers	735
Transfers in (out)	173,238
Change in net assets	173,973
Total net position-beginning	(89,510)
Total net position-ending	\$ 84,463

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

**NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 9,649
Other receipts	(61,887)
Payments to employees and suppliers	(583,011)
Net cash used for operating activities	<u>(635,249)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from State and Federal reimbursements	574,097
Net cash provided by non-capital financing activities	<u>574,097</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Change in capital contributions	
Purchases of capital assets	(2,900)
Net cash provided by (used for) capital and related financing activities	<u>(2,900)</u>

Increase in Cash and Cash Equivalents	(64,052)
Balances-beginning of year	<u>89,441</u>
Balances-end of year	<u><u>25,389</u></u>

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

Operating income (loss) provided by operating activities	(573,362)
Depreciation	9,580
(Increase) decrease in other current assets	131,780
Increase (decrease) in accounts payable	17,899
Increase (decrease) in interfunds payable	(221,146)
Net cash used for operating activities	<u>\$ (635,249)</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

**NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

Exhibit B-7

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ (4,920)
Interfund receivable	34,954	107,116
Account receivable	2,101	-
Total assets	<u>\$ 37,055</u>	<u>\$ 102,196</u>
LIABILITIES		
Payroll payable	\$ -	5,529
Interfund payable	-	-
Payroll deductions and withholdings		60,084
Net payroll		1,629
Total liabilities	<u>\$ -</u>	<u>\$ 67,242</u>
NET POSITION		
Reserved for unemployment claims and other purposes	<u>\$ 37,055</u>	<u>\$ 37,055</u>

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

**NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Unemployment Compensation Trust
ADDITIONS	
Contributions	
General fund appropriation	\$ 9,840
Employees contribution	20,454
Investment Earnings- net	-
Total Contributions	30,294
DEDUCTIONS	
Payment of claims	61,906
Payroll deductions	0
Administrative expenses	0
Total deductions	61,906
Change in net position	(31,612)
Net position-beginning of the year	31,612
Net position-end of the year	\$ -

NOTES TO FINANCIAL STATEMENTS

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity:

The Newark Legacy Charter School (NLCS) is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. NLCS received its approved charter in July 2010 and has since experienced steady growth in its enrollment and financial structure. The school facility provides outstanding educational space with a host of features to promote student success.

The school is chartered for four years subject to charter renewal every five academic years. The school opened with its first year in August 2010, with initial enrollment of 120 students, with 60 scholars in the full day Kindergarten and 60 scholars in Grade 1. The school added Grades 2 and 3 in 2011-2013 with enrollment of 115 students. In 2015 - 2014, the school successfully added 4th grade with 56 enrolled students. This includes general education and special needs student enrollment. NLCS accepts special education and disabled children if appropriate application is made to the Charter School as required by law. The Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. In addition, it must comply with the New Jersey Charter school program Act of 1995 and regulations promulgated thereafter.

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. The mission of Newark Legacy Charter School is to develop in kindergarten through eighth grade students the scholarship, discipline and character necessary for them to gain entry to, succeed in, and graduate from demanding, college preparatory high schools. The Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards is the degree of oversight responsibility maintained by the Charter School management.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B Basis of Presentation

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 and account groups of the Charter School. The financial statements of The Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed for governmental units. The Governmental Accounting Standards Board (GASB) is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles.

In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. In 2004, all charter schools adopted the GASB and the changes. Certain significant changes in the financial statements include the following:

- A Management’s Discussion and Analysis (MD&A) providing an analysis of the District’s overall financial position and results of operations
- Charter School-wide financial statements prepared using full-accrual accounting for all of the District’s activities and the economic resources measurement focus.
- Depreciation expense on the District’s capital assets if any is reflected in the Charter school-wide statement of activities. At June 30, 2016, no depreciation expense was recorded.
- Fund financial statements to focus on the major funds.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

C Basic Financial Statements:

The Charter School's basic financial statements consist of Charter School or 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.

Government School-wide Financial Statements

The statement of Net Position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds. The statement of Net Position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal 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. 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.

D 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 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.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

E Governmental Funds

General Fund – The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. 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.

Improvement of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2016, there was no Capital Projects Fund.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Debt Service Fund –The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2016 there was no debt service fund.

F 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 similar to business in the private sector. The following is a description of the Proprietary Funds of the Charter School.

G 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 noncurrent, 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.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Internal Service (Self-Insurance) Fund:

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. The Charter School does not use self insurance fund.

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:

Expendable Trust Funds – Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. At June 30, 2016, the school has no expendable trust fund.

Nonexpendable Trust Funds – Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal. At June 30, 2016, the school has no nonexpendable Trust Fund.

Agency Funds – Agency funds 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 involve measurement of results of operations. Agency funds include payroll and student activities funds.

H Measurement Focus and Basis of Accounting

Measurement Focus –The 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. 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.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 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 spend able 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 objectives 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 noncurrent, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as Net Position.

Basis of accounting

In the Charter School – 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.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is 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. All budget amendments must be approved by the State Department of Education. 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 for the presentation of GAAP basis financial reports. The following presents a reconciliation of the special revenue funds from budgetary basis of accounting to the GAAP basis of accounting:

<u>Budget/Budgetary Control:</u>	2016
Total revenues and expenditures (budgetary basis)	\$ 1,938,383
Adjustments:	
Plus: Encumbrances at June 30, 2015	-
Less: Encumbrances at June 30, 2016	<u> </u>
Total revenue and expenditures (GAAP basis)	<u>\$ 1,938,383</u>

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J 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 investment is 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 funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss 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, banks (both state and national banks) and saving banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the 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.

K Tuition Payable

The Charter School did not send any of its students to any other Charter Schools during the fiscal year ended June 30, 2016.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L 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. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

M Interfund Assets/Liabilities

On the fund financial statement, receivable and payables resulting from short-term Inter-fund loans are classified as Inter-fund Receivable/Payable. Inter-fund balances within governmental activities and within business-type activities are eliminated on the Government-wide Statements of Net Position.

N Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for General capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

The Charter School's capitalization policy is consistent with New Jersey State Department of Education. Thus, all acquisition costs over the threshold were added to capital assets and depreciated over their economic useful lives. In the fund financial statements, capital assets are accounted for as capital outlay expenditures in the governmental fund upon acquisition

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N Capital Assets – continued

Donated capital assets are capitalized at estimated fair market value on the date of donation. Depreciation of all capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated lives</u>
School Building if owned	50years
Building and Buildings Improvements	15 years
Furniture and Equipment	5 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

O Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. The school policy is to pay as you go, thereby preventing accumulation of accrued sick leave or vacation beyond the current fiscal year. Compensated absences that are related to future services, or that are contingent on specific events that are outside the control of the Charter School and its employees, are accounted for in the period in which such service is rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. As of June 30, 2016, there were no accrued compensated absences at the Charter school.

P Accrued Liabilities and Long-Term Obligations

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

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q Accrued Liabilities and Long-Term Obligations

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, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

R Fund Balance

In the fund financial statements, governmental fund report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for specific future use. Designated fund balance represents plans for future use of financial resources.

S Net Position

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

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

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Charter School that is applicable to a future reporting period. The Charter School had deferred inflows of resources at June 30, 2015 and 2014 in the amount of \$35,553 and \$72,919 respectively. The deferred outflow of resources at June 30, 2015 and 2014 were \$1,237,685 and \$554,123, expected to decrease the future net earnings. Net position is displayed in three components net investment in capital assets; restricted and unrestricted.

Nonspendable fund balance includes amount that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

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 consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted 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.

Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by law, external resource providers or through enabling legislation. The committed fund balance classification includes amounts that can be used only for specific purposes determined for a formal action of the Charter School highest level of decision making authority. Amounts in the assigned fund balance classification are intended, to be used by the: government for specific purposes and if they do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the School's General Fund and it includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

T **Inter-fund Transactions**

Inter-fund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Inter-fund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other inter-fund transfers are reported as operating transfer.

U **Use of 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.

V **On-Behalf Payments**

Revenues and expenditures of the General Fund include payment 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.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Deposits and Investments

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 cash and cash equivalents include petty cash, change funds and amounts on deposit with local banks, money market accounts and short term investment with maturities of three months or less. New Jersey statutes require that Charter School deposit public funds in public depositories located in New Jersey which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. As of June 30, 2016, cash and cash equivalents consisted of the following:

<u>General Fund</u>	<u>After Care Service</u>	<u>Food Program</u>	<u>Fiduciary Funds</u>	<u>2015 Total</u>
\$ 4,391,518	\$ 50	\$ 25,339	\$ (4,920)	\$ 4,411,987
-	-	-	-	-
<u>\$ 4,391,518</u>	<u>\$ 50</u>	<u>\$ 25,339</u>	<u>\$ (4,920)</u>	<u>\$ 4,411,987</u>

Custodial credit risk

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the School disclose bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party. As of June 30, 2016, the School's bank balances amounted to \$4,411,987 and were not exposed to custodial credit risk since all deposits were insured by FDIC and GUPDA.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Custodial credit risk

In accordance with GASB statement No.40, the school is required to disclose the level of custodial credit risk assumed in its cash and cash equivalents and investments in different categories.

Category 1- Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name. The balance of \$4,411,987 is a category 1 as disclosed in the financial statements.

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 pledging public depository, or by its trust department or agent but not in the Charter School's name.

New Accounting Standards

During the prior fiscal year ended June 30, 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. 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.

NOTE 3 CAPITAL ASSETS

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures in the Governmental fund upon acquisition. The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2016:

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Governmental activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets, being depreciated:			
Equipment/ Computer	\$ 133,664	\$ 21,734	\$ 155,398
Building Improvement	209,968	1,069,122	1,279,090
Site Improvement	34,650	25,450	60,100
Total capital assets being depreciated	<u>378,282</u>	<u>1,116,306</u>	<u>1,494,588</u>
Less accumulated depreciation for:			
Equipment/ Computer			-
Total accumulated depreciation	<u>87,420</u>	<u>151,346</u>	<u>238,766</u>
 Total capital assets net	 <u>\$ 290,862</u>	 <u>\$ 964,960</u>	 <u>\$ 1,255,822</u>

NOTE 4 OPERATING LEASES

The Charter School is committed to lease agreements under non-cancelable annual operating leases with Newark Public School for its' school building located at 460 Lyons Ave, Newark, NJ and 823 S. 16th Street, Newark, NJ. The initial term of this lease is five years commencing on July 1, 2014 and ending June 30, 2019. The lease is set to automatically renew for a total of three renewal periods of five years each. The rental rate for the first two years of the initial period (July 1, 2014 to June 30, 2016) was \$247,740 per annum. The rental rate for the period July 1, 2016 to June 30, 2019, which is when the initial lease expires, will be the lesser of 1) the percentage increase in CPI Index over the course of the prior July 1 to June 30, or ii) 2.5%.

As part of the lease term the school can deduct up to \$85,000 per year for approved capital improvements made to the building. The total lease payment for the year ended June 30, 2016 was \$155,747. For the year ended June 30, 2015 rent under the lease term was \$145,471.

The rental rate for the next two automatic renewal periods of the extended term i.e the period beginning July 1, 2019 and ending on June 30, 2029 will be the lesser of 1) the percentage increase in CPI Index over the course of the prior July 1 to June 30, or ii) 2.5%.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5 FEDERAL AND STATE AIDS

Federal and State aids are generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aids. In the opinion of the Charter School's management, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2016 resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2016.

NOTE 6 COMPENSATED ABSENCES

Employees of the Charter School are not paid unused vacation time and sick days. The unused vacation and sick time are accumulated and employees may use it subsequent years. At June 30, 2016, the amount of unused time was immaterial to the financial statements.

NOTE 7 PENSIONS PLANS

A) Description of Plans

Substantially all eligible employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division).

According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as a January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems 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.

Public Employees' Retirement System (PERS)

The public Employees' Retirement Systems (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post retirement health care coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

6 Pension Plans - *continued*

Vesting and Benefit Provisions - *continued*

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

Significant Legislation

P.L. 2011 effective May 21, 2011 made a number of changes to the state administered retirement systems concerning eligibility, the retirement allowance formula, the definition of composition, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor part of the PERS, and employer contributions to the retirement system.

The legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive from more than one employer.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Significant Legislation

Pension service credit will be earned for the highest paid position only. This law also closed the prosecutors part of the PERS to new members and repealed the law for the new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time of five years of pension service credit is attained. The law also requires the state to make its full pension contribution, defined as 1/7th of the required amount, beginning in the fiscal year 2015. TP. L. 2010, C.3 effective May 21, 2011, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the state to individuals enrolled in the state "defined contribution" retirement program.

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRSI) is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Annual Pension Cost and Contribution requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective July, 2014, the employee's contributions for TPAF and PERS has increased from 6.5% to 6.64% of employee's annual compensation as defined. Subsequent increases are being phased in over 7 years effective July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. Under the current statute, the Charter School is a noncontributing employer of the TPAF as the state has assumed the obligation.

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution

The Charter School's contributions for the PERS as of June 30, 2016, were \$84,688.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$268,580 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 State also paid \$289,747 into the TPAF pension - representing on-behalf employer's portion of the TPAF contributions for the Charter School. The unbudgeted amounts were included in both revenues and expenditures. The amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 PENSION PLANS – GASB 68

Teachers Pension and Annuity Plan

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 Pension

The employer contributions for the Charter School 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 non-employer 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 \$9,493,677 as measured on June 30, 2016 and \$5,067,008 as measured on June 30, 2015.

For the year ended June 30, 2016, the Charter School recognized pension expense of \$579,674 and revenue of \$579,674 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, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 PENSION PLANS – GASB 68

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension-TPAF- continued

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>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$ 7,521,378,257	\$ 2,306,623,861
Collective deferred inflows of resources	\$ 554,399,005	\$ 1,763,205,593
Collective net pension liability (non-employer State of New Jersey)	\$63,204,270,305	\$53,446,745,367
State's portion of the net pension liability that was associated with the Charter School	\$ 9,493,677	\$ 5,067,008
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.01502063%	0.00948048%

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 returns	7.9%

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension-TPAF 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.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension-TPAF 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 TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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%
Foreign-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%
Heage Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Since the Charter School's 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 Division 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>.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 PENSION PLANS – GASB 68

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2016, the Charter School reported a liability of \$2,211,243 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 0.0098505138% which was an increase of 0.0163904294% from its proportion measured as of June 30, 2013 which was 0.0065352914%.

For the year ended June 30, 2016, the Charter School recognized pension expense of \$351,414 at June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	57,752	-
Net difference between projected and actual earnings on pension plan investments	237,470 -	35,553
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	947,463	-
Charter School's contributions subsequent to the measurement date	84,688	-
Total	<u>\$ 1,327,373</u>	<u>\$ 35,553</u>

\$53,876 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 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:

Year Ending June 30:	Pension Expense
2016	\$ 46,363
2017	46,363
2018	46,363
2019	73,840
2020	41,741
	<u>\$ 254,669</u>

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Pension Plans – GASB 68 Disclosures - *continued*

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

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	\$ 993,410,455	\$ 1,479,224,662
Collective net pension liability (Non-State Local Group)	-	-
	\$22,447,996,119	\$18,722,735,003
Charter School's portion of the net pension liability	\$ 2,211,243	\$ 1,223,585
Charter School's proportion (percentage)	0.00985051%	0.00653529%

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. This actuarial valuation used the following actuarial assumptions:

Inflation rate	3.04%
Salary increases: 2012-2021	2.15-4.40% based on age
Salary increases: thereafter	3.15-5.40% based on age
Investment rate of return	7.9%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 year for males and setback 1 year for females) are used to value disabled retirees.

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. It is unlikely that future experience will not exactly conform to these assumptions.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 Pension Plans – GASB 68 Disclosures - *continued*

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

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

To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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.

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:

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 7 Pension Plans – GASB 68 Disclosures - *continued*

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

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

Long-Term Expected Rate of Return

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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 3.80% 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.

NEWARK LEGACY CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

Long-Term Expected Rate of Return

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

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

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2015 and 2014, respectively, calculated using the discount rate of 4.90% and 5.39%, respectively, 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 or 1-percentage-point higher than the current rate:

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate-continued

	2015		
	1% Decrease (3.90%)	Current Discount Rate 4.90%	1% Increase (5.90%)
Charter School's proportionate share of the pension liability	\$ 274,830,444	\$ 221,124,296	\$ 176,097,449

	2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the pension liability	\$ 153,931,196	\$ 122,358,529	\$ 95,845,524

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>

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

NOTE 9 DEFERRED COMPENSATION

The Charter School has no other deferred compensation other than the New Jersey State TPAF and PERS as mentioned above. Accordingly, no amount has been recorded in the accompanying financial statements.

NOTE 10 ON BEHALF PAYMENTS

In accordance with N.J. S.A. 18A: 66-66 of the State of New Jersey reimbursed the school \$263,071 during the year ended June 30, 2016, for the employer's share of social security contributions and pension for TPAF members as calculated on their base salaries. This amount has been included in the accompanying CAFR as revenue and expenditure.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 11 NEW JERSEY UNEMPLOYMENT COMPENSATION

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for the amounts due New Jersey division of labor. The following is a summary of the school contribution to the state for benefits paid and the ending balance of the Charter School’s trust contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the Charter School’s trust fund for the current and the previous years.

<u>Fiscal year</u>	<u>Employee Contributions</u>	<u>Ending Balance</u>
2015-2016	\$ 20, 453	\$ (\$ 4,920)
2014-2015	\$ 20, 453	\$31,612
2013-2014	\$ 1,471	\$11,154

NOTE 13 BUSINESS RISK

The Charter School receives its support from federal, state and local governments. A significant reduction in the level of support, if it were to occur may have an adverse effect on the Charter School’s programs and activities.

NOTE 14 RISK MANAGEMENT

The Charter School is exposed to various risks of loss relates 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 of this Comprehensive Annual Financial Report.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 15 INTERFUND RECEIVABLE AND PAYABLE

The composition of inter-fund balances as of June 30, 2016 is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 107,117	\$ 70,765
Enterprise Fund	-	36,352
Fiduciary Funds	-	-
	<u>\$ 107,117</u>	<u>\$ 107,117</u>

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

NOTE 16 COMMITMENTS

The grant program is subject to financial and compliance audits by the grantors or their representatives. The final determination on the allowability of costs resulting from expenditures funded by New Jersey Department of Education (NJDOE) remains with NJDOE. Management is not aware of any material items of non compliance which would result in disallowance of the program expenditures.

NOTE 17 SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report dated November 24, 2016 which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements except as stated below.

The Charter School's application to merge with another school was approved during the year ended June 30, 2016. The merger became effective in July 2016 subsequent to year end. The merged entity named Great Oaks Legacy Charter School is K to 12 with approximate 1200 students in three campuses

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 18 LITIGATION

The new entity Great Oaks Legacy Charter School is a respondent to an appeal filed by Education Law Center (ELC) on or about April, 2016. ELC filed an appeal of the commissioner's approval of the renewal application as it entailed an expansion of student enrollment for the charter term. It must be noted that ELC appealed expansion request of other Newark Charter Schools. The Court has consolidated all the appeals. In the legal opinion, it is not possible to guarantee the outcome of the appeal. At the date of this report, the matter remained pending.

NOTE 19 RECONCILIATION OF SCHOOL-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Fund balance per B-1	\$ 5,043,104
Cost of capital assets net accumulated depreciation	1,271,387
Pension deferred outflows	1,237,685
Pension deferred inflows	(35,553)
Deferred pension liability as of June 30, 2016	<u>(2,211,243)</u>
Net position (per A-1) as of June 30, 2016	<u>\$ 5,305,380</u>

REQUIRED SUPPLEMENTARY INFORMATION
PART II
BUDGETARY COMPARISON

**NEWARK LEGACY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Levy -Local share	\$ 1,362,865	\$ (81,797)	\$ 1,281,068	\$ 1,271,515	\$ (9,553)
Miscellaneous	-	-	-	26,132	26,132
Total - Local Sources	<u>1,362,865</u>	<u>(81,797)</u>	<u>1,281,068</u>	<u>1,297,647</u>	<u>16,579</u>
Categorical Aid:					
Local Levy -State share	\$ 7,722,900	\$ (40,218)	\$ 7,682,682	\$ 7,624,975	(57,707)
Security Aid	356,007	17,047	373,054	366,924	(6,130)
Special Education Aid	242,852	24,247	267,099	259,363	(7,736)
	-	-	-	-	-
Total State Sources	<u>8,321,759</u>	<u>1,076</u>	<u>8,322,835</u>	<u>8,251,262</u>	<u>(71,573)</u>
Revenue from Other Sources:					
TPAF Pension and Post Retirement Medical (Non-Budgeted)	-	-	-	289,747	289,747
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	268,580	268,580
Total Revenue from Other Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>558,327</u>	<u>558,327</u>
Total Revenues	<u>9,684,624</u>	<u>(80,721)</u>	<u>9,603,903</u>	<u>10,107,236</u>	<u>503,333</u>
EXPENDITURES:					
Current Expense:					
Instruction	3,055,465	(75,285)	2,980,180	2,830,354	149,826
Salaries of Teachers	440,547	75,795	516,342	439,361	76,981
Other Salaries for Instruction	-	-	-	-	-
Purchased Professional-Educational Services	220,000	(1,748)	218,252	62,735	155,517
Other Purchased Services (400-500 series)	126,500	(12,762)	113,738	90,523	23,215
General Supplies	691,792	(174,854)	516,938	463,833	53,105
Rental/Lease Equipment & Vehicles	10,344	1,616	11,960	11,960	-
Textbooks	15,000	-	15,000	13,697	1,303
Interfund Transfer	-	173,238	173,238	173,238	-
Miscellaneous Expenditures	108,000	-	108,000	63,154	44,846
Total Instruction	<u>4,667,648</u>	<u>(14,000)</u>	<u>4,653,648</u>	<u>4,148,855</u>	<u>504,793</u>

**NEWARK LEGACY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
Undist. Expend. - Administrative Cost					
Salaries	620,552	(36,190)	584,362	586,053	(1,691)
Salaries of Secretarial and Clerical Assistants	55,400	7,063	62,463	58,563	3,900
Other Purchased Professional Services	41,500	48,922	90,422	89,706	716
Purchased Services and Technical Service	38,000	(2,325)	35,675	29,965	5,710
Admin /Support Service Salaries	329,551	(7,758)	321,793	318,779	3,014
Indirect Cost	-	-	-	(37,908)	37,908
Architectural Engineering Services	30,000	34,980	64,980	54,256	10,724
Audit	-	35,000	35,000	35,000	-
Legal	25,000	3,458	28,458	17,144	11,314
Student and Board Insurance	4,892	937	5,829	5,829	-
Membership Dues & Fees	2,500	6,500	9,000	9,000	-
Miscellaneous Expenditures	11,350	(952)	10,398	6,349	4,049
Communications/Telephone	30,100	5,000	35,100	15,844	19,256
Supplies and Materials	50,000	(23,010)	26,990	13,823	13,167
Travel	4,408	2,500	6,908	4,280	2,628
Retirement Contribution	100,000	9,530	109,530	109,530	-
Other Fringe Benefits	-	3,475	3,475	3,475	-
Benefits-Social Security	116,328	-	116,328	113,801	2,527
Unemployment and Disability	100,000	-	100,000	-	100,000
Workers Compensation	115,662	-	115,662	70,252	45,410
Health and Dental	591,832	(9,739)	582,093	403,700	178,393
Tuition Reimbursement	25,000	(3,266)	21,734	12,014	9,720
Total Undist. Expend. - Administrative Cost	2,292,075	74,125	2,366,200	1,919,455	446,745
Undist. Expend. - Support Services					
Salaries	634,859	19,998	654,857	614,482	40,375
Other Purchase Services	114,000	40,812	154,812	157,000	(2,188)
Other Purchased Services 400-500	6,500	-	6,500	5,022	1,478
Purchased Technical Services	-	-	-	-	-
Rental	239,470	(25,000)	214,470	155,747	58,723
Insurance-Fidelity, Liability, Property	40,000	(2,948)	37,052	26,666	10,386
Supplies and Materials	100,000	(3,542)	96,458	86,927	9,531
Facility Repairs and Maintenance	282,000	(43,175)	238,825	189,144	49,681
Student Transportation Services	205,093	34,650	239,743	210,609	29,134
Contract Services	-	-	-	-	-
Utilities	210,500	55,060	265,560	81,244	184,316
Miscellaneous	-	-	-	-	-
Travel	-	-	-	-	-
Total Undist. Expend. - Support Services	1,832,422	75,855	1,908,277	1,526,841	381,436
TOTAL UNDISTRIBUTED EXPENDITURES	4,124,497	149,980	4,274,477	3,446,296	828,181
TOTAL GENERAL CURRENT EXPENSE	8,792,145	135,980	8,928,125	7,595,151	1,332,974
CAPITAL OUTLAY					
Non-instructional equipment	-	-	-	-	-
Purchase of land/improvement	-	-	-	936,142	(936,142)
Miscellaneous expenses	-	-	-	148,991	(148,991)
Total Capital Outlay	-	-	-	1,085,133	(1,085,133)
ON-BEHALF CONTRIBUTIONS					
TPAF Pension and Post Retirement Medical (Non-Budgeted)	-	-	-	289,747	(289,747)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	268,580	(268,580)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	558,327	(558,327)
TOTAL EXPENDITURES	8,792,145	135,980	8,928,125	9,238,611	(310,486)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	892,479	(216,701)	675,778	868,625	192,847
Fund Balance, July 1	(891,793)	380,011	(511,782)	4,174,479	-
Fund Balance, June 30	\$ 686	\$ 163,310	\$ 163,996	\$ 5,043,104	\$ 192,847

**NEWARK LEGACY CHARTER SCHOOL
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Local Sources			\$ -	\$ -	\$ -
State Sources	651,107	(18,328)	632,779	632,779	-
Federal Sources	1,284,738	5,058	1,289,796	1,026,526	(263,270)
Miscellaneous	-	-	-	-	-
Contributions	334,594	(700)	333,894	279,078	(54,816)
Total Revenues	2,270,439	(13,970)	2,256,469	1,938,383	(318,086)
EXPENDITURES:					
Instruction					
Salaries of Teachers	323,950	98,688	422,638	374,979	47,659
Other Salaries for Instruction	778,719	(219,371)	559,348	489,688	69,660
Benefits	84,247	89,611	173,858	172,945	913
Purchased Professional - Educational Services	15,000	2104	17,104	18,220	(1,116)
Purchased Professional and Technical Services	0	0	-	-	-
Other Purchased Services			-	-	-
General Supplies	75,000	56,104	131,104	134,014	(2,910)
Textbooks			-	-	-
Other Objects	-	4,000	4,000	2,047	1,953
Total Instruction	1,276,916	31,136	1,308,052	1,191,893	116,159
Administration:					
Salaries of Other Professional Staff	447,317	31,659	478,976	385,975	93,001
Purchased Professional and Technical Services	10,000	(10,000)	-	-	-
Repair and Maintenance	8,000	8,690	16,690	14,534	2,156
Transportation	2,000	9,000	11,000	5,025	5,975
Rental of land and Building	8,000	3,723	11,723	11,723	-
Insurance		1,867	1,867	1,867	-
Supplies and Materials			-	-	-
Benefits	4,300	15,560	19,860	18,994	866
Total Administration	479,617	60,499	540,116	438,118	101,998
Support Services					
Salaries	75,531	2,018	77,549	80,399	(2,850)
Other Purchased Services		7,692	7,692	595	7,097
Purchased Professional and Technical Services	213,490	(111,048)	102,442	73,922	28,520
Benefits	95,820	-	95,820	37,051	58,769
Indirect Cost	42,521	(183)	42,338	42,338	-
Miscellaneous			-	8,018	(8,018)
Energy	-	8,259	8,259	8,231	28
Supplies & Materials	5,575	5,147	10,722	10,722	-
Total Support Services	1,392,171	32,883	344,822	261,276	83,546
Facilities Acquisition and Construction Services:					
Buildings	34,000	13,098	47,098	47,096	2
Instructional Equipment	-		-	-	-
Noninstructional Equipment	30,000	(30,000)	-	-	-
Total Facilities Acquisition and Const. Services	64,000	(16,902)	47,098	47,096	2
Total Expenditures	3,212,704	107,616	2,240,088	1,938,383	301,705
Excess (Deficiency) of Revenues Over (Under)					
Other Fin.Sources (Uses)	\$ (942,265)	\$ (121,586)	\$ 16,381	\$ -	\$ (619,791)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**NEWARK LEGACY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED JUNE 30, 2016

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 10,107,236	[C-2]	\$ 1,938,383
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	-		-
	<u>-</u>		<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>10,107,236</u>	[B-2]	\$ <u>1,938,383</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 9,238,611	[C-2]	\$ 1,938,383
Differences - budget to GAAP			
The district budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis.			-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			-
	<u>-</u>		<u>-</u>
Total expenditures as reported on the statement of revenues,	[B-2] \$ <u>9,238,611</u>	[B-2]	\$ <u>1,938,383</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART III**

NEWARK LEGACY CHARTER SCHOOL Exhibit L-1
Schedule of the Charter School's Proportionat Share of the Net Pension Liability - PERS
Last Three Fiscal Years

	<u>Fiscal Year Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School's proportion of the net pension liability (assets)	0.0098505138%	0.0065352914%	0.0033412983%
Charter School's proportionate share of the net pension liability (assets)	<u>2,211,243</u>	<u>1,223,585</u>	<u>638,588</u>
Charter School's covered employee payroll	\$ 702,170	\$ 590,750	\$ 339,048
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	314.92%	207.12%	188.35%
Plan fiduciary net position as a percentage of the total pension liability - local	47.93%	52.08%	48.72%

Note

Until a full ten year trend is compiled, information will be presented for those years for which information is available.
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NEWARK LEGACY CHARTER SCHOOL
Schedule of the Charter School's Contribution - PERS
Last Three Fiscal Years

Exhibit L-2

	<u>Fiscal Year</u> <u>2015</u>	<u>Ended June 30,</u> <u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 84,688	\$ 53,876	\$ 25,176
Contribution in relation to the contractually required contribution	<u>(84,688)</u>	<u>(53,876)</u>	<u>(25,176)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 702,170	\$ 590,750	\$ 339,048

Note

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

NEWARK LEGACY CHARTER SCHOOL
Schedule of the Charter School's Proportionat Share of the Net Pension Liability - TPAF
Last Three Fiscal Years

Exhibit L-3

	Fiscal Year Ended June 30,		
	2015	2014	2013
Charter School's proportion of the net pension liability (assets)**	N/A	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 9,493,677	\$ 5,067,008	\$ -
Total	\$ 9,493,677	\$ 5,067,008	\$ -
Charter School's covered employee payroll	\$ 2,247,284	\$ 1,561,828	\$ 1,303,400
Charter School's proportionate share of the net pension liability (assets) 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	28.71%	33.64%	33.76%

****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.

Note

Until a full ten year trend is compiled, information will be presented for those years for which information is available.
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Note to Required Supplementary Information
Pension Schedules
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.

Teacher's 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.

**OTHER SUPPLEMENTARY INFORMATION
D – SERIES
NOT APPLICABLE**

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

NEWARK LEGACY CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	NCLB		IDEA		Pre-School Aid	Teacher Incentive	Private Donation		Total
	Title I	Title IIA	Part B						
REVENUES									
Local Sources	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ 279,078	\$ -	279,078
State Sources	-	-	-	632,779	-	-	-	-	632,779
Federal Sources	654,258	595	140,163	-	-	231,510	-	-	1,026,526
Miscellaneous	-	-	-	-	-	-	-	-	-
Total Revenues	654,258	595	140,163	632,779	632,779	231,510	279,078	279,078	1,938,383
EXPENDITURES:									
Instruction:									
Salaries of Teachers	100,545	-	-	124,420	-	-	150,014	-	374,979
Other Salaries for Instruction	381,758	-	-	107,930	-	-	-	-	489,688
Benefits	119,728	-	-	53,217	-	-	-	-	172,945
Purchased Professional - Educational Services	7,430	-	-	5,855	-	-	4,935	-	18,220
Other Purchased Services	-	-	-	-	-	-	-	-	-
General Supplies	-	-	-	53,171	-	-	80,843	-	134,014
Textbooks	-	-	-	-	-	-	-	-	-
Other Objects	-	-	-	2,047	-	-	-	-	2,047
Total Instruction	609,461	-	-	346,640	-	-	235,792	-	1,191,893
Administration:									
Salaries of Other Professional Staff	-	-	-	191,516	-	194,459	-	-	385,975
Purchased Professional and Technical Services	-	-	-	-	-	-	-	-	-
Repair and Maintenance	-	-	-	14,534	-	-	-	-	14,534
Transportation	3,375	-	-	450	-	-	1,200	-	5,025
Rental of land and Building	-	-	-	11,723	-	-	-	-	11,723
Insurance	-	-	-	1,867	-	-	-	-	1,867
Supplies and Materials	-	-	-	-	-	-	-	-	-
Benefits	-	-	-	-	-	-	18,994	-	18,994
Total Administration	3,375	-	-	220,090	-	194,459	20,194	-	438,118
Support services:									
Salaries	2850	-	75,531	-	-	-	2,018	-	80,399
Other Purchased Services	-	595	-	-	-	-	-	-	595
Purchased Professional and Technical Services	-	-	60,202	-	-	-	13,720	-	73,922
Benefits	-	-	-	-	-	37,051	-	-	37,051
Indirect Cost	37,908	-	4,430	-	-	-	-	-	42,338
Miscellaneous	664	-	-	-	-	-	7,354	-	8,018
Energy	-	-	-	8,231	-	-	-	-	8,231
Supplies & Materials	-	-	-	10,722	-	-	-	-	10,722
Total Support services	41,422	595	140,163	18,953	-	37,051	23,092	-	261,276
Facilities acquisition and construction:									
Buildings	-	-	-	47,096	-	-	-	-	47,096
Total facilities acquisition and construction	-	-	-	47,096	-	-	-	-	47,096
Total Expenditures	654,258	595	140,163	632,779	632,779	231,510	279,078	279,078	1,938,383
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NEWARK LEGACY CHARTER SCHOOL
SPECIAL REVENUE FUND
Schedule of Preschool Education Aid- – Budgetary Basis
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted	Actual	Variance
EXPENDITURES:			
Instruction:			
Salaries of Teachers	124,929	124,420	509
Other Salaries for Instruction	109,633	107,930	1,703
Benefits	54,131	53,217	914
Purchased Professional - Educational Services	6,580	0	6,580
Purchased Professional and Technical Services			0
Other Purchased Services	5,855	5,855	0
General Supplies	0	0	0
Textbooks	56,104	53,171	2,933
Other Objects	0	0	0
	4,000	2,047	1,953
Total instruction	361,232	346,640	14,592
Administration:			
Salaries of Other Professional Staff			0
Purchased Professional and Technical Services	191,516	191,516	0
Repair and Maintenance	14,534	14,534	-
Transportation	-	-	-
Rental of land and Building	2,000	450	1,550
Insurance	11,723	11,723	-
Supplies and Materials	1,867	1,867	-
Benefits			-
Total Administration	221,640	220,090	1,550
Support services:			
Miscellaneous			28
Energy	8,259	8,231	28
	10,722	10,722	-
Total Support services	18,981	18,953	28
Facilities acquisition and construction:			
Buildings			-
Instructional Equipment	47,096	47,096	-
Noninstructional Equipment	-	-	-
Depreciation		2,354	(2,354)
Total facilities acquisition and construction	47,096	49,450	(2,354)
Total Expenditures	648,949	635,133	13,816

Calculation of Budget and Carryover

1 Total revised 2015-2016 Preschool Education Aid	570,768	
2 Add: Actual ECPA/PEA Carrover (June 30 2015)	62,012	
3 Add: Budgeted Transfer from the General Fund 2015-2016	0	
4 Total Preschool Education Aid Funds Available for 2015-2016	632,780	
5 Less: 2015-16 Budgeted Preschool Education Aid including Prior Yr. Budget carryover)	(635,134)	
6 Available \$ Unbudgeted Preschool Aid Funds as of 6/30/2016	(2,354)	
7 Add; 06/30/2016 Unexpended preschool Education Aid	0	
8 Less: 2015-2016 Commissioner approved Transfer to the General fund if any	0	
9 ** 2015-2016 Carryover - Preschool Education Aid Programs	0	line9005 Audsum
10 2015-2016 Preschool; Education Aid Carryover Budgeted for Preschool programs 2016-2017	0	

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2016, there was no capital project fund.

**ENTERPRISE FUNDS
DETAIL STATEMENTS**

Enterprise funds are used 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 costs of providing goods and services be financed through user charges. The Fund consisted of Food Service Program and After Care Services for the year ended June 30, 2016.

NEWARK LEGACY CHARTER SCHOOL
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit G-1

	Food Service	After Care Service	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 25,339	\$ 50	\$ 25,389
Government grants receivable-Federal	83,172	-	83,172
Government grants receivable- State	834	-	834
Interfund receivable General Fund	-	-	-
Other receivables	-	-	-
Total current assets	109,345	50	109,395
Property, plant and equipment	47,900	-	47,900
less accumulated depreciation	(18,580)	-	(18,580)
Total non current assets	29,320	-	29,320
Total assets	138,665	50	138,715
LIABILITIES			
Current liabilities:			
Accounts payable	17,884	15	17,899
Interfund payable	36,318	35	36,353
Total liabilities	54,202	50	54,252
NET POSITION			
Invested in capital assets net	-	-	-
Unrestricted net assets	84,463	-	84,463
Total net assets	84,463	-	84,463
Total Laibilities and Net Position	\$ 138,665	\$ 50	\$ 138,715

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

NEWARK LEGACY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

Operating revenues:	<u>Food Service</u>	<u>After Care Service</u>	<u>Total</u>
Charges for services:			
Daily sales - non-reimbursable programs	\$ 5,875	\$ -	\$ 5,875
After care fees		3,774	3,774
Miscellaneous revenue	-	-	-
Total operating revenues	<u>5,875</u>	<u>3,774</u>	<u>9,649</u>
Operating expenses:			
Cost of sales	-	-	-
Salaries	27,717	22,873	50,590
Employee benefits	2,120	-	2,120
Other purchased services	439,168	-	439,168
Miscellaneous	148	2,008	2,156
Supplies	-	18,208	18,208
Purchased services	-	61,189	61,189
Depreciation	9,580	-	9,580
Total Operating Expenses	<u>478,733</u>	<u>104,278</u>	<u>583,011</u>
Operating loss	<u>(472,858)</u>	<u>(100,504)</u>	<u>(573,362)</u>
Nonoperating revenues:			
State sources:			
State school lunch program	5,830	-	5,830
Federal sources:			
Federal school breakfast program	124,059	-	124,059
Federal school lunch program	309,784	-	309,784
Federal Snack	94,444	-	94,444
Reimbursement FFVP	33,705	-	33,705
Federal PB lunch program	6,275	-	6,275
Total nonoperating revenues	<u>574,097</u>	<u>-</u>	<u>574,097</u>
Profit/(Loss) before transfers	101,239	(100,504)	735
Transfers in (out)	-	173,238	173,238
Change in net position	101,239	72,734	173,973
Total net position-beginning	<u>(16,776)</u>	<u>(72,734)</u>	<u>(89,510)</u>
Total net position-ending	<u>\$ 84,463</u>	<u>\$ -</u>	<u>\$ 84,463</u>

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

**NEWARK LEGACY CHARTER SCHOOL
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 9,649
Other receipts/(payments)	(61,887)
Payments to employees and suppliers	(583,011)
Net cash used for operating activities	<u>(635,249)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from State and Federal reimbursements	574,097
Net cash provided by non-capital financing activities	<u>574,097</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Change in capital contributions	
Purchase of capital assets	(2,900)
Net cash provided by (used for) capital and related financing activities	<u>(2,900)</u>
Increase in Cash and Cash Equivalents	(64,052)
Balances-beginning of year	<u>89,441</u>
Balances-end of year	<u>25,389</u>

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

Operating income (loss) provided by operating activities	(573,362)
Depreciation	9,580
(Increase) decrease in other current assets	131,780
Increase (decrease) in accounts payable	17,899
Increase (decrease) in interfunds payable	(221,146)
Net cash used for operating activities	<u>\$ (635,249)</u>

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

**FIDUCIARY FUNDS
DETAIL STATEMENTS**

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2016 there was no non-expendable trust fund utilized by the Charter School.

Agency funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, governmental and/or other funds.

Payroll Fund – This agency fund is used to account for the payroll transactions of the Charter School.

NEWARK LEGACY CHARTER SCHOOL

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	Unemployment Compensation Insurance	Agency			Total Agency Fund
		Payroll Agency	Net Payroll	Health Benefits	
ASSETS					
Cash and cash equivalents	\$ -	\$ (4,920)	\$ -	\$ -	\$ (4,920)
Account receivable	2,101				2,101
Interfund Receivable	34,954	72,162	-	-	107,116
Total assets	<u>37,055</u>	<u>67,242</u>	<u>-</u>	<u>-</u>	<u>104,297</u>
LIABILITIES					
Interfund Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll deductions and withholdings	-	60,084	-	-	60,084
Payroll payable	-	5,529	-	-	5,529
Net payroll	-	1,629	-	-	1,629
Total liabilities	<u>-</u>	<u>67,242</u>	<u>-</u>	<u>-</u>	<u>67,242</u>
NET POSITION					
Reserved for unemployment claims and other purposes	37,055	-	-	-	37,055
Unrestricted surplus	-	-	-	-	-
Total net position	<u>\$ 37,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,055</u>

NEWARK LEGACY CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
General fund appropriation	\$ 9,840
Employees contribution	20,454
Investment Earnings- net	
Total Contributions	<u>30,294</u>
DEDUCTIONS	
Payment of claims	61,906
Payroll deductions	
Administrative expenses	
Total deductions	<u>61,906</u>
Change in net position	(31,612)
Net position-beginning of the year	31,612
Net Position-end of the year	<u><u>\$ -</u></u>

NEWARK LEGACY CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
JUNE 30, 2016

<u>Assets</u>	<u>Balance July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2016</u>
Cash	\$ 138,891	\$ 1,844,557	\$ 1,983,448	\$ -
Interfund receivable	-	-	-	-
Total assets	<u>\$ 138,891</u>	<u>\$ 1,844,557</u>	<u>\$ 1,983,448</u>	<u>\$ -</u>
<u>Liabilities</u>				
Interfund payable	\$ 138,891	\$ 1,844,557	\$ 1,983,448	\$ -
Payroll deductions and withholdings	-	-	-	-
Other payable	-	-	-	-
Total liabilities	<u>\$ 138,891</u>	<u>\$ 1,844,557</u>	<u>\$ 1,983,448</u>	<u>\$ -</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding. As of June 30, 2016, there were no activities to be reported in this section.

STATISTICAL SECTION

GASB requires 10 years of statistical data be presented.
Each year thereafter, an additional year's data will be included up to 10 years

**NET POSITION BY COMPONENT
LAST FIVE YEARS
JUNE 30, 2016**

	2016	2015	2014	2013	2012	2011
Governmental activities						
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted						
Unrestricted	5,043,104	4,174,479	1,909,891	830,737	400,014	268,369
Total governmental activities net position	\$ 5,043,104	\$ 4,174,479	\$ 1,909,891	\$ 830,737	\$ 400,014	\$ 268,369
Business-type activities						
Invested in capital assets, net of related debt	\$ 29,320	\$ -	\$ -		\$ 1,300,707	\$ -
Restricted	-	-	-	-	-	-
Unrestricted	55,143	(89,510)	(58,326)	(51,597)	(41,377)	(17,302)
Total business-type activities net position	\$ 84,463	\$ (89,510)	\$ (58,326)	\$ (51,597)	\$ 1,259,330	\$ (17,302)
District-wide						
Invested in capital assets, net of related debt	\$ -	\$ 290,862	\$ -	\$ -	\$ 1,300,707	\$ -
Restricted	-	-	-	-	-	-
Unrestricted	5,098,247	3,432,098	1,851,565	779,140	358,637	251,067
Total district net position	\$ 5,098,247	\$ 3,722,960	\$ 1,851,565	\$ 779,140	\$ 1,659,344	\$ 251,067

**NEWARK LEGACY CHARTER SCHOOL
LAST FIVE YEARS
JUNE 30, 2016
CHANGES IN NET POSITION
UNAUDITED**

Exhibit J-2

	2016	2015	2014	2013	2012	2011
Expenses						
Governmental activities						
Instruction	\$ 5,340,748	\$ 4,828,354	\$ 2,054,609	\$ 1,705,685	\$ 1,377,481	\$ 718,264
Administration	2,357,573	1,853,889	1,013,373	951,647	590,416	477,448
Support Services:	1,788,117	1,968,923	1,336,247	690,264	784,029	627,971
Capital Outlay	1,422,465	75,034	0			
Total governmental activities expenses	\$ 10,908,903	\$ 8,726,200	\$ 4,404,229	\$ 3,347,596	\$ 2,751,926	\$ 1,823,683
Business-type activities:						
Food service	478,733	452,459	207,067	189,219	161,003	94,267
After Child Care	104,278	102,268	36,901	4,790	910	565
Total business-type activities expense	583,011	554,727	243,968	194,009	161,913	94,832
Total district expenses	\$ 11,491,914	\$ 9,280,927	\$ 4,648,197	\$ 3,541,605	\$ 2,913,839	\$ 1,918,515
Program Revenues						
Governmental activities:						
Revenue						
Operating grants and contributions	1,938,383	1,573,223	484,104	263,841	263,841	395,875
Capital grants and contributions						
Total governmental activities program revenues	1,938,383	1,573,223	484,104	263,841	263,841	2,109,354
Business-type activities:						
Charges for services						
Food service	5,875	11,491	4,885	2,702	1,958	1,059
After care and other services	3,774	33,420	15,090	10,997	6,448	6,746
Operating grants and contributions	574,097	478,632	0	170,000	123,219	69,725
Other income		0	0	0	6,213	
Capital grants and contributions						0
Total business type activities program revenues	\$ 583,746	\$ 523,543	\$ 19,975	\$ 183,699	\$ 137,838	\$ 77,530
Total district program revenues						
Net (Expense)/Revenue						
Governmental activities	(8,970,520)	(7,152,977)	(3,920,125)	(3,100,533)	(2,488,085)	(1,427,808)
Business-type activities	735	(31,184)	(6,729)	(10,220)	(24,075)	(17,302)
Total district-wide net expense	\$ (8,969,785)	\$ (7,184,161)	\$ (3,926,854)	\$ (3,110,753)	\$ (2,512,160)	\$ 1,410,506
General Revenues and Other Changes in net position						
Governmental activities:						
General purposes						
Property taxes levied for general purpose	1,297,647	1,409,711	616,575	447,017	310,247	206,808
Grants and contributions (Federal/state aid)	8,251,262	8,239,738	4,137,755	2,987,810	2,175,638	1,655,154
Investment earnings					0	0
Miscellaneous income	0	0	278,755	112,324	116,543	58,325
Transfers	9,548,909	9,649,449	5,033,085	3,547,151	2,602,428	1,713,479
Total governmental activities						
Business-type activities:						
Excess expenditures over revenue	735	(31,184)	6,729	(10,220)	(24,075)	(17,302)
Transfers	173,238	0	0	0	0	0
Total business-type activities	173,973	(31,184)	6,729	(10,220)	(24,075)	(17,302)
Total Charter -wide	\$ 9,722,147	\$ 9,649,449	\$ 5,033,085	\$ 3,547,151	\$ 2,602,428	\$ 1,713,479
Change in net position						
Governmental activities	\$ 578,389	\$ 2,496,472	\$ 1,112,960	\$ 446,618	\$ 114,343	\$ 285,671
Business-type activities	173,973	(31,184)	6,729	(10,220)	(24,075)	(17,302)
Total Charter School	\$ 752,362	\$ 2,465,288	\$ 1,119,689	\$ 436,398	\$ 90,268	\$ 268,369

NEWARK LEGACY CHARTER SCHOOL
 LAST FIVE YEARS
 FUND BALANCES- GOVERNMENTAL FUNDS
 JUNE 30, 2016

Exhibit J-3

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund						
Reserved	\$ -	\$ -	\$ -		\$ -	\$ -
Unreserved	5,043,104	4,174,479	1,909,891	830,737	400,014	285,671
Total general fund	<u>\$ 5,043,104</u>	<u>\$ 4,174,479</u>	<u>\$ 1,909,891</u>	<u>\$ 830,737</u>	<u>\$ 400,014</u>	<u>\$ 285,671</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>
Total governmental funds	<u>\$ 5,043,104</u>	<u>\$ 4,174,479</u>	<u>\$ 1,909,891</u>	<u>\$ 830,737</u>	<u>\$ 400,014</u>	<u>\$ 285,671</u>

**NEWARK LEGACY CHARTER SCHOOL
LAST FIVE YEARS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2016**

Exhibit J-4

	2016	2015	2014	2013	2012	2011
Revenues						
Local sources	\$ 1,271,515	\$ 1,409,711	\$ 616,575	\$ 447,017	\$ 310,247	\$ 206,808
Contribution	305,210	720,109	260,506	5,064	57,395	365,158
Miscellaneous	558,327	473,196	244,928	112,324	102,829	58,325
State sources	8,884,041	8,326,671	4,137,600	2,987,810	2,175,638	1,448,346
Federal sources	1,026,526	535,755	257,425	241,999	220,160	111,917
Total revenue	12,045,619	11,465,442	5,517,034	3,794,214	2,866,269	2,190,554
Expenditures						
Instruction						
Regular instruction	5,340,748	4,828,354	2,054,609	1,705,685	1,377,481	718,264
Special education instruction						
Other special instruction						
Vocational education						
Other instruction						
Nonpublic school programs						
Adult/continuing education						
Support Services:						
Tuition						
Student & inst. related services						
General administration	2,357,573	1,614,031	1,084,003	951,647	590,416	426,001
School administrative services						
Central services						
Admin. information technology						
Plant operations and maintenance						
Pupil transportation						
Other Support Services	1,633,672	1,809,455	941,944	360,078	700,082	627,971
Employee benefits	712,772	632,664	311,287	330,186	83,947	51,447
Capital outlay	1,132,229	316,350	46,037	15,895		81,200
Debt service:						
Principal						
Interest and other charges						
Total expenditures	11,176,994	9,200,854	4,437,880	3,363,491	2,751,926	1,904,883
Excess (Deficiency) of revenues over (under) expenditures	868,625	2,264,588	1,079,154	430,723	114,343	285,671
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)	0	0	0	0	0	0
Net change in fund balances	\$ 868,625	\$ 2,264,588	\$ 1,079,154	\$ 430,723	\$ 114,343	\$ 285,671

NEWARK LEGACY CHARTER SCHOOL
 LAST FIVE YEARS
 FULL TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION
 JUNE 30, 2016

Exhibit J-16

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	49	49	12	12	12	8
Special education	4	4				
Other special education						
Vocational						
Other instruction	20	20	2	2	2	1
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	5.5	5.5	3	3	3	2
General administration	6	6	2	2	2	1
School administrative services	8	8	1	1	1	1
Other administrative services	3	3				
Central services						
Administrative Information Technology	2	2				
Plant operations and maintenance			1	1	1	1
Pupil transportation						
Other support services			1	1	1	1
Special Schools	2	2	2	2	2	2
Food Service	1	1				
Child Care						
Total	<u>100.5</u>	<u>100.5</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>17</u>

Source: District Personnel Records

**CY CHARTER SCHOOL
FIVE YEARS
FINANCIAL STATISTICS
YEARS ENDED
SEPTEMBER 30, 2016
UNAUDITED**

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2016	640	11,176,994	17,464	60.62%	3,269,715	1:4	627.2	614.7	4.50%	98.00%
2015	613	6,838,086	11,155	0.15%	3,013,095	1:4	600.7	588.7	0.02%	98.00%
2014	306	4,648,197	15,190	-25.00%	5,340,748	1:4	299.9	293.9	0.33%	98.00%
2013	240	3,541,605	19,367	0.15%	-	1:4	235.2	230.5	38.24%	98.00%
2012	171	2,751,926	16,093	59.17%	1,377,481	1:4	170.0	166.6	2.91%	98.00%
2011	120	1,918,515	15,988	100.00%	-	1:4	117.6	115.2	100.00%	-

Note: Enrollment based on annual October district count.

NEWARK LEGACY CHARTER SCHOOL
LAST FIVE YEARS
SCHOOL BUILDING INFORMATION
JUNE 30, 2016

<u>Charter School Building</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Square Feet	14,800	14,800	14,800	14,800	14,800	14,800
Building Capacity for students	180	180	180	180	180	180
Enrollment:						
Pre-K	44	29				
Kindergarten	79	99	61	58	58	60
Grade 1	90	99	61	55	55	60
Grade 2	89	87	68	55	55	
Grade 3	102	101	58			
Grade 4	84	98	58			
Grade 5	82	90	-			
Grade 6	77			-	-	-
Total students	647	613	306	168	168	120

**2015-16 Schedule of Insurance
for Newark Legacy Charter School**

COVERAGE	LIMITS	SUMMARY
Package Markel Insurance Co CHP-70000178 06/14/15-16 \$20,688 + \$2,312 Endorsement to add building coverage	Covered Location	460 Lyons Avenue Newark, NJ 07112 823 South 16 th Street Newark, NJ 07112
<u>Property</u>	\$3,000,000 \$500,000 \$500,000	Building Limit - Replacement Cost-All Risk w/ \$1,000 Deductible Contents - Replacement Cost-All Risk w/ \$1,000 Deductible EDP/ Computers All Risk w/ \$1,000 Deductible
<u>Crime</u>	\$183,000	Blanket Employee Theft w/ \$1,000 Deductible (Inc Board Treasurer/ Board Secretary/BA)
<u>General Liability</u>	\$1,000,000 \$3,000,000 \$1,000,000 \$1,000,000 \$10,000 \$1,000,000	Single Limit for Bodily Injury and Property Damage Products/Completed Operations Aggregate Annual Aggregate for Child Molestation/ Sexual Abuse Each Occurrence for Personal Injury/Advertising Injury Premise Medical Payments Per Accident Fire Damage
<u>Abuse Liability</u>	\$1,000,000 \$2,000,000	Each Occurrence Aggregate
<u>Educators Legal Liability</u>	\$1,000,000 \$1,000,000	Each Wrongful Act w/ \$5,000 Deductible Aggregate w/ \$5,000 Deductible
<u>Automobile Liability</u>	\$1,000,000	Hired/Non Owned Auto Liability ONLY
Student Accident Markel Insurance Co CHH-70000178 06/14/15-16 \$4,774	\$250,000 \$25,000 \$10,000	Aggregate Limit of Indemnity Accident Medical Expense Benefit - Aggregate Accidental Death and Dismemberment Benefits - Principal Sum
Umbrella Markel Insurance Co CHU-70000178 06/14/15-16 \$3,774	\$1,000,000 \$1,000,000	Each Occurrence w/ \$10,000 Deductible Aggregate Limit w/ \$10,000 Deductible
Workers' Compensation Hartford Casualty Insurance Co 13WBC ZP7738 02/12/15-16 Based on \$1,891,000 Prof and \$65,900 Non Prof w/0.850 MOD \$34,880 + \$37,962 2014-15 Audit	\$1,000,000 \$1,000,000 \$1,000,000 Statutory	Each Accident Each Employee Policy Limit
Directors and Officers Liability/ Employment Practice Liability Philadelphia Insurance Co PHSD1010671 02/15/15-16	\$1,000,000 \$1,000,000	Directors & Officers Liability w/\$1,000 Deductible Employment Practice Liability w \$5,000 Deductible

**2015-16 Schedule of Insurance
for Newark Legacy Charter School**

COVERAGE	LIMITS	SUMMARY
Medical Benefits CIGNA 0613854 07/01/15-16 S-\$403.02 HW-\$785.89 PC-\$781.84 Family-\$1,136.54	Type of Plan Office Visit Co-Payment ER Co--Payment Hospital Co-Payment Same-Day Surgery Co-Payment Rx Co-Payment Annual Deductible MOOP (2x Dependents)	Open Access EPO Aggregate HDHP 100% after \$2,000/\$4,000 upfront deductible 100% after \$2,000/\$4,000 upfront deductible 100% after \$2,000/\$4,000 upfront deductible 100% after \$2,000/\$4,000 upfront deductible \$20/\$50/\$75 Copay after \$2,000/\$4,000 upfront deductible \$2,000 Individual/\$4,000 EE w/Spouse, Child(ren) or Family \$6,350 Individual/\$12,700 EE w/Spouse, Child(ren) or Family
Health Reimbursement Arrangement Choice Strategies CHONEWLEGSOL 07/01/15-16 S-\$2,000 HW/PC/F-\$4,000	Employer Funded HRA Plan Year Deductible and HRA	\$2,000 Employee ONLY/\$4,000 EE w/Spouse, Child(ren) or Family Enrollees in this plan are provided with a "first dollar" Healthcare Reimbursement Arrangement (HRA) - fully funded by Newark Legacy Charter School - in the amount of \$2,000 / year (\$4,000 / year (if covering dependents) to pay eligible medical and Rx benefits that apply towards CIGNA's upfront plan year deductibles Deductible and HRA run from July 1, 2015 to June 30, 2016

NEWARK LEGACY CHARTER SCHOOL
County of Essex, New Jersey

J-21

Charter School Performance Framework Financial Indicators
New Term Indicators

June 30, 2016
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 4,416,907	\$ 3,658,941	\$ 1,768,751
Current assets	1,322,207	381,812	378,609
Capital assets, net	1,523,054	290,862	49,546
Total assets	<u>7,262,168</u>	<u>4,331,615</u>	<u>2,196,906</u>
Current liabilities	2,852,110	2,003,957	625,143
Long term liabilities	-	-	-
Total liabilities	<u>2,852,110</u>	<u>2,003,957</u>	<u>625,143</u>
Net position	<u>\$ 4,410,058</u>	<u>\$ 2,327,658</u>	<u>\$ 1,571,763</u>
Total revenue	\$ 12,613,886	\$ 11,710,733	\$ 5,734,295
Total expenses	(11,760,005)	(9,280,927)	(4,648,197)
Change in net position	<u>\$ 853,881</u>	<u>\$ 2,429,806</u>	<u>\$ 1,086,098</u>
Depreciation expense	\$ 148,991	\$ 75,034	\$ 12,386
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	611	613	306
March 30th budgeted enrollment	640	630	330

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Three Year Cumulative</u>
NEAR TERM INDICATORS:				
Current ratio	2.01	2.02	3.43	7.46
Unrestricted days cash	137.09	143.90	138.89	419.88
Enrollment variance	95%	97%	93%	0.96
Default	N/A	N/A	N/A	N/A

Source: Charter School Records

NEWARK LEGACY CHARTER SCHOOL
County of Essex, New Jersey

Charter School Performance Framework Financial Indicators
Sustainability Indicators

J-22

June 30, 2016
(Unaudited)

Cash	\$ 4,416,907	\$ 3,658,941	\$ 1,768,751
Current assets	1,322,207	381,812	378,609
Capital assets, net	1,523,054	290,862	49,546
Total assets	<u>7,262,168</u>	<u>4,331,615</u>	<u>2,196,906</u>
Current liabilities	2,852,110	2,003,957	625,143
Long term liabilities	-	-	-
Total liabilities	<u>2,852,110</u>	<u>2,003,957</u>	<u>625,143</u>
Net position	<u>\$ 4,410,058</u>	<u>\$ 2,327,658</u>	<u>\$ 1,571,763</u>
Total revenue	\$ 12,613,886	\$ 11,710,733	\$ 5,734,295
Total expenses	(11,760,005)	(9,280,927)	(4,648,197)
Change in net position	<u>\$ 853,881</u>	<u>\$ 2,429,806</u>	<u>\$ 1,086,098</u>

Depreciation expense	\$ 148,991	\$ 75,034	\$ 12,386
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	611	613	306
March 30th budgeted enrollment	640	630	330

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Three Year Cumulative</u>
SUSTAINABILITY INDICATORS:				
Total margin	7%	21%	19%	15%
Debt to asset	N/A	N/A	N/A	N/A
Cash flow	\$ 757,966	\$ 1,890,190	\$ 1,173,269	\$ 3,821,425
Debt service coverage ratio	N/A	N/A	N/A	N/A

Source: Charter School Records

SINGLE AUDIT SECTION



ILORI CPA LLC
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EXHIBIT K-1

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

The Honorable President and
Members of the Board of Trustees
Newark Legacy Charter School, Inc.
Essex County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newark Legacy Charter School, Inc.(NLCS) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Charter School's basic financial statements, and have issued our report thereon dated November 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Newark Legacy Charter School, Inc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newark Legacy Charter School, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

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

Internal Control Over Financial Reporting – Continued

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 NLCS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by Division of Finance and regulatory compliance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Ilori CPA LLC

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Kunle B. Ilori, CPA
Licensed Public School Accountant
No. 20CS00233100

Ilori CPA LLC

November 24, 2016
Newark, New Jersey



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EXHIBIT K-2

Independent Auditors' Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance Required by the Uniform Guidance and *State of New Jersey Department of Treasury Circular 15-08-OMB*

The Honorable President and
Members of the Board of Trustees
Newark Legacy Charter School, Inc.
Essex County, New Jersey

We have audited the Newark legacy Charter School (“the Charter School”), in the County of Essex, State of New Jersey (“the Charter School”) compliance with the types of requirements described in the *OMB Compliance Supplements* and *State of New Jersey Department of Treasury Circular 15-08-OMB 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 state programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; the 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*.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Independent Auditors' Report on Compliance for Each Major Federal and State Program
and Report on Internal Control over Compliance Required by the Uniform Guidance and
*State of New Jersey Department of Treasury Circular 15-08-OMB***

Those standards, the Uniform Guidance, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our 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 programs 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 our audit of compliance, we 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, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Independent Auditors' Report on Compliance for Each Major Federal and State Program
and Report on Internal Control over Compliance Required by the Uniform Guidance and
*State of New Jersey Department of Treasury Circular 15-08-OMB***

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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Accordingly, this report is not suitable for any other purpose.

Ilori CPA LLC

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Kunle B. Ilori, CPA
Licensed Public School Accountant
No. 20CS00233100

Ilori CPA LLC

November 24, 2016
Newark, New Jersey

NEWARK LEGACY CHARTER SCHOOL
ESSEX COUNTY

EXHIBIT K-3
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	Federal CFDA No.	Grant or State Project No.	Program Name	Program or Award Amount	Grant Period	(Accts. Rec.) Def. Rev Balance 06/30/15	Carryover (Walkover) Over Amount	Cash Received	Budgetary Expenditures	Adjustment	(Accts. Rec.) Def. Rev 06/30/16	Due to Grantor 06/30/16
U.S. Department of Education Passed-through State Dept. of Education:												
Title I	84.01		Title I	\$ 751,161	7/1/15-06/30/16	\$ (225,991)	\$ -	\$ 750,120	\$ (654,258)	\$ (889)	\$ (131,018)	\$ -
IDEA - Individuals with disabilities Education Act	84.027		IDEA	140,183	7/1/15-06/30/16	(6,502)	-	127,080	(140,183)	-	(19,605)	0
U.S. Dept. of Education 9 (Teacher Incentive Prog.)	84.374A		Teacher Incent	383,280	10/1/15-9/30/16	-	-	231,510	(231,510)	-	-	0
Total U.S. Dept. of Education				<u>\$ 1,274,604</u>		<u>\$ (232,493)</u>	<u>\$ -</u>	<u>\$ 1,108,690</u>	<u>\$ (1,025,951)</u>	<u>\$ (889)</u>	<u>\$ (150,623)</u>	<u>\$ -</u>
U.S. Department of Agriculture Passed-through State Dept. of Agriculture												
Federal School lunch	10.555	N/A	Food program	542,077	07/1/15-06/30/16	0	-	458,905	(542,077)	-	(83,172)	0
Child Nutrition Program	10.582		Child Nutrition	32,020		-	-	32,020	(32,020)	-	-	-
Total U.S. Dept. of Agriculture				<u>\$ 574,097</u>		<u>\$ -</u>	<u>\$ 490,925</u>	<u>\$ (574,097)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,172)</u>	<u>\$ -</u>
Total Federal Awards				<u>\$ 1,848,701</u>		<u>\$ (232,493)</u>	<u>\$ -</u>	<u>\$ 1,599,615</u>	<u>\$ (1,148,194)</u>	<u>\$ (889)</u>	<u>\$ (233,795)</u>	<u>\$ -</u>

See accompanying Notes to Schedules of Expenditures of Federal Awards

NEWMARK LEGACY CHARTER SCHOOL
ESSEX COUNTY

EXHIBIT K-4
SCHEDULE B

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

STATE GRANTOR/ PROGRAM TITLE	Grant or State Project No.	Program or Award Amount	Grant Period	(Accts. Rec.) Def. Rev June 30, 2015	Carryover (Walkover) Over Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment or Prior Year's Balance	(Accts. Rec.) Def. Rev June 30, 2016	Due to Grantor June 30, 2016
State Department of Education											
General Fund:											
Equalization Aid	16-495-034-5120-078	\$ 8,896,490	7/1/15-6/30/16	\$ 55,049	-	\$ 8,781,799	(8,999,891)	\$ (55,049)	-	(218,092)	-
Security Aid	16-495-034-5120-084	366,924	7/1/15-6/30/16	-	-	366,924	(366,924)	-	-	-	-
Special Education	16-495-034-5120-089	25,933	7/1/15-6/30/16	-	-	25,933	(25,933)	-	-	-	-
Preschool - Aid	16-495-034-5120-086	570,768	7/1/15-6/30/16	-	62,012	549,822	(635,134)	2,354	-	(20,946)	-
Social Security Tax-TPAF	16-100-034-5095-002	268,580	7/1/15-6/30/16	(27,920)	-	296,500	(268,580)	0	-	-	-
TPAF Post Retirement Medical Contribution	16-495-034-5094-001	289,747	7/1/15-6/30/16	-	-	289,747	(289,747)	-	-	-	-
Total expenditures general		10,418,442		27,129	62,012	10,310,725	(10,586,209)	(52,695)	-	(239,038)	-
State Department of Agriculture											
Enterprise Fund:											
State School lunch program	16-100-010-3350-023		7/1/15-6/30/16	(1,419)	-	7,249	(6,664)	-	-	(834)	-
State School lunch program	16-100-010-3350-023		7/1/15-6/30/16	(1,419)	-	7,249	(6,664)	-	-	(834)	-
Total Enterprise Fund		-		-	-	-	-	-	-	-	-
Total State Financial Assistance		\$ 10,418,442		\$ 25,710	\$ 62,012	\$ 10,317,974	\$ (10,592,873)	\$ (52,695)	\$ -	\$ (239,872)	\$ -
Less Amounts Not Subject to Single Audit:											
Social Security Tax-TPAF							268,580				
TPAF Post Retirement Medical Contribution							289,747				
Total Expenditures of State Financial Assistance Subject to Single Audit							(10,027,883)				

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
*Major Program

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal and state award programs of the Board of Trustees, Newark Legacy Charter School. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the modified accrual basis of accounting with the exception of those recorded in the special revenue, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board'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 (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*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation, of the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for 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 subsequent year or expenditures have been made.

The general fund is presented in the accompanying schedule on the modified basis. The special revenue fund is presented in the accompanying schedules on the grant accounting 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 budgetary basis to GAAP basis is \$0 for general fund and \$ 0 for special revenue fund. a GAAP basis as follows:

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS- CONTINUED

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 Board's basic financial statements on

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 8,251,262	\$ 8,251,262
Special Revenue Fund	1,026,526	-	1,026,526
	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,026,526</u>	<u>\$ 8,251,262</u>	<u>\$ 9,277,788</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

Revenue and expenditures reported under the Food distribution program represent current year value received and current year distributions respectively. The amount reported as TPAF 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. SCHOOL WIDE PROGRAM FUNDS

School-wide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in school wide programs are included in the total expenditures of the program contributing the funds in the schedule of expenditures of the program contributing the funds in the schedule of expenditures of federal and state awards.

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

- * Material weakness (es) indentified? yes X no
- * Significant deficiencies identified that are not
 considered to be material weaknesses yes X none reported
- * Noncompliance material to basic financial
 statements noted? yes X no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? yes X no
- * Significant deficiencies identified that are not
 considered to be material weaknesses yes X no
- * Any audit findings disclosed that are required to be
 reputed in accordance with Section .510(a) of
 OMB Circular A133? yes X no

Type of auditor's report issued on compliance
 for major programs:

Unmodified

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.010A	Title I, Part A
84.027	IDEA Part A

Dollar threshold used to distinguish between Type A and B programs : \$750,000

Auditee qualifies as low-risk auditee X yes no

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

State Awards

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualifies as low risk auditee X yes no

Internal control over major programs:

* Material weakness(es) identified? yes X no

* Significant deficiencies identified that are not considered to be material weaknesses yes X no

Type of auditor's report issued on compliance for state major programs: Unmodified

<u>GMIS Number (s)</u>	<u>Name of State Program</u>
16-495-034-5120-078	Equalization Aid
16-495-034-5120-089	Special Education Aid
16-495-034-5120-084	Security Aid
16-495-034-5120-086	Preschool Education Aid

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year

None

SUMMARY SCHEDULE OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of prior year findings

There were no prior year findings