

**DR. LENA EDWARDS
ACADEMIC CHARTER SCHOOL**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

DR. LENA EDWARDS
ACADEMIC CHARTER SCHOOL

Dr. Lena Edwards Academic Charter School
Board of Trustees
Jersey City, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Prepared by

*Dr. Lena Edwards Academic Charter School
Finance Department*

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DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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Introductory Section

November 23, 2016

Honorable President and
Members of the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (“CAFR”) of the Dr. Lena Edwards Academic Charter School (“Charter School”) for the fiscal year ended June 30, 2016. As you know, the responsibility for both the accuracy of this data and the 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, data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Dr. Lena Edwards Academic 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 general-purpose financial statements and schedules, as well as the auditors’ report thereon. The Statistical section includes selected financial and demographic information generally presented on a multiyear basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Federal Office of Management and Budget (“OMB”) *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”), and the New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors’ report on the internal control instruction and compliance with applicable laws and regulations, and findings and recommendations, are included in the Single Audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Dr. Lena Edwards Academic Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (“GASB”) as established by GASB Statement 14 – *The Financial Reporting Entity*. All funds and account groups of the Charter School are included in this report. Dr. Lena Edwards Academic Charter School and its Board of Trustees, constitute the Charter School’s reporting entity.

The focus of education at the Charter School has always been what is best for the success of the children. With this in mind, the Charter School provides a full range of educational services appropriate to meeting the needs of all students in grades kindergarten through eight during the 2015-2016 school year. Such instructional services include regular education, special education and basic skills programs.

The Charter School ended the 2015-2016 school year with an enrollment of 383 students. The following details that student enrollment:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Average Daily Enrollment</u>
2015-2016	383	382.47

2. ECONOMIC CONDITION AND OUTLOOK: During the year ended June 30, 2016, the Charter School enrolled 383 students in kindergarten through eighth grade for the 2015-2016 school year. The Charter School offers a safe learning environment for students, causing them to look forward to coming to school each day to learn. Staff continue to build relationships with students and parents consistent with the Charter School’s ongoing theme of community. In turn, parents believe in the Charter School and trust that the staff are committed to developing their children to be productive citizens in the 21st century.

In fiscal performance, school funding is somewhat constrained as the Charter School is expanding educational programs and extracurricular activities for students, providing various professional development training for staff; and making improvements to the school building. The Charter School has also taken measures to ensure the profitability of the before and after care programs.

It is the goal of the Board of Trustees and staff to move the Charter School to an even higher level, understanding that this move will be a continuous process. They are confident that the Charter School will soon be recognized by the state as a star school.

3. MAJOR INITIATIVES: The Charter School has developed a comprehensive strategic plan to support its mission and vision, and serve as a blueprint for the achievement of its goals. The plan includes objectives, such as pupil achievement as measured by standardized tests and teacher assessment instruments; formal professional development for the certified and noncertified staff; and the implementation of a technology plan in all classrooms.

The Charter School has developed and is engaged in the implementation of a Performance Improvement Action Plan; the Plan is designed to strengthen and measure the Charter School's performance in the following six areas:

- (1) curriculum and instruction
- (2) professional development programs
- (3) special services cluster
- (4) effectiveness of school leaders
- (5) board leadership
- (6) fiscal viability

4. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles of the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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 awards programs and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5. 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 the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

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

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statutes as detailed in “Notes to the Basic Financial Statements” Note 3. The Charter School has adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA” or “Act”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to: general liability, directors’ and officers’ insurance and workers’ compensation.

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent, certified public accountants or registered municipal accountants. The accounting firm of Sobel & Co., LLC, Certified Public Accountants, was selected by the 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 Uniform Guidance and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ report, related specifically to the single audit, is included in the single audit section of this report.

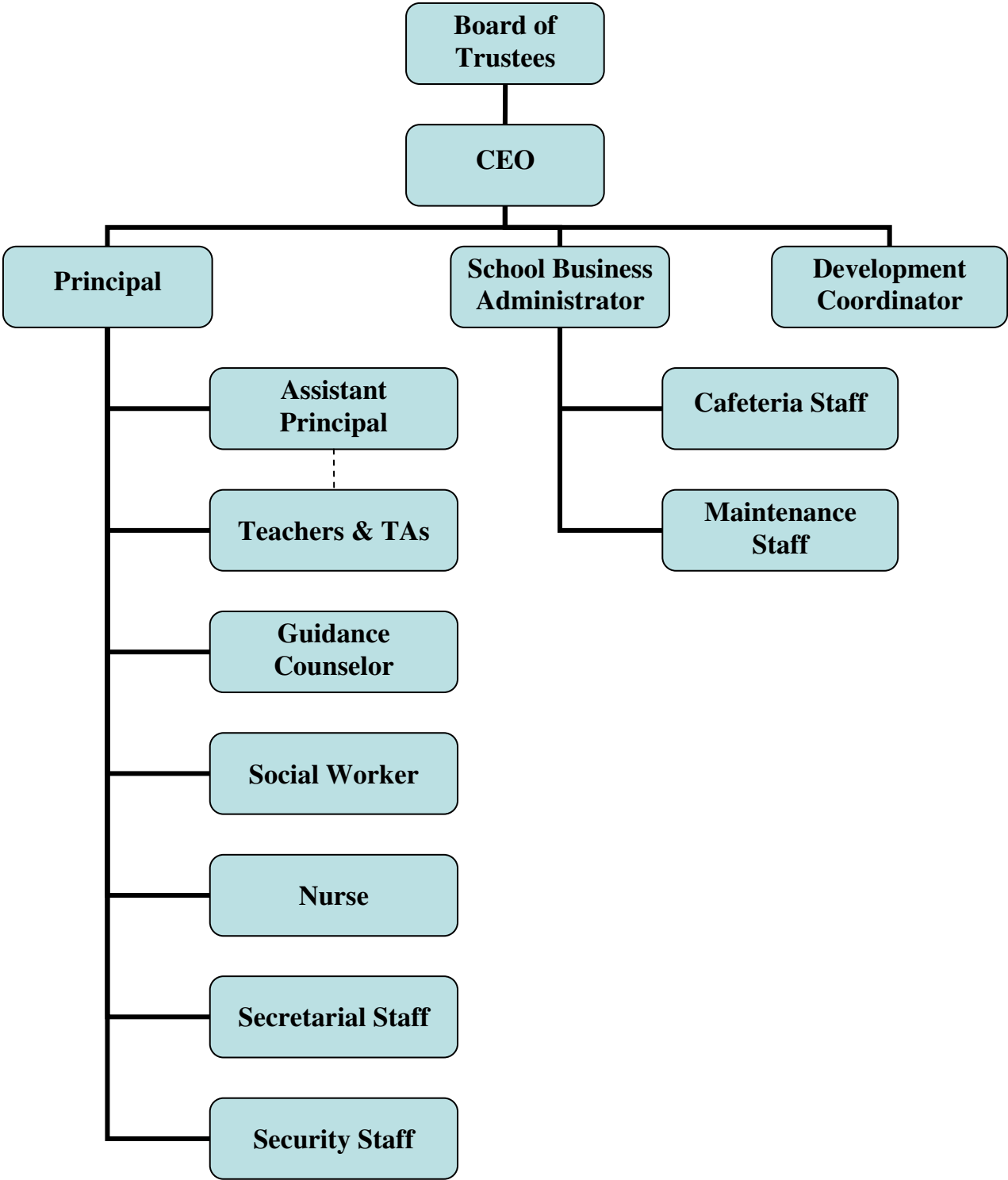
9. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Dr. Lena Edwards Academic Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and, thereby, contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Luis Santiago", written in a cursive style.

Luis Santiago, Business Administrator

Dr. Lena Edwards Academic Charter School Organization Chart



DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

**Roster of Officials
June 30, 2016**

MEMBERS OF THE BOARD OF TRUSTEES

Andrew Nyaboga	Board President
Joseph DiFeo	Vice President
Phyllis Fasone	Treasurer
W. Nevins McCann	Member
Ellen Zadroga	Member
John Seazholtz	Member
Richard Irving	Member
Patricia Madison	Member
Yvel Celestin	Member
Eugene Squeo	Member

SCHOOL OFFICIALS

Christopher Garlin	Chief School Administrator
Luis Santiago	School Business Administrator

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

CONSULTANTS AND ADVISORS

Audit Firm

Sobel & Co. LLC
Certified Public Accountants and Consultants
293 Eisenhower Parkway, Suite 290
Livingston, NJ 07039

Attorney

Connell Foley
Harborside Financial Center
Jersey City, NJ 07311-4029

Official Depository

Provident Financial Services, Inc.
239 Washington Street
Jersey City, NJ 07302

Financial Section

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and business-type activities; the aggregate, discretely presented, component units; each major fund; and the aggregate, remaining fund information of Dr. Lena Edwards Academic Charter School ("Charter School"), in the county of Hudson, state of New Jersey, as of June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 Office of School Finance, Department of Education, and state of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities; business-type activities; the aggregate, discretely presented, component units; each major fund; and the aggregate, remaining fund information of Dr. Lena Edwards Academic Charter School, in the county of Hudson, state of New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 13-22) and Budgetary Comparison Schedule on (pages 67-70) 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 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 State of America, which consist of inquiries of management about the method 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 an assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, other supplementary information, such as the combining and individual fund financial statements, and statistical tables are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey Office of Management and Budget Circular Letter 15-08, and are not required parts of the basic financial statements.

The combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived, from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 23, 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, 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* and in considering the Charter School's internal control over financial reporting and compliance.



Bridget Hartnett, CPA
Public School Accountant
License No. 20CS00243300



SOBEL & CO. LLC
Certified Public Accountants

Livingston, New Jersey
November 23, 2016

Required Supplementary Information Part I

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

The discussion and analysis of Dr. Lena Edwards Academic Charter School's ("Charter School") financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis section is an element of required supplementary information specified in GASB Statement 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

Financial Highlights

Key financial highlights for 2015-2016 are as follows:

- General revenues accounted for \$4,725,810 or 86% of all revenues. Program-specific revenues, in the form of charges for services, operating grants and contributions, accounted for \$745,936 or 11% of total revenues of \$5,471,746.
- The Charter School had \$6,058,103 in expenses; \$745,936 of these expenses was offset by program-specific charges for services, grants or contributions. General revenues of \$4,725,810 were not adequate to provide for these programs.
- Among governmental funds, the General Fund had \$4,725,810 in revenues and \$4,874,001 in expenditures. The General Fund's balance totaled \$39,864.
- During the year Charter School's enrollment decreased by 2.9 students, from 386 to 383; however, the weighted enrollment decreased by 7.7 students. This weighted enrollment is based on factors such as grade, special education, free or reduced and/or at risk statuses. The change in enrollment between the actual and weighted is disproportionate due to the transfers of those students who were designated special education and/or at risk. This caused a reduction in state aid of \$103,354 and is reflected in General Fund Net Position of \$39,864.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

Financial Highlights (Continued)

Key financial highlights for 2014-2015 are as follows:

- General revenues accounted for \$4,615,099 or 89% of all revenues. Program-specific revenues, in the form of charges for services, operating grants, and contributions, accounted for \$582,814 or 11% of total revenues of \$5,197,913.
- The Charter School had \$5,429,750 in expenses; \$582,814 of these expenses was offset by program-specific charges for services, grants or contributions. General revenues of \$4,615,099 were not adequate to provide for these programs.
- Among governmental funds, the General Fund had \$4,615,099 in revenues and \$5,087,870 in expenditures. The General Fund's balance totaled \$214,302.

Using this Comprehensive Annual Financial Report ("CAFR")

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Dr. Lena Edwards Academic Charter School as a financial whole--an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and the statement of activities provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other nonmajor funds presented in total in one column. In the case of Dr. Lena Edwards Academic Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position and Statement of Activities

While this document contains a large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015-2016?"

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

Reporting the Charter School as a Whole (Continued)

Statement of Net Position and Statement of Activities (Continued)

Both the statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Nonfinancial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the statement of net position and the statement of activities, the Charter School is divided into two kinds of activities:

- Governmental activities - All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- Business-type activities - This service is provided on a charge-for-goods-or-services basis to recover all the expenses of the goods or services provided. The Food Service Enterprise Fund and the Aftercare Program are reported as business activities.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and the Special Revenue Fund.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

Reporting the Charter School's Most Significant Funds (Continued)

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows in to and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed, short-term view of the Charter School's general governmental operations and the basic services it provides. Governmental funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Food Service Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

The Charter School as a Whole

Recall that the statement of net position provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of the governmental financial position.

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

The Charter School's combined net deficit was \$604,059 on June 30, 2016.

The Charter School's combined net deficit was \$17,702 on June 30, 2015.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

The Charter School as a Whole (Continued)

Governmental Activities – Revenues

The Charter School's total revenues generated from governmental activities were \$5,159,589 and \$4,986,701 for the year ended June 30, 2016 and June 30, 2015, respectively.

The total cost of all programs and services was \$5,719,699 and \$5,459,473 for 2016 and 2015, respectively. Instruction costs comprised 45% and 44% of the Charter School's expenses in 2016 and 2015, respectively.

Business-type Activities

Revenues for the Charter School's business-type activities, Food Service Enterprise Fund and Aftercare Program, were comprised of charges for services, and federal and state reimbursements.

- Food service expenses exceeded revenue by \$43,287 for 2016.
- Charges for food service represent \$5,924 of revenue for 2016. This represents amounts paid by student families for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfasts, were \$248,802 for 2016.
- Aftercare revenue exceeded expenses by \$17,040 for 2016.

Prior Year:

- Food service expenses exceeded revenue by \$87,741 for 2015.
- Charges for food service represent \$4,191 of revenue for 2015. This represents amounts paid by student families for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfasts, were \$196,436 for 2015.
- Aftercare expenses exceeded revenue by \$64,536 for 2015.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
 JERSEY CITY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR FISCAL YEAR ENDED JUNE 30, 2016
 UNAUDITED
 (CONTINUED)**

The Charter School as a Whole (Continued)

Governmental Activities – Expenses

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 interaction 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 instructional and noninstructional equipment purchases, net of depreciation expense.

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. Total revenues amounted to \$5,159,589 and expenditures were \$5,307,780 for 2016.

The Charter School's Funds

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 year ended June 30, 2016.

<u>REVENUE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Local sources	\$ 1,195,204	23.2%
State sources	3,530,606	68.4%
Federal sources	433,799	8.4%
Total	<u>\$ 5,159,589</u>	<u>100.0%</u>

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
 JERSEY CITY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR FISCAL YEAR ENDED JUNE 30, 2016
 UNAUDITED
 (CONTINUED)**

The Charter School's Funds (Continued)

The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2015.

<u>REVENUE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Local sources	\$ 1,174,944	23.6%
State sources	3,440,155	69.0%
Federal sources	<u>371,602</u>	<u>7.4%</u>
Total	<u>\$ 4,986,701</u>	<u>100.0%</u>

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

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Instruction	\$ 2,572,716	45.0%
Administration	1,526,627	26.7%
Support services	1,531,040	26.8%
Capital outlay	<u>89,316</u>	<u>1.5%</u>
Total	<u>\$ 5,719,699</u>	<u>100.0%</u>

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

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Instruction	\$ 2,424,837	44.4%
Administration	1,461,557	26.8%
Support services	1,480,916	27.1%
Capital outlay	<u>92,163</u>	<u>1.7%</u>
Total	<u>\$ 5,459,473</u>	<u>100.0%</u>

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey state 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 in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line-item accounts.

For the Future

The Dr. Lena Edwards Academic Charter School is in stable financial condition.

As we work to strengthen our community ties, the Charter School will continue its mission of assuring educational excellence and character development for all students in grades kindergarten through eight, cultivating both learning and empathy by providing them with a stable, rigorous, unbroken continuum of classical academic instruction and formal character education, resulting in the highest levels of student achievement, ethical behavior, and cultural literacy, delivered within a productive, consistent, and supportive school environment.

In conclusion, Dr. Lena Edwards Academic Charter School has committed itself to continued financial stability and educational excellence.

Contacting the Charter School's Financial Management

This comprehensive annual financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Luis Santiago, School Business Administrator, at Dr. Lena Edwards Academic Charter School, 509 Bramhall Avenue, Jersey City, New Jersey 07304.

Financial Statements

Section A – *Charter School-wide Financial Statements*

Both the statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
Unrestricted	\$ 725,632	\$ 11,553	\$ 737,185
Miscellaneous receivables	-	2,562	2,562
Interfund receivables	30,009	-	30,009
Receivables, net	90,931	25,333	116,264
Capital assets, net	41,500	-	41,500
Total Assets	<u>888,072</u>	<u>39,448</u>	<u>927,520</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences between expected and actual experience	58,784	-	58,784
Change in pension assumptions	264,621	-	264,621
Change in pension proportion	1,494,861	-	1,494,861
Pension payment subsequent to measurement date	108,841	-	108,841
	<u>1,927,107</u>	<u>-</u>	<u>1,927,107</u>
LIABILITIES			
Accounts payable	614,866	19,143	634,009
Interfund payable	197,329	20,305	217,634
Payable to state government	103,354	-	103,354
Net pension liability	2,464,071	-	2,464,071
Total Liabilities	<u>3,379,620</u>	<u>39,448</u>	<u>3,419,068</u>
DEFERRED INFLOWS OF RESOURCES			
Difference in pension earnings	39,618	-	39,618
NET DEFICIT			
Net investment in capital assets	41,500	-	41,500
Unrestricted	(645,559)	-	(645,559)
Total Net Deficit	<u>\$ (604,059)</u>	<u>\$ -</u>	<u>\$ (604,059)</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

A-2

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
Instruction	\$ 1,947,908	\$ 624,808	\$ -	\$ 394,424	\$ -	\$ (2,178,292)	\$ -	\$ (2,178,292)
Administration	1,318,598	208,029	-	-	-	(1,526,627)	-	(1,526,627)
Support services	1,372,247	158,793	-	39,355	-	(1,491,685)	-	(1,491,685)
Capital outlay	89,316	-	-	-	-	(89,316)	-	(89,316)
Total Governmental Activities	<u>4,728,069</u>	<u>991,630</u>	<u>-</u>	<u>433,779</u>	<u>-</u>	<u>(5,285,920)</u>	<u>-</u>	<u>(5,285,920)</u>
Business-type Activities:								
Food service	298,013	-	5,924	248,802	-	-	(43,287)	(43,287)
Aftercare	40,391	-	57,431	-	-	-	17,040	17,040
Total Business-type Activities	<u>338,404</u>	<u>-</u>	<u>63,355</u>	<u>248,802</u>	<u>-</u>	<u>-</u>	<u>(26,247)</u>	<u>(26,247)</u>
Total Primary Activities	<u>\$ 5,066,473</u>	<u>\$ 991,630</u>	<u>\$ 63,355</u>	<u>\$ 682,581</u>	<u>\$ -</u>	<u>(5,285,920)</u>	<u>(26,247)</u>	<u>(5,312,167)</u>
General Revenues:								
Federal and state aid not restricted						4,725,810	-	4,725,810
Transfers						(26,247)	26,247	-
Total General Revenues and Transfers						<u>4,699,563</u>	<u>26,247</u>	<u>4,725,810</u>
Change in Net Deficit						(586,357)	-	(586,357)
Net Deficit - beginning						<u>(17,702)</u>	<u>-</u>	<u>(17,702)</u>
Net Deficit - ending						<u>\$ (604,059)</u>	<u>\$ -</u>	<u>\$ (604,059)</u>

The accompanying notes are an integral part of these financial statements.

Section B – *Fund Financial Statements*

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by type.

Governmental Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING BALANCE SHEET
AS OF JUNE 30, 2016

B-1

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 725,632	\$ -	\$ 725,632
Interfund receivables	30,009	-	30,009
Intergovernmental accounts receivable:			
Federal	-	84,878	84,878
State	6,053	-	6,053
Total Assets	<u>\$ 761,694</u>	<u>\$ 84,878</u>	<u>\$ 846,572</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 422,481	\$ 83,544	\$ 506,025
Interfund payable	195,995	1,334	197,329
Payable to state government	103,354	-	103,354
Total Liabilities	<u>721,830</u>	<u>84,878</u>	<u>806,708</u>
FUND BALANCES:			
Unassigned:			
General fund	39,864	-	39,864
Total Fund Balances	<u>39,864</u>	<u>-</u>	<u>39,864</u>
Total Liabilities and Fund Balances	<u>\$ 761,694</u>	<u>\$ 84,878</u>	<u>\$ 846,572</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING BALANCE SHEET (Continued)
AS OF JUNE 30, 2016

B-1

Total Government Funds Balance (from page 29) \$ 39,864

Amounts reported for *Governmental Activities* in the *Statement of Net Position* (A-1) are different because:

The net pension liability, and associated deferred inflows and outflows of resources of the Charter School relating to its participating in the Public Employees Retirement System are not recognized in the funds using the current financial resources measurement focus, but are recognized in the statement of net position using the economic resources measurement focus. Carrying amounts are as follows:

Deferred outflows of resources:		
Differences between expected and actual experience	58,784	
Change in pension assumptions	264,621	
Change in pension proportion	1,494,861	
Pension payment subsequent to measurement date	108,841	
Accounts payable for pension expense	(108,841)	
Net pension liability	(2,464,071)	
Deferred inflows of resources:		
Difference in pension earnings	(39,618)	(685,423)
Net Assets of Governmental Activities		\$ (645,559)

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

B-2

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local tax levy	\$ 1,147,912	\$ -	\$ 1,147,912
Miscellaneous	47,292	-	47,292
Total Local Sources	1,195,204	-	1,195,204
State sources	3,530,606	-	3,530,606
Federal sources	-	433,779	433,779
 Total Revenues	 4,725,810	 433,779	 5,159,589
EXPENDITURES			
Instruction	1,923,135	394,424	2,317,559
Administration	1,446,603	-	1,446,603
Support services	1,426,838	39,355	1,466,193
Capital outlay	77,425	-	77,425
Total Expenditures	4,874,001	433,779	5,307,780
 OTHER USES			
Transfers out	(26,247)	-	(26,247)
 NET CHANGE IN FUND BALANCES	 (174,438)	 -	 (174,438)
 Fund Balance - July 1	 214,302	 -	 214,302
 Fund Balance - June 30	 \$ 39,864	 \$ -	 \$ 39,864

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL **B-3**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (174,438)

Amounts reported for *Governmental Activities* in the *Statement of Activities* (A-2) are different because:

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

	Depreciation expense	\$ (11,891)	
	Capital outlays	-	(11,891)

Change in Net Position of Governmental Activities \$ (186,329)

Proprietary Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

B-4

	Business-type Activities		
	Enterprise Funds		
	Food Service	Aftercare Program	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 278	\$ 11,275	\$ 11,553
Miscellaneous receivables	-	2,562	2,562
Intergovernmental accounts receivables:			
Federal	16,904	-	16,904
State	8,429	-	8,429
Total Current Assets	25,611	13,837	39,448
Total Assets	\$ 25,611	\$ 13,837	\$ 39,448
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	\$ 19,143	\$ -	\$ 19,143
Interfund payable	6,468	13,837	20,305
Total Current Liabilities	25,611	13,837	20,305
Total Liabilities	25,611	13,837	39,448
NET POSITION:			
Unrestricted	-	-	-
Total Net Position	\$ -	\$ -	\$ -

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

B-5

	Business-type Activities		
	Enterprise Fund		
	Food Service	Aftercare Program	Total
Operating revenues:			
Charges for services	\$ 5,924	\$ 57,431	\$ 63,355
Total Operating Revenues	<u>5,924</u>	<u>57,431</u>	<u>63,355</u>
Operating expenses:			
Cost of sales	213,634	-	213,634
Salaries	69,875	40,391	110,266
General supplies	14,504	-	14,504
Total Operating Expenses	<u>298,013</u>	<u>40,391</u>	<u>338,404</u>
Operating (Loss) Gain	<u>(292,089)</u>	<u>17,040</u>	<u>(275,049)</u>
Nonoperating revenues:			
State sources:			
State school breakfast/lunch program	24,117	-	24,117
Federal sources:			
National school breakfast/lunch program	176,213	-	176,213
Child and Adult Care Food Program	48,472	-	48,472
Total Nonoperating Revenues	<u>248,802</u>	<u>-</u>	<u>248,802</u>
Transfers in	43,287	(17,040)	26,247
Change in net assets	-	-	-
Total Net Position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

B-6

	Business-type Activities		
	Enterprise Fund		
	Food Service	Aftercare Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to employees	\$ (69,875)	\$ (40,391)	\$ (110,266)
Receipts from customers	5,924	57,431	63,355
Receipts from interfund	6,468	13,837	20,305
Payments to suppliers	(250,757)	-	(250,757)
Net Cash (Used for) Provided by Operating Activities	(308,240)	30,877	(277,363)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State sources	16,160	-	16,160
Federal sources	249,071	-	249,071
Transfers from other funds	43,287	(17,040)	26,247
Net Cash Provided by (Used for) Noncapital Financing Activities	308,518	(17,040)	291,478
Net Increase in Cash and Cash Equivalents	278	13,837	14,115
Balances - beginning of year	-	-	-
Balances - end of year	\$ 278	\$ 13,837	\$ 14,115
Reconciliation of Operating (Loss) Gain to Net Cash (Used for) Provided by Operating Activities:			
Operating (loss) gain	\$ (292,089)	\$ 17,040	\$ (275,049)
Adjustment to reconcile operating (loss) gain to net cash (used for) provided by operating activities:			
Accounts payable	(22,619)	-	(22,619)
Interfund payable	6,468	13,837	20,305
Net Cash (Used for) Provided by Operating Activities	\$ (308,240)	\$ 30,877	\$ (277,363)

Fiduciary Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016

B-7

ASSETS

Cash and cash equivalents	\$ 29,770
Interfund receivables	<u>192,207</u>
Total Assets	<u><u>\$ 221,977</u></u>

LIABILITIES

Payroll deductions and withholdings	\$ 216,988
Due from student groups	407
Interfund payables	<u>4,582</u>
Total Liabilities	<u><u>\$ 221,977</u></u>

Notes to Basic Financial Statements

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - REPORTING ENTITY:

Dr. Lena Edwards Academic Charter School (“Charter School”) is a nonprofit corporation organized under the laws of the state of New Jersey, established in 2010, to function as an educational institution. The Charter School operates as a public school under a charter granted by the state of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criteria for including activities within the Charter School’s reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board (“GASB”) Codification of Government Statement 14 (“GASB Statement 14”) entitled *The Financial Reporting Entity*. GASB Statement 14 is codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Charter School include a kindergarten-through grade-8 school located in the city of Jersey City.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Board of Trustees (“Board”) of the Charter School have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted, standard-setting body for establishing governmental accounting and financial reporting principles. GASB’s more significant accounting policies are described below.

Basis of Presentation:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Charter School-wide Statements:

Both 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 overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements:

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The New Jersey Department of Education ("NJDOE") has elected to require New Jersey charter schools to treat each governmental fund as a major fund in accordance with the option noted in GASB Statement 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among charter school financial reporting models.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Charter School reports the following *governmental* funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for equipment and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the NJDOE, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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 New Jersey state aid and appropriated fund balances. Expenditures are those that result in the acquisition of, or additions to, fixed assets for land, existing buildings, improvement of grounds, construction of buildings, additions to, or remodeling of, buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Charter School 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: Not Applicable.

Debt Service Fund: Not Applicable.

Proprietary funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

The Charter School reports the following *proprietary* funds:

Enterprise Fund: The Enterprise Fund accounts for all revenues and expenses pertaining to the Charter School's Food Service operations, as well as the Aftercare Program. This fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis is financed or recovered primarily through user charges.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fiduciary funds are used to account for assets held by the Charter School on behalf of others.

The Charter School reports the following *fiduciary* funds:

Agency Funds: The agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments, or on behalf of other funds within the Charter School. The agency funds included are as follows:

Payroll and Student Activities Funds: These are agency funds used to account for the assets that the Charter School, acting as agent, holds on behalf of others. Agency funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting - Measurement Focus:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School-wide, Proprietary, and Fiduciary Funds Financial Statements:

The Charter School-wide financial statements are prepared using the accrual basis of accounting, as are the Enterprise Fund and the fiduciary funds. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an account receivable. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Measurable means that the amount of the transactions can be determined and available means that the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and the Enterprise Fund of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles, Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgets/Budgetary Control:

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

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which has been adjusted for legally authorized revisions of the annual budget during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and U.S. GAAP 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 fund types. Unencumbered appropriations lapse at fiscal year-end.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgets/Budgetary Control: (Continued)

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the U.S. GAAP-basis of accounting:

Total Revenues and Expenditures (Budgetary Basis)	\$ 433,779
Adjustments:	
Less: Encumbrances at June 30, 2016	-
Plus: Encumbrances at June 30, 2015	<u>-</u>
Total Revenues and Expenditure (U.S. GAAP Basis)	<u>\$ 433,779</u>

Encumbrances Accounting:

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

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year-end.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Interfund Transactions

Transfers between governmental and business-type activities on the Charter School-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the Enterprise Fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Prepaid Expenses:

Prepaid expenses which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as expenditures in the year of purchase.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by charter schools in the state of New Jersey is \$2,000. All reported capital assets, except for land and construction-in-progress, are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
School Buildings	50 years
Building Improvements	20 years
Electrical/Plumbing	30 years
Office and Computer Equipment	5-10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

Pensions:

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 New Jersey Public Employees Retirement System (“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.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The Charter School is reporting three items in this category; Pension-related items, including: change in pension assumptions; change in pension proportion; and the amounts of pension payments made to the Charter School subsequent to the pension measurement date. Deferred outflows for changes in pension assumptions future outflows of resources resulting from changes in actuarial assumptions used in the valuation of the pension liability. Deferred outflows for Subsequent pension payments reflects payments made by the Charter School to the pension system subsequent to the date of the most recent actuarial valuation, which was June 30, 2015. Change in pension proportion represents the unfavorable impact of the incline in the Charter School’s proportionate share of system-wide, net pension liability.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The Charter School is reporting one pension-related item in this category-the difference in pension earnings. This represents the Charter School’s proportionate share of plan earnings in excess of assumed amounts.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Deficit:

Net deficit represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net deficit is reported as restricted when there are limitations imposed on its use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net deficit is available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods.

Revenues - Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. *Available* means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, *available* means within sixty days of the fiscal year-end.

Assets, Liabilities and Equity:

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified-accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified-accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest and tuition.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the Charter School, these revenues are sales in the Enterprise Fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the statement of activities. Employee benefits, including the employer's share of social security, workers' compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the statement of activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the statement of activities. Interest on debt is considered an indirect expense and is reported separately on the statement of activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

The Charter School follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Charter School's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Charter School's policy is to recognize interest and penalties on unrecorded tax benefits in income tax expense. No interest and penalties were recorded during the year ended June 30, 2016. The tax years subject to audit by federal and state jurisdictions are 2013 and forward. At June 30, 2016, there are no significant income tax uncertainties that are expected to have a material impact on the Charter School's financial statements.

Subsequent Events:

The Charter School has evaluated its subsequent events and transactions occurring after June 30, 2016 through November 23, 2016, the date that the financial statements were available to be issued.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less. GASB Statement 3 - *Deposits with Financial Institutions, Investments (including Repurchase Agreements and Reverse Repurchase Agreements)* requires disclosure of the level of custodial credit risk assumed by the Board of Trustees in its cash, cash equivalents and investments.

Deposits:

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey which 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. 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 public funds on deposit.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits: (Continued)

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

Investments:

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any federal intermediate credit bank, federal home loan bank, federal national mortgage agency or of any United States banks for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.

As of June 30, 2016, cash and cash equivalents and investments of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	\$ 725,632	\$ -	\$ 11,553	\$ 29,770	\$ 766,955

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB Statement 31, participating, interest-earning, investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$766,955 and the bank balance was \$813,004. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Risk Category:

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 – Insured or collateralized with securities held by the Board or by its agent in the Board’s name.

Category 2 – Collateralized with securities held by the pledging public depository’s trust department or agent in the Board’s name.

Category 3 – Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board’s name.

As of June 30, 2016, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions as defined by GASB Statement 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund:

All investments in the fund are governed by the regulations of the Investment Council (“Council”), which prescribe specific standards designed to insure the quality of investments and to minimize the risk related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason, a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division of Investments sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2016, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Software	\$ 10,765	\$ -	\$ -	\$ 10,765
Refrigerators	2,387	-	-	2,387
Building improvements	52,400	-	-	52,400
Playground	16,222	-	-	16,222
Radiator	12,704	-	-	12,704
Totals at Historical Cost	<u>94,478</u>	<u>-</u>	<u>-</u>	<u>94,478</u>
Less: Accumulated Depreciation for -				
Software	10,765	-	-	10,765
Refrigerators	398	159	-	557
Building improvements	28,914	10,160	-	39,074
Playground	554	811	-	1,365
Radiator	582	635	-	1,217
Total Accumulated Depreciation	<u>41,213</u>	<u>11,765</u>	<u>-</u>	<u>52,978</u>
Governmental Activity Capital	<u>\$ 53,265</u>	<u>\$ (11,765)</u>	<u>\$ -</u>	<u>\$ 41,500</u>

In January 11, 2001, the New Jersey State Department of Education announced that, effective July 1, 2001, the capitalization threshold used by charter schools in the state of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the state regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS:

Description of Plans:

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

Teachers' Pension and Annuity Fund ("TPAF"):

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

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 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 benefits terms. Investments are reported at fair value.

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

The employer contributions for the Charter 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 nonemployer contributing entity. Since the Charter School 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.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

Teachers' Pension and Annuity Fund ("TPAF"): (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with Charter School. During the fiscal year ended June 30, 2015, the state of New Jersey contributed \$593,722 to TPAF for normal pension benefits on behalf of the Charter School.

For the year ended June 30, 2016, the Charter School recognized a pension expense of \$593,722 and revenue of \$593,722 for support provided by the state. The measurement period for the pension expense and revenue reported in the District's financial statements (A-2) at June 30, 2016, is based upon the changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the state are based upon the change in the collective net pension liability between July 1, 2014 and June 30, 2015.

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 liabilities associated with the Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	June 30, 2014	June 30, 2015
Collective deferred outflows of resources	\$ 2,306,623,861	\$ 7,639,311,575
Collective deferred inflows of resources	\$ 1,763,205,593	\$ 672,332,323
Collective net pension liability (Nonemployer – State of New Jersey)	\$ 53,446,745,367	\$ 63,577,864,440
State's portion of net pension liability that was associated with the Charter School	\$ 295,802	\$ 9,723,750
State's portion of net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.000553%	0.015294%

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

Teachers' Pension and Annuity Fund ("TPAF"): (Continued)

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, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary increases:	Varies based on experience
Investment rate of return:	7.90%

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 for the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement improvements for nondisabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-term Expected Rate of Return:

In accordance with state statute, the long-term expected rate of return on plan investment is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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:

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

Teachers' Pension and Annuity Fund ("TPAF"): (Continued)

Long-term Expected Rate of Return: (Continued)

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%
YS 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 markets equity	6.40%	8.46%
Private real estate property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds—Multistrategy	4.00%	4.59%
Hedge Funds—Equity hedge	4.00%	5.68%
Hedge Funds—Distressed	4.00%	4.30%

Discount rate:

The discount rate used to measure the state's total pension liability was 4.13% as of June 30, 2015. 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% as of June 30, 2015, 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 assumes that contributions 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.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

***Teachers' Pension and Annuity Fund ("TPAF"):* (Continued)**

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

Since the Charter School has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separate issued state of New Jersey Divisions of Pensions and Benefits financial report at <http://www.state.nj.us/treasury/pensions/pdf/financial/gasb68-tpaf16.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-repts-home.shtml>.

Public Employees' Retirement System ("PERS"):

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

Summary of Significant Accounting Policies:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deduction 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 benefit terms. Investments are reported at fair value.

At June 30, 2016, the Charter School reported a liability of \$2,464,071 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.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Summary of Significant Accounting Policies: (Continued)

The total pension liability for the June 30, 2015 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 year ended June 30, 2014. At June 30, 2015, the Charter School's proportion was 0.01098%.

For the year ended June 30, 2016, the Charter School recognized a pension expense of \$494,523. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,784	\$ -
Changes in assumptions	264,621	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 39,618
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	1,494,861	-
Charter School contribution subsequent to the measurement date	108,841	-
Total	<u>\$ 1,927,107</u>	<u>\$ 39,318</u>

\$108,841 reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2016	\$ (15,682)
2017	(15,682)
2018	(15,682)
2019	9,941
2020	4,374
Total	<u>\$ (32,731)</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Summary of Significant Accounting Policies: (Continued)

	June 30, 2014	June 30, 2015
Collective deferred outflows of resources	\$ 952,194,675	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 1,452,705,538	\$ 99,410,455
Collective net pension liability (Nonstate local group)	\$18,722,735,003	\$22,447,996,119
Charter School's portion of net pension liability	\$ 1,719,869	\$ 2,464,071
District's proportion percentage	0.00919%	0.01098%

Actuarial Assumptions:

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

Inflation:	3.04%
Salary increases:	
2012-2021	2.15% - 4.40% based on age
Thereafter	3.15% - 5.40% based on age
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Combined Health 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 valuations 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 consultants 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 target asset allocation as of June 30, 2015, are summarized in the following table:

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Long-term Expected Rate of Return: (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
US treasuries	1.75%	1.64%
Investment grade credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High yield bonds	2.00%	4.03%
Inflated-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 state's total pension liability was 4.90% as of June 30, 2015. 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% as of June 30, 2015, 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 assumes 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 2033. Therefore, the long-term expected rate of return of plan investments was applied to projected benefits payments through 2033, and the municipal bond rate was applied to projections after that date in determining the total pension liability.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - PENSION PLANS: (Continued)

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the Charter’s School 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:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District’s proportionate share of the net pension liability	\$3,062,539	\$2,464,071	\$1,962,320

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-reprts-home.shtml>.

Three-year Trend Information for PERS:

<u>Year Funding</u>	<u>Annual Pension Cost (“APC”)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2016	None	100%	None
6/30/2015	None	100%	None
6/30/2014	None	100%	None

Three-year Trend Information for TPAF (Paid on behalf of the District):

<u>Year Funding</u>	<u>Annual Pension Cost (“APC”)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2016	None	100%	None
6/30/2015	None	100%	None
6/30/2014	None	100%	None

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - ACCOUNTS RECEIVABLE:

Receivables at June 30, 2016, consisted of intergovernmental grants.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental grants is as follows:

Federal and state aid receivables	<u>\$ 116,264</u>
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NOTE 7 - COMMITMENTS AND CONTINGENCIES:

Routine Litigation Matters:

The Charter School is involved with certain claims and other routine litigation matters in the normal course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Charter School's financial position or results of operations.

The Charter School entered into a lease agreement, dated July 1, 2011, with Saint Patrick and Assumption / All Saints Parish. The lease agreement can be renewed every five years and currently expires on June 30, 2020, and has an option to renew from July 1, 2020 to June 30, 2025, at a 5% increase or Consumer Price Index ("CPI"), whichever is greater for the option period. The base rent is in the amount of \$33,333 per month. The rent is triple net with the tenant responsible for heat, light, taxes, water and sewerage, insurance and service contracts for all machinery, boiler, elevator, etc. Rent expense amounted to \$454,494 for the year ended June 30, 2016.

The future minimum lease payments required under the signed leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
<u>June 30:</u>	
2017	\$ 400,000
2018	400,000
2019	400,000
2020	<u>400,000</u>
Total	<u>\$ 1,600,000</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - POST-RETIREMENT BENEFITS:

P.L. 1987, c. 384 and P.L. 1990, c. 6 requires TPAF and PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or who are on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the state contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The state is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer-paid health benefits to members of PERS, and the Alternate Benefit Program, who retired from a board of education of a 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 - RISK MANAGEMENT:

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

Property and Liability Insurance:

The Charter School maintains commercial insurance coverage for property, liability, student accidents, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance:

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 amounts due to the state.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - FUND BALANCE:

General Fund:

Of the \$39,864 General Fund balance in the fund financial statements at June 30, 2016, \$-0- is reserved for capital reserve and \$39,864 is unreserved and undesignated.

Required Supplementary Information Part II

Section C - *Budgetary Comparison Schedule*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

C-1

	Original Budget	New Appropriations/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local tax levy	\$ 1,074,807	\$ 73,105	\$ 1,147,912	\$ 1,147,912	\$ -
Miscellaneous	-	23,148	23,148	47,292	24,144
Total Local Sources	<u>1,074,807</u>	<u>96,253</u>	<u>1,171,060</u>	<u>1,195,204</u>	<u>24,144</u>
State Sources:					
Equalization aid	2,896,694	197,021	3,093,715	3,093,715	-
Special education categorical aid	96,796	50,231	147,027	147,027	-
Security aid	171,483	1,008	172,491	172,491	-
Reimbursed TPAF social security contributions (nonbudgeted)	-	-	-	117,373	117,373
Total State Sources	<u>3,164,973</u>	<u>248,260</u>	<u>3,413,233</u>	<u>3,530,606</u>	<u>117,373</u>
Total Revenues	<u>4,239,780</u>	<u>344,513</u>	<u>4,584,293</u>	<u>4,725,810</u>	<u>141,517</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	1,863,500	(114,753)	1,748,747	1,748,001	746
Purchased technical services	75,000	(62,176)	12,824	12,280	544
General supplies	24,000	4,830	28,830	28,830	-
Textbooks	24,000	45,073	69,073	69,073	-
Miscellaneous expense	35,000	30,751	65,751	64,951	800
Total Instruction	<u>2,021,500</u>	<u>(96,275)</u>	<u>1,925,225</u>	<u>1,923,135</u>	<u>2,090</u>
Administration:					
Salaries - general administration	395,000	49,000	444,000	443,936	64
Salaries of secretarial/clerical assessments	114,000	(8,800)	105,200	105,144	56
Purchased professional-educational services	30,000	176,382	206,382	206,357	25
Communications/Telephone	6,500	12,058	18,558	18,366	192
Other purchased services (400-500 series)	26,303	33,520	59,823	59,712	111
Supplies and materials	10,000	3,460	13,460	13,443	17
Miscellaneous	6,000	13,997	19,997	19,934	63
Total Benefit Costs	412,250	167,743	579,993	579,711	282
Total Administration	<u>1,000,053</u>	<u>447,360</u>	<u>1,447,413</u>	<u>1,446,603</u>	<u>810</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

C-1

	Original Budget	New Appropriations/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Support Services:					
Salaries	454,125	(9,244)	444,881	444,250	631
Purchased professional/technical services	24,000	128,971	152,971	152,909	62
Other purchased services (400-500 series)	24,000	12,793	36,793	36,683	110
Rental of land and buildings	452,336	2,158	454,494	454,494	-
Insurance for property, liability and fidelity	45,000	63,316	108,316	108,157	159
Supplies and materials	28,000	12,765	40,765	40,690	75
Energy costs (heat and electricity)	84,000	(17,428)	66,572	66,017	555
Miscellaneous expense	-	6,293	6,293	6,265	28
Total Support Services	<u>1,111,461</u>	<u>199,624</u>	<u>1,311,085</u>	<u>1,309,465</u>	<u>1,620</u>
Reimbursed TPAF social security contributions (nonbudgeted)	-	-	-	117,373	(117,373)
Total On-behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,373</u>	<u>(117,373)</u>
Total	<u>1,111,461</u>	<u>199,624</u>	<u>1,311,085</u>	<u>1,426,838</u>	<u>(115,753)</u>
Capital Outlay:					
Instructional equipment	50,000	27,448	77,448	77,425	23
Noninstructional equipment	-	-	-	-	-
Total Capital Outlay	<u>50,000</u>	<u>27,448</u>	<u>77,448</u>	<u>77,425</u>	<u>23</u>
Total Expenditures	<u>4,183,014</u>	<u>578,157</u>	<u>4,761,171</u>	<u>4,874,001</u>	<u>(112,830)</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>56,766</u>	<u>(233,644)</u>	<u>(176,878)</u>	<u>(148,191)</u>	<u>254,347</u>
Other (Uses) Financing:					
Operating transfer out:					
Transfer to food service fund	-	-	-	(43,287)	43,287
Transfer to aftercare fund	-	-	-	17,040	(17,040)
Other (Uses) Financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,247)</u>	<u>26,247</u>
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>56,766</u>	<u>(233,644)</u>	<u>(176,878)</u>	<u>(174,438)</u>	<u>280,594</u>
	<u>56,766</u>	<u>(233,644)</u>	<u>(176,878)</u>	<u>(174,438)</u>	<u>280,594</u>
FUND BALANCE JULY 1	<u>145,604</u>	<u>(1,618,148)</u>	<u>(1,472,544)</u>	<u>214,302</u>	<u>(80,833)</u>
FUND BALANCE JUNE 30	<u>\$ 202,370</u>	<u>\$ (1,851,792)</u>	<u>\$ (1,649,422)</u>	<u>\$ 39,864</u>	<u>\$ 199,761</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	<u>\$ 202,370</u>	<u>\$ (1,851,792)</u>	<u>\$ (1,649,422)</u>	<u>\$ 39,864</u>	<u>\$ 199,761</u>
Total	<u>\$ 202,370</u>	<u>\$ (1,851,792)</u>	<u>\$ (1,649,422)</u>	<u>\$ 39,864</u>	<u>\$ 199,761</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

C-2

	Original Budget	New Appropriations/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Federal	\$ 403,954	\$ 29,825	\$ 433,779	\$ 433,779	\$ -
Total - Federal Sources	<u>403,954</u>	<u>29,825</u>	<u>433,779</u>	<u>433,779</u>	<u>-</u>
TOTAL REVENUES	<u>403,954</u>	<u>29,825</u>	<u>433,779</u>	<u>433,779</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries	332,484	(114,797)	217,687	217,687	-
General supplies	3,430	78,504	81,934	81,934	-
Purchased services	20,066	74,737	94,803	94,803	-
Total Instruction	<u>355,980</u>	<u>38,444</u>	<u>394,424</u>	<u>394,424</u>	<u>-</u>
Support Services:					
Personal services - employee benefits	47,974	(8,619)	39,355	39,355	-
Total Support Services	<u>47,974</u>	<u>(8,619)</u>	<u>39,355</u>	<u>39,355</u>	<u>-</u>
Capital Outlay:					
Instructional equipment	-	-	-	-	-
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>403,954</u>	<u>29,825</u>	<u>433,779</u>	<u>433,779</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Required Supplementary Schedule

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
REQUIRED SUPPLEMENTARY SCHEDULE
BUDGET TO U.S. GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

C-3

Note 1 - Explanation of Differences between Budgetary Inflows and Outflows and U.S. GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "total revenue" from the budgetary comparison schedule	[C-1] \$ 4,725,810	[C-2] \$ 433,779
Differences - budget to U.S. GAAP:		
Grant accounting budgetary basis differs from U.S. GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	-	-
State aid payment(s) recognized for budgetary purposes, not recognized for U.S. GAAP statements	-	-
Total revenue as reported on the statement of revenue, expenditures and changes in fund balances - governmental funds	[B-2] <u>\$ 4,725,810</u>	[B-2] <u>\$ 433,779</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	[C-1] \$ 4,874,001	[C-2] \$ 433,779
Differences - budget to U.S. GAAP:		
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	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes		
Net transfers (outflows) to General Fund	<u>(26,247)</u>	<u>-</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2] <u>\$ 4,847,754</u>	[B-2] <u>\$ 433,779</u>

Required Supplementary Information Part III

Section L – *Schedules Related to Accounting and Reporting for Pensions*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM

L-1

	Fiscal Year Ended June 30,	
	2015	2014
Charter School's proportion of the Net Pension Liability	0.0109767953%	0.0091859928%
Charter School's proportionate share of the Net Pension Liability	\$ 2,464,071	\$ 1,719,869
Charter School's Covered-employee Payroll	\$ 1,410,648	\$ 1,347,845
Charter School's proportionate share of the Net Pension Liability as a percentage of the Covered-employee Payroll	174.68%	127.60%

** Amounts presented for each fiscal year were determined as of June 30.*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

L-2

	Fiscal Year Ended June 30,	
	2015	2014
Charter School's proportion of the Net Pension Liability	0.015384641%	0.005534517%
Charter School's proportionate share of the Net Pension Liability	\$ 9,723,750	\$ 295,802
Charter School's Covered-employee Payroll	\$ 2,137,932	\$ 1,814,248
Charter School's proportionate share of the Net Pension Liability as a percentage of the Covered-employee Payroll	454.82%	16.30%

** Amounts presented for each fiscal year were determined as of June 30.*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND

L-3

	Fiscal Year Ended June 30,	
	2015	2014
Contractually required contribution	\$ 82,681	\$ 2,351
Contribution in relation to contractually required contribution	(82,681)	(2,351)
Contribution deficiency (excess)	-	-
Charter School's proportionate share of the Covered-employee Payroll	\$ 2,137,932	\$ 1,814,248
Contributions as a percentage of the Covered-employee Payroll	0.038673354	0.001295854

Other Supplementary Information

Section E - *Special Revenue Fund*

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY BASIS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

E-1

	NCLB Title I Part A	Title II Part A	IDEA Part B	Grand Total
REVENUES:				
Federal sources	\$ 334,758	\$ -	\$ 99,021	\$ 433,779
Total Revenues	334,758	-	99,021	433,779
EXPENDITURES:				
Instruction:				
Salaries of teachers	137,108	-	80,579	217,687
General supplies	81,934	-	-	81,934
Purchased services	94,803	-	-	94,803
Total Instruction	313,845	-	80,579	394,424
Support Services:				
Employee benefits	20,913	-	18,442	39,355
Total Support Services	20,913	-	18,442	39,355
Total Expenditures	334,758	-	99,021	433,779
Total Outflows	334,758	-	99,021	433,779
Deficiency of Revenues Under Expenditures	\$ -	\$ -	\$ -	\$ -

Section F - *Capital Projects Fund*

Section G - *Proprietary Fund*

Proprietary 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's Board is that the costs of providing goods or services be financed through user charges.

Food Service Fund - This fund provides for the operation of food service in the Charter School.

Aftercare Fund - This fund provides the operation of the after-school program in the Charter School.

This section has already been included in schedules B-4, B-5, and B-6.

Section H - *Fiduciary Fund*

Fiduciary funds are used to account for funds received by the Charter School for a specific purpose.

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

Payroll Agency Fund - This agency fund is used to account for payroll deductions and withholdings of the Charter School.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016

H-1

	Agency Fund		
	Payroll Agency	Student Activities	Total
ASSETS			
Cash and cash equivalents	\$ 24,781	\$ 4,989	\$ 29,770
Interfund receivables	192,207	-	192,207
Total Assets	\$ 216,988	\$ 4,989	\$ 221,977
LIABILITIES			
Payroll deductions and withholdings	\$ 216,988	\$ -	\$ 216,988
Due to student groups	-	407	407
Interfund payables	-	4,582	4,582
Total Liabilities	\$ 216,988	\$ 4,989	\$ 221,977

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITIES AGENCY FUND
AS OF JUNE 30, 2016

H-3

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Cash and cash equivalents	\$ 2,430	\$ 10,980	\$ 8,421	\$ 4,989
Total	<u>\$ 2,430</u>	<u>\$ 10,980</u>	<u>\$ 8,421</u>	<u>\$ 4,989</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

H-4

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Cash and cash equivalents	\$ 15,569	\$ 3,002,327	\$ 2,993,115	\$ 24,781
Interfund receivables	7,720	3,186,919	3,002,432	192,207
Total Assets	<u>\$ 23,289</u>	<u>\$ 6,189,246</u>	<u>\$ 5,995,547</u>	<u>\$ 216,988</u>
LIABILITIES				
Payroll deductions and withholdings	\$ 23,289	\$ 6,189,246	\$ 5,995,547	\$ 216,988
Total Liabilities	<u>\$ 23,289</u>	<u>\$ 6,189,246</u>	<u>\$ 5,995,547</u>	<u>\$ 216,988</u>

Statistical Section (Unaudited)

Dr. Lena Edwards Academic Charter School has been in operation for four years. GASB requires that ten years of statistical data be presented. Therefore, only statistical data for four years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.

Introduction to Statistical Section

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Charter School's financial performance and well-being have changed over time.

Revenue Capacity (Not Applicable to Charter School)

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

Debt Capacity (Not Applicable)

These schedules present information to help the reader assess the affordability of the Charter School's current levels of outstanding debt and the Charter School's ability to issue additional debt in the future.

Demographic and Economic Information (Not Applicable)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Charter School's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Charter School's financial report relates to the services the District provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Charter School implemented GASB Statement 34 in the fiscal year ending June 30, 2012; schedules presenting Charter School-wide information include information beginning in that year.*

Financial Trends

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NET POSITION BY COMPONENT

J-1

	Fiscal Year Ended June 30,				
	2016	2015	2014	2013	2012
Governmental Activities:					
Unrestricted	\$ (645,559)	\$ (70,967)	\$ 834,467	\$ 884,764	\$ 825,365
Total Governmental Activities Net Assets	<u>\$ (645,559)</u>	<u>\$ (70,967)</u>	<u>\$ 834,467</u>	<u>\$ 884,764</u>	<u>\$ 825,365</u>
Business-type Activities:					
Unrestricted	\$ -	\$ 34,746	\$ 4,884	\$ -	\$ (111,787)
Total Business-type Activities Net Deficit	<u>\$ -</u>	<u>\$ 34,746</u>	<u>\$ 4,884</u>	<u>\$ -</u>	<u>\$ (111,787)</u>
Charter School-wide:					
Unrestricted	\$ (645,559)	\$ (36,221)	\$ 839,351	\$ 884,764	\$ 713,578
Total Charter School-wide Net Assets	<u>\$ (645,559)</u>	<u>\$ (36,221)</u>	<u>\$ 839,351</u>	<u>\$ 884,764</u>	<u>\$ 713,578</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
CHANGES IN NET POSITION

J-2

	Fiscal Year Ended June 30,				
	2016	2015	2014	2013	2012
Expenses:					
Governmental Activities:					
Instruction	\$ 2,572,716	\$ 2,424,837	\$ 2,729,811	\$ 2,160,995	\$ 1,737,184
Administration	1,526,627	1,461,557	1,227,872	1,326,297	846,697
Support services	1,531,040	1,480,916	1,308,304	1,197,048	915,826
Capital outlay	89,316	62,440	110,505	117,729	14,150
Total Governmental Activities Expenses	<u>5,719,699</u>	<u>5,429,750</u>	<u>5,376,492</u>	<u>4,802,069</u>	<u>3,513,857</u>
Business-type Activities:					
Food service	298,013	288,368	284,774	254,761	247,620
Aftercare	40,391	40,375	54,504	63,406	19,284
Total Business-type Activities Expenses	<u>338,404</u>	<u>328,743</u>	<u>339,278</u>	<u>318,167</u>	<u>266,904</u>
Total Charter School Expenses	<u>\$ 6,058,103</u>	<u>\$ 5,758,493</u>	<u>\$ 5,715,770</u>	<u>\$ 5,120,236</u>	<u>\$ 3,780,761</u>
Program Revenues:					
Governmental Activities:					
Operating grants and contributions	\$ 433,779	\$ 371,602	\$ 713,363	\$ 183,516	\$ 146,399
Total Governmental Activities Program Revenues	<u>433,779</u>	<u>371,602</u>	<u>713,363</u>	<u>183,516</u>	<u>146,399</u>
Business-type Activities:					
Charges for services	63,355	14,776	19,608	6,707	26,977
Operating grants and contributions	248,802	196,436	213,867	199,624	128,140
Total Business-type Activities Program Revenues	<u>312,157</u>	<u>211,212</u>	<u>233,475</u>	<u>206,331</u>	<u>155,117</u>
Total Charter School Program Revenues	<u>\$ 745,936</u>	<u>\$ 582,814</u>	<u>\$ 946,838</u>	<u>\$ 389,847</u>	<u>\$ 301,516</u>
Net Expense:					
Governmental activities	\$ (5,285,920)	\$ (5,058,148)	\$ (4,663,129)	\$ (4,618,553)	\$ (3,367,458)
Business-type activities	(26,247)	(117,531)	(105,803)	(111,836)	(111,787)
Total District-wide Net Expense	<u>\$ (5,312,167)</u>	<u>\$ (5,175,679)</u>	<u>\$ (4,768,932)</u>	<u>\$ (4,730,389)</u>	<u>\$ (3,479,245)</u>
General Revenues and Other Changes in Net Position:					
Governmental Activities:					
Federal and state aid not restricted	\$ 4,725,810	\$ 4,615,099	\$ 4,710,172	\$ 4,938,467	\$ 4,192,823
Total Charter School Net Expense	<u>4,725,810</u>	<u>4,615,099</u>	<u>4,710,172</u>	<u>4,938,467</u>	<u>4,192,823</u>
Total Charter School-wide General Revenues	<u>\$ 4,725,810</u>	<u>\$ 4,615,099</u>	<u>\$ 4,710,172</u>	<u>\$ 4,938,467</u>	<u>\$ 4,192,823</u>
Change in Net Position (Deficit):					
Governmental activities	\$ (560,110)	\$ (443,049)	\$ 47,043	\$ 319,914	\$ 825,365
Business-type activities	(26,247)	(117,531)	(105,803)	(111,836)	(111,787)
Total District Change in Net (Deficit) Position	<u>\$ (586,357)</u>	<u>\$ (560,580)</u>	<u>\$ (58,760)</u>	<u>\$ 208,078</u>	<u>\$ 713,578</u>

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS

J-3

	Fiscal Year Ended June 30,				
	2016	2015	2014	2013	2012
General Fund:					
Unreserved	\$ (645,559)	\$ (70,967)	\$ 834,467	\$ 884,764	\$ 825,365
Total General Fund	\$ (645,559)	\$ (70,967)	\$ 834,467	\$ 884,764	\$ 825,365

Source: Charter School's Records

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

J-4

	Fiscal Year Ended June 30,				
	2016	2015	2014	2013	2012
Revenues:					
Local sources	\$ 1,195,204	\$ 1,174,944	\$ 1,244,648	\$ 1,214,144	\$ 1,798,251
State sources	3,530,606	3,440,155	3,465,524	3,724,323	2,394,572
Federal sources	433,779	371,602	713,363	183,516	146,399
Total Revenues	<u>5,159,589</u>	<u>4,986,701</u>	<u>5,423,535</u>	<u>5,121,983</u>	<u>4,339,222</u>
Expenditures:					
Instruction	2,317,559	2,424,837	2,729,811	2,160,995	1,737,184
Administration	1,446,603	1,461,557	1,227,872	1,313,430	844,903
Support services	1,466,193	1,480,916	1,308,304	1,197,048	915,826
Capital outlay	77,425	92,163	97,158	158,516	24,915
Total Expenditures	<u>5,307,780</u>	<u>5,459,473</u>	<u>5,363,145</u>	<u>4,829,989</u>	<u>3,522,828</u>
(Excess of Expenditures Over Revenues)					
Excess of Revenues Over Expenditures	<u>(148,191)</u>	<u>(472,772)</u>	<u>60,390</u>	<u>291,994</u>	<u>816,394</u>
Other (Uses) Financing:					
Transfers out	<u>(26,247)</u>	<u>(147,393)</u>	<u>(110,687)</u>	<u>(223,624)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (174,438)</u>	<u>\$ (620,165)</u>	<u>\$ (50,297)</u>	<u>\$ 68,370</u>	<u>\$ 816,394</u>

Source: Charter School Records

Operating Information

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FULL-TIME EQUIVALENT
CHARTER SCHOOL EMPLOYEES BY FUNCTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

J-16

<u>Function/Program</u>	2016	2015	2014	2013	2012
Instruction	37	38	39	38	35
Support services	10	13	7	8	8
Administrative	8	7	11	12	7
Total	55	58	57	58	50

Source: Charter School Personnel Records

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
OPERATING STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

J-17

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2016	383	\$ 5,230,355	\$ 13,656	-5%	38	10%	382.47	363.7	4%	95.09%
2015	375	5,367,310	14,313	2%	38	10%	371.81	349.7	1%	94.04%
2014	377	5,265,987	13,968	16%	39	10%	367.80	345.9	-4%	94.05%
2013	387	4,671,473	12,071	28%	38	10%	377.00	358.6	10%	95.12%
2012	370	3,497,913	9,454	N/A	35	9%	349.10	326.0	N/A	93.38%

Sources: Charter School Records

Note: Enrollment based on annual final Charter School count.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

J-18

	2016	2015	2014	2013	2012
<u>Charter School Building</u>					
<u>All Grades - (K-8)</u>					
Main building					
Square feet	33,450	33,450	33,450	33,450	33,450
Capacity (students)	396	396	396	396	396
Enrollment	375	375	377	387	370
<u>Other</u>					
Gymnasium					
Square feet	8,050	8,050	8,050	8,050	8,050
Science lab, music room, office space					
Square feet	3,064	3,064	3,064	-	-

Source: Charter Schools Facilities Office

Note: Enrollment is based on the annual October Charter School count.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Unaudited

J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy Declaration		
New Jersey School Boards Association Insurance Group		
Article I - Property		
Real and Personal Property	\$400,000,000 per occurrence	\$1,000 per occurrence
Extra Expense	\$50,000,000 per occurrence	\$1,000 per occurrence
Valuable Papers and Records	\$10,000,000 per occurrence	\$1,000 per occurrence
Demolition and Increased Cost of Construction	\$25,000,000 per occurrence	
Loss of Rents	Not Covered	
Loss of Business Income/Tuition	\$3,000,000	
Limited Builders Risk	\$5,000,000 per occurrence	
Fire Department Service Charge	\$10,000 per occurrence	
Arson Reward	\$10,000 per occurrence	
Pollutant Cleanup and Removal	\$250,000 per occurrence	
Fine Arts	Not Covered	
Sublimits: Special Flood Hazard		
Area Flood Zones (SFHA)	\$20,000,000 per occurrence	\$500,000 per building \$500,000 per building contents
Accounts Receivable	\$250,000 per occurrence	
All Other Flood Zones	\$75,000,000 per occurrence	
Earthquake	\$50,000,000 per occurrence	
Terrorism	\$1,000,000 per occurrence	
Article II - Electronic Data Processing		
Hardware/Software	\$400,000 per occurrence	
Extra Expense	Included	
Coverage Extension: Transit	\$25,000	
Loss of Income	\$10,000	
Terrorism	Included in Property	
Flood		\$1,000 per occurrence
Flood Deductibles: SFHA		\$500,000 per building contents
All Other Flood Zones		\$10,000 per member/per occurrence

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Unaudited

J-20

	<u>Coverage</u>	<u>Deductible</u>
Article III - Equipment Breakdown		
Combined Single Limit per Accident per Property Damage and Business Income	\$100,000,000	\$1,000 per Accident for Property Damage; 12 Hours for Indirect Coverages; Service Interruption Waiting Period 24 Hours
Sublimits: Property Damage	Included	
Off Premises Property Damage	\$100,000	
Business Income	Included	
Extra Expense	\$10,000,000	
Service Interruption	\$10,000,000	
Perishable Goods	\$500,000	
Data Restoration	\$100,000	
Contingent Business Income	\$100,000	
Demolition	\$1,000,000	
Ordinance or Law	\$1,000,000	
Expediting Expenses	\$500,000	
Hazardous Substances	\$500,000	
Newly Acquired Locations (120 Days Notice)	\$250,000	
Terrorism	Included	
Article IV- Crime		
Public Employee Dishonesty with Faithful Performance	\$500,000	\$1,000
Theft, Disappearance and Destruction, - Loss of Money & Securities On or Off Premises	\$25,000	\$500
Theft, Disappearance and Destruction, - Loss of Money Orders & Counterfeit Paper Currency	\$25,000	\$500
Forgery or Alteration	\$50,000	\$500
Computer Fraud	\$50,000	\$500
Public Officials Bond: Board Secretary	\$135,000	\$1,000
Article V- Comprehensive General Liability		
Bodily Injury and Property Damage	\$10,000,000 per occurrence	
Products and Completed Operations	\$10,000,000 annual aggregate	
Sexual Abuse	\$10,000,000 per occurrence	
	\$17,000,000 annual NJSIG aggregate	
Personal Injury and Advertising Injury	\$10,000,000 per occurrence/annual aggregate	
Employee Benefits Liability	\$10,000,000 per occurrence/annual aggregate	\$1,000 each claim
		\$5,000 limit per person
Premises Medical Payments	\$10,000 each accident	
Terrorism	\$1,000,000 per occurrence/annual NJSIG aggregate	

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Unaudited

J-20

	<u>Coverage</u>	<u>Deductible</u>
Article VI- Automobile		
Liability		
Hired/Non-owned		
Bodily Injury and Property Damage	\$10,000,000 per accident	
Uninsured/Underinsured Motorists - Private Passenger Auto	Not Covered per accident	
Uninsured/Underinsured Motorists - All Other Vehicles	Not Covered Bodily Injury per person	
	Not Covered Bodily Injury per accident	
	Not Covered Property Damage per accident	
Personal Injury Protection (including pedestrians)	Not Covered	
Medical Payments	Not Covered Private Passenger Vehicles	
	Not Covered All Other Vehicles	
Terrorism	\$1,000,000 per occurrence/annual	
	NJSIG aggregate	
Deductible	N/A	
Physical Damage		
Comprehensive	Not Covered	
Collision	Not Covered	
Hired Car Physical Damage \$110,000 Limit	Not Covered	
Replacement Cost	Not Covered	
Garage Keepers	Not Covered	
Workers' Compensation and Employers' Liability Declarations		
New Jersey School Boards Association Insurance Group		
Limit of Liability under Part II, Employer's Liability Agreement		
Bodily Injury by Accident	\$2,000,000 each accident	
Bodily Injury by Disease	\$2,000,000 each employee	
Bodily Injury by Disease	\$2,000,000 each aggregate limit	
School Leaders Errors & Omissions Liability Policy Declarations		
New Jersey School Boards Association Insurance Group		
Coverage A		
Limit of Liability	\$10,000,000 each policy period	\$5,000 each claim
Coverage B		
Limit of Liability	\$100,000 each claim	\$5,000 each claim
	\$300,000 each policy period	

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FINANCIAL PERFORMANCE (Unaudited)
JUNE 30, 2016

J-21

	Year Ended June 30,			3-Year Cumulative
	2016	2015	2014	
Cash and cash equivalents	\$ 737,185	\$ 314,354	\$ 843,765	
Current assets	148,835	89,146	471,677	
Capital assets, net	41,500	53,265	23,542	
Total assets	<u>927,520</u>	<u>456,765</u>	<u>1,338,984</u>	
Current liabilities	<u>3,419,068</u>	<u>2,003,438</u>	<u>476,091</u>	
Total liabilities	<u>3,419,068</u>	<u>2,003,438</u>	<u>476,091</u>	
Net position	<u>\$ (604,059)</u>	<u>\$ (17,702)</u>	<u>\$ 862,893</u>	
Total revenue	\$ 5,471,746	\$ 5,197,913	\$ 5,657,010	
Total expenses	<u>6,058,103</u>	<u>5,793,239</u>	<u>5,715,770</u>	
Change in net (deficit) position	<u>\$ (586,357)</u>	<u>\$ (595,326)</u>	<u>\$ (58,760)</u>	
Depreciation expense	\$ 11,891	\$ 13,203	\$ 12,867	
Final Average Daily Enrollment	375	375	377	
March 30th Budgeted Enrollment	373	373	387	
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>3-Year Cumulative</u>
Near-term Indicators:				
Current ratio	0.26	0.20	2.76	1.07
Unrestricted days cash	44.50	19.85	54.00	39.45
Enrollment variance	101%	101%	97%	99%
Sustainability Indicators:				
Total margin	-10.72%	-11.45%	-1.04%	(0.08)
Debt to asset	3.69	4.39	0.36	2.81
Cash flow	\$ 422,831	\$ (529,411)	\$ (199,888)	\$ (102,156)

Source: Charter School Records

Single Audit Section

K-1

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

To the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, 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 of America, and audit requirements as prescribed by the Office of School Finance, Department of Education, state of New Jersey, the financial statements of government activities and business-type activities, of Dr. Lena Edwards Academic Charter School ("Charter School"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 23, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during 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 the Charter School'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and other matters, and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. This 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 and other matters. Accordingly, this communication is not suitable for any other purpose.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
November 23, 2016

K-2

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

To the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Dr. Lena Edwards Academic Charter School ("Charter School"), in the county of Hudson, state of New Jersey in compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 *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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for 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; 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 OMB Circular Letter 15-08. Those standards, the Uniform Guidance, and New Jersey OMB Circular Letter 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

Opinion on Each Major Federal and State Program

In our opinion, the Charter School complied, in all material respects, with the 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.

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance, that are required to be reported in accordance with the Uniform Guidance and New Jersey OMB Circular Letter 15-08 that are described in the accompanying schedule of findings and questioned costs. Our opinion on the major federal and state program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on major federal and state programs to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a major 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 the Uniform Guidance and New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
November 23, 2016

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

K-3
Schedule A

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	Cash Received	Budgetary Expenditure	Repayment of Prior Years' Balance	Balance at June 30, 2016		
								(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education										
Passed through State										
Department of Education										
Special Revenue Fund:										
Title I										
	84.010A	NCLB752011	\$ 317,686	7/1/2014 - 6/30/2015	\$ 16,331	\$ -	\$ -	\$ -	\$ -	\$ -
	84.010A	NCLB752011	334,758	7/1/2015 - 6/30/2016	249,880	334,758		(84,878)	-	-
I.D.E.A. Part B Basic	84.027	IDEA752011	85,591	7/1/2014 - 6/30/2015	534	-	-	-	-	-
I.D.E.A. Part B Basic	84.027	IDEA752011	99,021	7/1/2015 - 6/30/2016	99,021	99,021		-	-	-
Total Special Revenue Fund					365,766	433,779	-	(84,878)	-	-
U.S. Department of Agriculture										
Passed through State										
Department of Education										
Enterprise Fund:										
School Breakfast Program	10.553	N/A	64,517	7/1/2014 - 6/30/2015	11,892	-	-	-	-	-
School Breakfast Program	10.553	N/A	64,644	7/1/2015 - 6/30/2016	59,960	64,644		(4,684)	-	-
National School Lunch Program	10.555	N/A	121,276	7/1/2014 - 6/30/2015	24,989	-	-	-	-	-
National School Lunch Program	10.555	N/A	135,955	7/1/2015 - 6/30/2016	124,681	135,955		(11,274)	-	-
Child and Adult Care Food Program	10.558	N/A	19,904	7/1/2014 - 6/30/2015	4,409	-	-	-	-	-
Child and Adult Care Food Program	10.558	N/A	25,620	7/1/2015 - 6/30/2016	24,674	25,620		(946)	-	-
Total Enterprise Fund					250,605	226,219	-	(16,904)	-	-
Total Federal Financial Awards					\$ 616,371	\$ 659,998	\$ -	\$ (101,782)	\$ -	\$ -

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

K-4
Schedule B

Federal Grantor/ Pass-through Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Cash Received	Budgetary Expenditure	Repayment of Prior Years' Balance	Balance at June 30, 2016			MEMO Cumulative Total Expenditures
							(Accounts Receivable)	Deferred Revenue	Due to Grantor	
State Department of Education										
General Fund:										
"Local Levy" State Share -										
Charter School Aid	16-495-034-5120-078	\$ 3,093,715	7/1/2015 - 6/30/2016	\$ 3,091,910	\$ 3,175,566	\$ (1,805)	\$ -	\$ -	\$ (81,851)	\$ 3,093,715
Security Aid	16-495-034-5120-084	172,491	7/1/2015 - 6/30/2016	175,424	176,395	2,933	-	-	(3,904)	172,491
Special Education Aid	16-495-034-5120-089	147,027	7/1/2015 - 6/30/2016	148,649	164,626	1,622	-	-	(17,599)	147,027
Reimbursed TPAF - Social Security	15-495-034-5095-002	142,532	7/1/2014 - 6/30/2015	12,434	-	-	-	-	-	-
Reimbursed TPAF - Social Security	16-495-034-5095-002	117,373	7/1/2015 - 6/30/2016	111,320	117,373	-	(6,053)	-	-	117,373
Total General Fund				<u>3,539,737</u>	<u>3,633,960</u>	<u>2,750</u>	<u>(6,053)</u>	<u>-</u>	<u>(103,354)</u>	<u>3,530,606</u>
State Department of Agriculture										
Enterprise Fund:										
National School Lunch Program										
(State Share)	14-100-010-3350-023	2,429	7/1/2014 - 6/30/2015	472	-	-	-	-	-	2,392
(State Share)	15-100-010-3350-023	2,677	7/1/2015 - 6/30/2016	2,765	2,971	-	(206)	-	-	2,971
Fresh Fruit & Vegetable Program	080-06064	18,649	7/1/2015 - 6/30/2016	10,425	18,649	-	(8,224)	-	-	18,649
Total Enterprise Fund				<u>13,662</u>	<u>21,620</u>	<u>-</u>	<u>(8,430)</u>	<u>-</u>	<u>-</u>	<u>24,012</u>
Total State Financial Assistance				<u>\$ 3,553,399</u>	<u>\$ 3,655,580</u>	<u>\$ 2,750</u>	<u>\$ (14,483)</u>	<u>\$ -</u>	<u>\$ (103,354)</u>	<u>\$ 3,554,618</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1 - GENERAL:

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Dr. Lena Edwards Academic Charter School. The Board of Trustees ("Board") 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, is included on the schedules 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 budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in these schedules may differ. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS:

The basic financial statements present the general fund and special revenue fund on a U.S. GAAP basis. Budgetary comparison statements or schedules are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas, for U.S. GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB Statement 34).

The general fund is presented in the accompanying schedules on the modified-accrual basis. The special revenue fund is presented in the accompanying schedules on the grant-accounting-budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the U.S. GAAP basis does not.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (Continued)
JUNE 30, 2016

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS: (Continued)

The net adjustment to reconcile from the budgetary basis to U.S. GAAP basis is \$26,247 for the general fund and none for the special revenue fund. See Note 1 of the Notes to Required Supplementary Schedule for a reconciliation of the budgetary basis to the U.S. GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a U.S. GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$3,539,737	\$3,539,737
Special Revenue Fund	365,766	-	365,766
Proprietary Fund	250,605	13,662	264,267
Total Awards and Financial Assistance	<u>\$ 616,371</u>	<u>\$3,553,399</u>	<u>\$4,169,770</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 - FEDERAL AND STATE LOAN OUTSTANDING:

Dr. Lena Edwards Academic Charter School has no loan balances outstanding at June 30, 2016.

NOTE 6 - OTHER:

Revenues and expenditures reported under the Food Distribution Program represent current-year value received and current-year distributions, respectively. TPAF Social Security contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (Continued)
JUNE 30, 2016

NOTE 7 - SUBRECIPIENTS:

During the year ended June 30, 2016, the Charter School did not provide any funds relating to their federal or state programs to subrecipients.

NOTE 8 - INDIRECT COSTS:

The Charter School did not elect to use the de minimis cost rate when allocating indirect costs to federal or state programs.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the basic financial statements of Dr. Lena Edwards Academic Charter School was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards and State Financial Assistance

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

The auditors' report issued on compliance for major programs was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and NJ OMB Circular Letter 15-08

Yes No

The following state program was designated as a major program:

<u>Grant Number</u>	<u>Name of Federal or State Program</u>
16-495-034-5120-078	State Department of Education General Fund: "Local Levy" – State Share – Charter School Aid

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

I. Summary of Auditors' Results (Continued)

Federal Awards and State Financial Assistance (Continued)

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

Auditee qualified as a low-risk auditee? X Yes No

II. Financial Statement Findings

NONE

III. Compliance Findings

NONE

IV. Follow-up of Prior-year Audit Findings

NONE

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Status of Prior-year Audit Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular Letter 15-08.

Findings:

There were no matters reported.