

HOPE COMMUNITY CHARTER SCHOOL

Camden, New Jersey
County of Camden

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

HOPE COMMUNITY CHARTER SCHOOL

CAMDEN, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

**Hope Community Charter School
Business Administrator's Office**

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INTRODUCTORY SECTION

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HOPE COMMUNITY CHARTER SCHOOL • CAMDEN, NJ

November 26, 2016

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
County of Camden
Camden, New Jersey 08103

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor’s report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Uniform Guidance and New Jersey OMB’s Circular 15-08. Information related to this single audit, including the auditor’s report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

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

School Description

Startup: The Charter School began operations in the 2013-2014 school year with students enrolled in kindergarten and first grade. In the 2014-2015 school year the Charter School expanded to include grades Kindergarten through second grade. In 2015-2016 school year the Charter School expanded to include grades Kindergarten through third grade.

REPORTING ENTITY AND ITS SERVICES (continued):

Address: The Charter School is located at 832 South 4th Street, Camden, NJ 08103.

Facility: The Charter School is located in the building that previously housed the San Miguel Catholic School.

Number of Students, Grades and Classes: The Charter School was authorized a maximum enrollment of 205 students in 2015-2016 in Kindergarten through 3rd grade. The enrollment at the beginning of the school year was 181 students. At the end of the year, the enrollment was 192 students.

Class Size: Class size is approximately 20 students per class.

Employees: The Charter School employs an Executive Director, Nurse, twenty-five full-time teachers, three instructional aides, and two secretaries.

Defining Attributes: Hope Community Charter School’s mission is to provide a safe, caring, literacy rich learning environment that guides and inspires students in building a solid academic foundation. Literacy will be the path to a solid academic foundation by developing, in each student, a highly literate and effective communicator who is a self-reflective, responsible decision-maker.

REVIEW OF SCHOOL GOVERNANCE & MANAGEMENT ACCOMPLISHMENTS

Board of Trustees

Major Accomplishments

The Board and Charter School leadership devoted much time and effort to successfully open the Charter School for its first year of operations.

The Board is currently searching for two members to be at full strength with seven voting members and two ex-officio non-voting members.

Board Members

The Charter School is governed by the Board, which includes community members and parents. In compliance with the Board’s bylaws (the bylaws state that the number of Trustees may never be less than three); there are currently nine members on the Board, including one parent member and the following ex-officio non-voting members:

- School Leader
- Board Secretary

The following chart identifies the 2015-2016 Board members as of June 30, 2016 along with their role, affiliation and voting status

REVIEW OF SCHOOL GOVERNANCE & MANAGEMENT ACCOMPLISHMENTS (continued)

| | | | |
|--------------------|--------------------|------------------|------------|
| Yolette Ross | President | Community Member | Voting |
| Robert Delengowski | Vice-President | Community Member | Voting |
| Stephen Gilmartin | Secretary | Community Member | Non-Voting |
| Christian Galietta | Member | Community Member | Voting |
| Robin Ruiz | Executive Director | School Leader | Non-Voting |

Board Training

At this time, all Board members have attended NJ School Boards Association training.

Anticipated Issues:

Maintaining adequate enrollment and improving test scores.

INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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 Board. Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

ACCOUNTING SYSTEM AND REPORT

The Charter School's accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in Note 1 to the financial statements.

FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenue of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2016:

| | Revenue | Percentage of Total | (Decrease)/ Increase From 2015 | Percentage Decrease/ Increase |
|-----------------|---------------------|--------------------------------|---|--|
| Local Sources | \$ 106,888 | 3.70% | \$ 8,531 | 84.53% |
| State Sources | 2,344,174 | 83.66% | 50,674 | 72.14% |
| Federal Sources | 438,730 | 15.18% | 89,104 | 20.73% |
| Total | <u>\$ 2,889,792</u> | <u>102.54%</u> | <u>\$ 148,309</u> | |

The following schedule presents a summary of the expenditures of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2016.

| | Expenditure | Percentage of Total | (Decrease)/ Increase From 2015 | Percentage Decrease/ Increase |
|--|---------------------|--------------------------------|---|--|
| Current Expenditures: | | | | |
| Instruction | \$ 1,067,218 | 35.66% | \$ 363,925 | 51.75% |
| Support Services & Undistributed Costs | 1,143,246 | 38.20% | (69,063) | -5.70% |
| Special Revenue: | | | | |
| Instruction & Support Support Services & Undistributed Costs | 438,730 | 14.66% | 222,396 | 102.80% |
| Capital Outlay | 341,524 | 11.41% | 208,232 | 156.22% |
| | 1,955 | 0.07% | (20,647) | -91.35% |
| Total | <u>\$ 2,992,673</u> | <u>100.00%</u> | <u>\$ 704,843</u> | |

CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by State Statute as detailed in Note 2 to the financial statements. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

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

OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, P. C., was selected by the Board's audit committee. 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’s Circular 15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Board for their concern in providing fiscal accountability to the citizens and taxpayers of Camden 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 administrative staff.

Respectfully submitted,



Stephen J. Gilmartin
School Business Administrator/Board Secretary

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HOPE COMMUNITY CHARTER SCHOOL
836 South 4th Street
Camden, New Jersey 08103

ROSTER OF OFFICIALS

JUNE 30, 2016

MEMBERS OF THE BOARD OF TRUSTEES

TERM EXPIRES

| | | |
|--------------------|------------------|------|
| Yollette Ross | Board Chair | 2017 |
| Robert Delengowski | Board Vice Chair | 2017 |
| Christian Galietta | Trustee | 2017 |

OTHER OFFICIALS

Steven Gilmartin- Board Secretary

Robin Ruiz- Executive Director

Patricia Johnson- Treasurer

HOPE COMMUNITY CHARTER SCHOOL

836 South 4th Street
Camden, New Jersey 08103

CONSULTANTS AND ADVISORS

ATTORNEY

Madden & Madden
108 Kings Highway East
Haddonfield, New Jersey 08033

AUDIT FIRM

Kevin Frenia, CPA, PSA
Holman Frenia Allison, P. C.
618 Stokes Road
Medford, New Jersey 08055

OFFICIAL DEPOSITORY

BB&T Bank
Camden, NJ

INSURANCE

G.R. Murray Insurance
Princeton, NJ

FINANCIAL SECTION

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

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912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800

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795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090

926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090

www.hfacpas.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
Camden, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hope Community Charter School, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hope Community Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are also not a required part of the basic financial statements.

The accompanying combining statements and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 accompanying

combining statements and Schedule 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 section and statistical section listed in the table of contents 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 Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2016 on our consideration of the Hope Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope Community Charter School's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1101

Medford, New Jersey
November 26, 2016

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

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**HOPE COMMUNITY CHARTER SCHOOL
(COUNTY OF CAMDEN)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

UNAUDITED

Introduction

The Board of Trustees at Hope Community Charter School (the "Charter School") offers readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the year ended June 30, 2016. We encourage readers to consider the information presented herein in conjunction with the Charter School's financial statements.

Financial Highlights

- In the third year of operation, the Charter School's net position decreased by \$102,881 for the year ended June 30, 2016.
- General revenues accounts for \$2,357,684 or 82% of total revenues of \$2,889,792 for the year ended June 30, 2016. Program specific revenues, in the form of charges for services, grants and contributions, accounted for \$532,108 or 18%, of total revenues for the year ended June 30, 2016.
- The Charter School's cash balance at June 30, 2016, was \$493,619.
- The Charter School's General Fund reported an unassigned fund balance of \$484,581 at June 30, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basis financial statements. The Charter School's basic financial statements as presented comprise of five components: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) the notes to the financial statements, (4) required supplementary schedules and, (5) State of New Jersey single audit.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Charter School's finance in a manner similar to a private-sector business.

The statement of net position presents information on all of the Charter School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The statement of activities presents information showing how the Charter School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. expenditures accrued in one fiscal year but paid in subsequent years, and depreciation).

The government-wide financial statements report on the function of the Charter School that is principally supported by subsidies from school districts whose constituents attend the Charter School. The Charter School's function is to provide an alternative education opportunity.

Governmental Fund

The focus of the Charter School's governmental fund (the general fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The Charter School's government fund (the general fund) reporting and ended fund balance of \$585,245 at June 30, 2016.

Fund Financial Statements

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Charter School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has four fund types, the governmental general fund, the special revenue fund, the proprietary fund, and the fiduciary agency fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

The governmental fund budgetary comparison schedules are presented for purposes of additional analysis and are prepared using a non-GAAP basis for state reporting requirements.

New Jersey Audit Requirements

The schedules of state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey OMB's Circular 15-08.

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which requires a comparative analysis of current and prior balances.

Table 1 provides a summary of the Charter School's net position for fiscal year 2016. A detailed analysis can be found in Exhibit A-1.

Table 1 - Net Position

| ASSETS | GOVERNMENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTALS JUNE 30, 2016 |
|--|----------------------------|---------------------------------|----------------------------|
| Current Assets: | | | |
| Cash | \$ 493,619 | \$ - | \$493,619 |
| Internal Balances | (185) | 185 | - |
| Receivables, Net | 224,825 | 21,204 | 246,029 |
| | <hr/> | <hr/> | <hr/> |
| Total Current Assets | 718,259 | 21,389 | 739,648 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | 718,259 | 21,389 | 739,648 |
| | <hr/> | <hr/> | <hr/> |
| LIABILITIES | | | |
| Cash Deficit | | | |
| Accounts Payable & Accrued Expenses | - | 9,038 | 9,038 |
| 117,479 | 117,479 | - | 117,479 |
| Unearned Revenue | 15,535 | - | 15,535 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 133,014 | 9,038 | 142,052 |
| | <hr/> | <hr/> | <hr/> |
| NET POSITION | | | |
| Restricted for: | | | |
| Charter School Escrow Reserve | 75,000 | - | 75,000 |
| Assigned for: | | | |
| Other Purposes | 24,999 | - | 24,999 |
| Unrestricted | 485,246 | 12,351 | 497,597 |
| | <hr/> | <hr/> | <hr/> |
| Total Net Position | \$ 585,245 | \$ 12,351 | \$597,596 |
| | <hr/> | <hr/> | <hr/> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$585,245 as of June 30, 2016.

The Charter School's revenues are predominately received from the State of New Jersey based on student enrollment. For the year ended June 30, 2016, the Charter School's expenditures \$2,992,673 exceeded its expenditures \$2,889,792 by \$102,881.

Table 2 provides a summary of revenues and expenses for the Charter School's governmental and business type activities and the change in net position from the current and prior year.

Table 2 - Changes in Net Position

| | Governmental Activities | Business-Type Activities | 2016 Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ - | \$ - | \$ - |
| Operating Grants & Contributions | 532,108 | 114,928 | 647,036 |
| General Revenues: | | | |
| Property Taxes | 79,186 | - | 79,186 |
| Federal & State Aid | 2,250,796 | - | 2,250,796 |
| Miscellaneous | 27,702 | - | 27,702 |
| Total Revenues | <u>2,889,792</u> | <u>114,928</u> | <u>3,004,720</u> |
| Program Expenses: | | | |
| Instruction | 1,400,792 | - | 1,400,792 |
| Support Services & Undistributed Costs | 1,589,926 | - | 1,589,926 |
| Capital Outlay | 1,955 | - | 1,955 |
| Food Service | - | 117,645 | 117,645 |
| Total Expenditures | <u>2,992,673</u> | <u>117,645</u> | <u>3,110,318</u> |
| Change in Net Position | (102,881) | (2,717) | (105,598) |
| Net Position- Beginning | <u>688,126</u> | <u>15,068</u> | <u>703,194</u> |
| Net Position-Ending | <u>\$ 585,245</u> | <u>\$ 12,351</u> | <u>\$ 597,596</u> |

| | Governmental Activities | Business-Type Activities | 2015 Total |
|-------------------------------------|------------------------------------|-------------------------------------|-----------------------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ - | \$ 5,761 | \$ 5,761 |
| Operating Grants & Contributions | 410,766 | 122,694 | 533,460 |
| General Revenues: | | | |
| Property Taxes | 72,474 | - | 72,474 |
| Federal & State Aid | 2,232,360 | - | 2,232,360 |
| Miscellaneous | 25,883 | - | 25,883 |
| Total Revenues | <u>2,741,483</u> | <u>128,455</u> | <u>2,869,938</u> |

Table 2 - Changes in Net Position (continued):

| | Governmental Activities | Business-Type Activities | 2015 Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| Program Expenses: | | | |
| Instruction | 919,627 | - | 919,627 |
| Support Services & Undistributed Costs | 1,345,601 | - | 1,345,601 |
| Capital Outlay | 22,602 | - | 22,602 |
| Food Service | - | 113,893 | 113,893 |
| | | | |
| Total Expenditures | 2,287,830 | 113,893 | 2,401,723 |
| | | | |
| Change in Net Position | 453,653 | 14,562 | 468,215 |
| Net Position- Beginning | 234,473 | 506 | 234,979 |
| | | | |
| Net Position-Ending | \$ 688,126 | \$ 15,068 | \$ 703,194 |
| | | | |

Debt Administration

Long Term Debt

At June 30, 2016, the Charter School had no outstanding long-term debt.

Economic Factors and Next Year’s Budget

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general state fund for 2016-2017. Nothing was done to compromise the quality of the programs in place in the Charter School during the regular instructional day. The budget was prepared to ensure that all students have textbooks, materials, supplies, equipment and programs they need to meet New Jersey’s Core Curriculum Content Standards.

Contact the Charter School’s Financial Management

This financial report is designed to provide interested parties with a general overview of the Charter School’s finances and to reflect the Charter School’s accountability for the funds it receives. Questions about this report or additional financial information needs should be directed to:

HOPE COMMUNITY CHARTER SCHOOL
 836 S. 4th Street
 Camden, New Jersey 08103

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BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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HOPE COMMUNITY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2016

| ASSETS | GOVERNMENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTALS JUNE 30, 2016 |
|-------------------------------------|----------------------------|---------------------------------|----------------------------|
| Current Assets: | | | |
| Cash | \$ 493,619 | \$ - | \$ 493,619 |
| Internal Balances | (185) | 185 | - |
| Receivables, Net | 224,825 | 21,204 | 246,029 |
| Total Current Assets | 718,259 | 21,389 | 739,648 |
| Total Assets | 718,259 | 21,389 | 739,648 |
| LIABILITIES | | | |
| Cash Deficit | - | 9,038 | 9,038 |
| Accounts Payable & Accrued Expenses | 117,479 | - | 117,479 |
| Unearned Revenue | 15,535 | - | 15,535 |
| Total Liabilities | 133,014 | 9,038 | 142,052 |
| NET POSITION | | | |
| Restricted for: | | | |
| Charter School Escrow Reserve | 75,000 | - | 75,000 |
| Assigned for: | | | |
| Other Purposes | 24,999 | - | 24,999 |
| Unrestricted | 485,246 | 12,351 | 497,597 |
| Total Net Position | \$ 585,245 | \$ 12,351 | \$ 597,596 |

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

**HOPE COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | | TOTALS |
|---|------------------|----------------------|----------------------------------|---|--------------------------|--------------------|--------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS & CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | JUNE 30, 2016 | |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 1,400,792 | \$ - | \$ 333,574 | \$ (1,067,218) | \$ - | \$ (1,067,218) | |
| Support Services | 752,617 | - | 105,156 | (647,461) | - | (647,461) | |
| Administration | 495,785 | - | - | (495,785) | - | (495,785) | |
| Unallocated Benefits | 341,524 | - | 93,378 | (248,146) | - | (248,146) | |
| Capital Outlay | 1,955 | - | - | (1,955) | - | (1,955) | |
| Total Governmental Activities | 2,992,673 | - | 532,108 | (2,460,565) | - | (2,460,565) | |
| Business-Type Activities: | | | | | | | |
| Proprietary Funds | 117,645 | - | 114,928 | - | (2,717) | (2,717) | |
| Total Business-Type Activities | 117,645 | - | 114,928 | - | (2,717) | (2,717) | |
| Total Primary Government | 3,110,318 | - | 647,036 | (2,460,565) | (2,717) | (2,463,282) | |
| General Revenues: | | | | | | | |
| Property Taxes, Levied for General Purposes, Net | | | | 79,186 | - | 79,186 | |
| Unrestricted Federal & State Aid | | | | 2,250,796 | - | 2,250,796 | |
| Miscellaneous Income | | | | 27,702 | - | 27,702 | |
| Total General Revenues, Special Items, Extraordinary Items & Transfers | | | | 2,357,684 | - | 2,357,684 | |
| Change In Net Position | | | | (102,881) | (2,717) | (105,598) | |
| Net Position - Beginning | | | | 688,126 | 15,068 | 703,194 | |
| Net Position - Ending | | | | \$ 585,245 | \$ 12,351 | \$ 597,596 | |

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

B. Fund Financial Statements

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Governmental Funds

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**HOPE COMMUNITY CHARTER SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

| ASSETS | GENERAL FUND | SPECIAL REVENUE FUND | TOTALS |
|---------------------------------------|-----------------|----------------------------|------------|
| Cash | \$ 595,841 | \$ - | \$ 595,841 |
| Interfund Receivables | 807 | - | 807 |
| Intergovernmental Accounts Receivable | 28,147 | 196,678 | 224,825 |
| Restricted Cash | 75,000 | - | 75,000 |
| | <hr/> | | |
| Total Assets | \$ 699,795 | \$ 196,678 | \$ 896,473 |
| | <hr/> <hr/> | | |
| LIABILITIES & FUND BALANCES | | | |
| Liabilities: | | | |
| Cash Deficit | \$ - | \$ 177,222 | \$ 177,222 |
| Intergovernmental Accounts Payable | 101,627 | - | 101,627 |
| Interfund Payable | - | 992 | 992 |
| Accounts Payable | 12,923 | 2,929 | 15,852 |
| Unearned Revenue | - | 15,535 | 15,535 |
| | <hr/> | | |
| Total Liabilities | 114,550 | 196,678 | 311,228 |
| | <hr/> | | |
| Fund Balances: | | | |
| Restricted for: | | | |
| Charter School Escrow Reserve | 75,000 | - | 75,000 |
| Assigned for: | | | |
| Other Purposes | 24,999 | - | 24,999 |
| Unassigned: | | | |
| General Fund | 485,246 | - | 485,246 |
| | <hr/> | | |
| Total Fund Balances | 585,245 | - | 585,245 |
| | <hr/> | | |
| Total Liabilities & Fund Balances | \$ 699,795 | \$ 196,678 | \$ 896,473 |
| | <hr/> <hr/> | | |

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

**HOPE COMMUNITY CHARTER SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | GENERAL FUND | SPECIAL REVENUE FUND | TOTALS |
|--|-----------------|----------------------------|------------|
| Revenues: | | | |
| Local Sources: | | | |
| Local Levy | \$ 79,186 | \$ - | \$ 79,186 |
| Miscellaneous | 27,702 | - | 27,702 |
| Total Local Sources | 106,888 | - | 106,888 |
| State Sources | 2,344,174 | - | 2,344,174 |
| Federal Sources | - | 438,730 | 438,730 |
| Total Revenues | 2,451,062 | 438,730 | 2,889,792 |
| Expenditures: | | | |
| Instructional | 1,067,218 | 333,574 | 1,400,792 |
| Administration Costs | 495,785 | - | 495,785 |
| Support Services | 647,461 | 105,156 | 752,617 |
| Unallocated Benefits | 341,524 | - | 341,524 |
| Capital Outlay | 1,955 | - | 1,955 |
| Total Expenditures | 2,553,943 | 438,730 | 2,992,673 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | (102,881) | - | (102,881) |
| Net Change in Fund Balances | (102,881) | - | (102,881) |
| Fund Balances July 1 | 688,126 | - | 688,126 |
| Fund Balances June 30 | \$ 585,245 | \$ - | \$ 585,245 |

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

**HOPE COMMUNITY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | |
|---|---------------------|
| Total Net Change in Fund Balances - Governmental Funds (From B-2) | <u>\$ (102,881)</u> |
| There is no difference in amounts reported for governmental activities in the statement of activities (A-2). | |
| Change in Net Position of Governmental Activities | <u>\$ (102,881)</u> |

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

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Proprietary Funds

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**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016**

| ASSETS | BUSINESS-TYPE ACTIVITIES - <u>FOOD SERVICE</u> |
|----------------------|--|
| Accounts Receivable | |
| State | \$ 267 |
| Federal | 20,937 |
| Interfund Receivable | <u>185</u> |
| Total Assets | <u>21,389</u> |
| LIABILITIES | |
| Cash Deficit | <u>9,038</u> |
| Total Liabilities | <u>9,038</u> |
| NET POSITION | |
| Unrestricted | <u>12,351</u> |
| Total Net Position | <u><u>\$ 12,351</u></u> |

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

**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | BUSINESS-TYPE ACTIVITIES - FOOD SERVICE |
|-----------------------------------|---|
| Operating Expenses: | |
| Cost of Sales | \$ 117,645 |
| Total Operating Expenses | 117,645 |
| Operating Income/(Loss) | (117,645) |
| Nonoperating Revenues: | |
| State Sources: | |
| State School Lunch Program | 1,434 |
| Federal Sources: | |
| National School Breakfast Program | 30,475 |
| National School Lunch Program | 80,550 |
| Healthy Hunger-Free Kids Act | 1,564 |
| After School Snacks Program | 905 |
| Total Nonoperating Revenues | 114,928 |
| Net Income/(Loss) | (2,717) |
| Net Position - July 1 | 15,068 |
| Net Position - June 30 | \$ 12,351 |

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

**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | BUSINESS-TYPE ACTIVITIES - FOOD SERVICE |
|--|---|
| Cash Flows From Operating Activities: | |
| Payments to Suppliers & Employees | \$ (128,405) |
| Net Cash Provided/(Used) by Operating Activities | (128,405) |
| Cash Flows From Noncapital Financing Activities: | |
| Cash Received From State & Federal Reimbursements | 103,169 |
| Net Cash Provided by Noncapital Financing Activities | 103,169 |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (25,236) |
| Balances - Beginning of Year | 16,198 |
| Balances - Ending of Year | \$ (9,038) |

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

| | |
|---|--------------|
| Operating Income/(Loss) | \$ (117,645) |
| Adjustments to Reconcile Operating Income/(Loss) to | |
| Net Cash Provided/(Used) by Operating Activities: | |
| (Increase)/Decrease in Accounts Receivable | (185) |
| Increase/(Decrease) in Accounts Payable | (10,575) |
| Net Cash Provided/(Used) by Operating Activities | \$ (128,405) |

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

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Fiduciary Fund

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**HOPE COMMUNITY CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

| | PAYROLL AGENCY FUND |
|--------------------------------------|---------------------------|
| ASSETS | |
| Cash | \$ 126,578 |
| Total Assets | <u>\$ 126,578</u> |
| LIABILITIES | |
| Payroll Deductions & Withholdings | \$ 121,896 |
| Accrued Salaries & Wages | <u>4,682</u> |
| Total Liabilities | <u>\$ 126,578</u> |

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

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HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies

The financial statements of the Hope Community Charter School (the “Charter School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

Reporting Entity

The Hope Community Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School is governed by an independent Board of Trustees, which consists of parents, founders, and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School. The Hope Community Charter School has an approximate enrollment at June 30, 2016 of 192 students.

The primary criterion for including activities within the Charter School’s reporting entity as a component unit, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the Charter School holds the corporate powers of the organization
- ◆ the Charter School appoints a voting majority of the organization’s board
- ◆ the Charter School is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the School
- ◆ there is a fiscal dependency by the organization on the Charter School

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

Component Units

GASB Statement No.14. The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended June 30, 2016.

Government-Wide Financial Statements

The Charter School’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Charter School accompanied by a total column. Fiduciary activities of the Charter School are not included in these statements.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Charter School’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Charter School are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Charter School has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The Charter School’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Charter School, are property tax and intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The Charter School's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

While Government-Wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Charter School's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the Government-Wide financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Fund are charges to customers for sales. Operating expenses for enterprise funds include the cost of sales and services, employee salaries and benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the Government-Wide financial statements. The Charter School does not maintain any internal service funds.

The Charter School reports the following major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements 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 board resolution.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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.

The Charter School reports the following major proprietary funds:

Food Service Fund – This fund accounts for the revenues and expenses pertaining to the Charter School’s cafeteria operations.

Additionally, the Charter School reports the following major fiduciary funds:

Agency Funds - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity’s own operating programs. The Charter School currently maintains a Payroll fund as Agency Funds.

During the course of operations, the Charter School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the Government-Wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the Government-Wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the New Jersey Department of Education. 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(m)1*. All budget amendments must be approved by Charter School Board resolution.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. The budget, as detailed on Exhibit C-1 and C-2, includes all amendments to the adopted budget, if any.

Encumbrances

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 assigned 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 a reduction of the accounts receivables or as unearned revenue 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.

Cash and Cash Equivalents

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey School Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.18A:20-37* provides a list of permissible investments that may be purchased by New Jersey school Charter Schools.

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

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

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the Government-Wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The Charter School has established a threshold of \$2,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Charter School are depreciated or amortized using the straight-line method over the following estimated lives:

| | |
|-------------------------------|--------------|
| Building & Other Improvements | 7 – 20 Years |
| Machinery and Equipment | 3 – 20 Years |

Compensated Absences

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

In the Government-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Charter School is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the Government-Wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

Use of 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 assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Charter School classifies governmental fund balances as follows:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Charter School removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Charter School did not have any committed resources as of June 30, 2016.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

- Assigned – This classification includes amounts that are constrained by the School Charter School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Charter School or through the Charter School delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the Charter School’s policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the Charter School’s policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended June 30, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the District is required to measure certain investments at fair value for financial reporting purposes. In addition, the District is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the District’s financial statements.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

Subsequent Events

The Charter School has evaluated subsequent events occurring after June 30, 2016 through the date of November 26, 2016, which is the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

Cash Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2016, the District's bank balance of \$690,867 was exposed to custodial credit risk as follows:

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 2. Cash and Cash Equivalents (continued):

| | | |
|---------------------------------------|----|---------|
| Insured Under FDIC | \$ | 325,072 |
| Uninsured and uncollateralized | | 17,736 |
| Collateralized in the District's Name | | |
| Under GUDPA | | 348,059 |
| | | 348,059 |
| Total | \$ | 690,867 |

Note 3. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Charter School's individual major and fiduciary funds, in the aggregate, are as follows:

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Proprietary Funds</u> | <u>Total</u> |
|-------------------|-------------------------|-------------------------------------|------------------------------|--------------|
| Intergovernmental | \$ 28,147 | \$ 196,678 | \$ 21,204 | \$ 246,029 |
| Total | \$ 28,147 | \$ 196,678 | \$ 21,204 | \$ 246,029 |

Note 4. Operating Leases

Rental Lease:

In May 2014, the Charter School entered into a lease agreement with The Parish of the Cathedral of the Immaculate Conception, New Jersey (landlord), a religious corporation in the State of New Jersey, for the Facility located at 832 & 836 South 4th Street, Camden, New Jersey 08104. The lease is effective July 1, 2014 through June 30, 2017.

| Year-ending June 30, | Amount |
|---------------------------------|------------|
| 2017 | \$ 237,715 |
| Total Minimum Lease Payments | \$ 237,715 |

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 5. Pension Plans

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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

The following represents the membership tiers for PERS:

| <u>Tier</u> | <u>Definition</u> |
|-------------|--|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions- The contribution policy for PERS is set by *N.J.S.A 15A* and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 5. Pension Plans

A. Public Employees' Retirement System (PERS) (continued):

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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

The following represents the membership tiers for TPAF:

| <u>Tier</u> | <u>Definition</u> |
|-------------|--|
| 1 | Members who were enrolled prior to July 1, 2007 |
| 2 | Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008 |
| 3 | Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010 |
| 4 | Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011 |
| 5 | Members who were eligible to enroll on or after June 28, 2011 |

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 5: Pension Obligations (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

Special Funding Situation - The employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A 18:66-33*. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do 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 local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

During the year ended June 30, 2016 the State of New Jersey contributed \$-0- to the TPAF for normal and post-retirement benefits on behalf of the Charter School. Also in accordance with *N.J.S.A.18A:66-66* the State of New Jersey reimbursed the Charter School \$93,378 for the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the Basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Note 6. Post-Retirement Benefits

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

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

Note 7. 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.

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 7. Risk Management (continued):

Property and Liability Insurance – The Charter School maintains commercial insurance coverage for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

A complete schedule of insurance coverage can be found in the “Statistical Section” of the report.

Note 8. Economic Dependency

The Charter School participates in numerous state and federal grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material. The Charter School is dependent on the State of New Jersey for a substantial portion of its operating funds. Due to funding uncertainties at the State level, funding for Charter Schools may be reduced. The ultimate effect of this possible reduction in funding on the Charter School’s future operation is not yet determinable.

Note 9. Transfer to Capital Outlay

During the year ended June 30, 2016, the Charter School transferred \$15,704 to the capital outlay appropriation line for instructional equipment which did not require county superintendent approval.

Note 10: Interfund Receivables and Payables

Individual fund receivables/payables balances at June 30, 2016 are as follows:

| Fund | Interfund Receivable | Interfund Payable |
|----------------------|---------------------------------|------------------------------|
| General Fund | \$ 807 | \$ - |
| Special Revenue Fund | - | 992 |
| Food Service Fund | <u>185</u> | <u>-</u> |
| | <u>\$ 992</u> | <u>\$ 992</u> |

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers follows:

| Fund | Transfers In | Transfers Out |
|----------------------|---------------------|----------------------|
| General Fund | \$ - | \$ 807 |
| Special Revenue Fund | 992 | - |
| Food Service Fund | <u>-</u> | <u>185</u> |
| | <u>\$ 992</u> | <u>\$ 992</u> |

HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2016

Note 10: Interfund Receivables and Payables (continued):

The purpose of interfunds transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

Note 11. Fund Balances

General Fund

A. Charter School Escrow Reserve- In accordance with the New Jersey Charter School agreement, the Charter School has established an escrow that is restricted for the possible costs associated with the dissolution of the charter school. Within five years of the signing of the agreement, the reserve must reach a balance of \$75,000. As of June 30, 2016, the balance of the escrow is \$75,000.

B. Assigned for Other Purposes- As of June 30, 2016, the Charter School had \$24,999 of encumbrances outstanding for purchase orders signed by the Charter School, but not completed, as of the close of the fiscal year.

C. Unassigned- As of June 30, 2016, \$485,246 of general fund balance was unassigned.

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REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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**HOPE COMMUNITY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | ACCOUNT NUMBERS | JUNE 30, 2016 | | | | POSITIVE/ (NEGATIVE) FINAL TO ACTUAL |
|---|-----------------|--------------------|---------------------|------------------|------------------|---|
| | | ORIGINAL BUDGET | BUDGET TRANSFERS | FINAL BUDGET | ACTUAL | |
| Revenues: | | | | | | |
| Local Sources: | | | | | | |
| Local Tax Levy | 10-1200 | \$ 108,907 | \$ (32,609) | \$ 76,298 | \$ 79,186 | \$ 2,888 |
| Miscellaneous | 10-1900 | - | - | - | 27,702 | 27,702 |
| Total Local Sources | | 108,907 | (32,609) | 76,298 | 106,888 | 30,590 |
| State Sources: | | | | | | |
| Special Education Aid | 10-3132 | 83,726 | (20,033) | 63,693 | 57,757 | (5,936) |
| Equalization Aid | 10-3176 | 2,532,638 | (335,110) | 2,197,528 | 2,116,532 | (80,996) |
| Security Aid | 10-3177 | 97,094 | (17,028) | 80,066 | 76,507 | (3,559) |
| State Nonpublic Aid | | - | 12,927 | 12,927 | - | (12,927) |
| Nonbudgeted: | | | | | | |
| Reimbursed TPAF Social Security Contributions | | - | - | - | 93,378 | 93,378 |
| Total State Sources | | 2,713,458 | (359,244) | 2,354,214 | 2,344,174 | (10,040) |
| Total Revenues | | 2,822,365 | (391,853) | 2,430,512 | 2,451,062 | 20,550 |
| Expenditures: | | | | | | |
| Instruction: | | | | | | |
| Salaries of Teachers | 11-120-100-101 | 768,300 | (14,698) | 753,602 | 738,174 | 15,428 |
| Other Salaries for Instruction | 11-190-100-106 | 381,200 | (193,135) | 188,065 | 173,953 | 14,112 |
| Purchased Professional - Educational Services | 11-190-100-320 | 19,000 | 2,725 | 21,725 | 18,183 | 3,542 |
| Other Purchased Services - (400-500 Series) | 11-190-100-500 | 17,000 | (750) | 16,250 | 11,877 | 4,373 |
| General Supplies | 11-190-100-610 | 80,000 | 37,134 | 117,134 | 107,086 | 10,048 |
| Other Objects | 11-190-100-800 | 35,000 | (14,000) | 21,000 | 17,945 | 3,055 |
| Total Instruction | | 1,300,500 | (182,724) | 1,117,776 | 1,067,218 | 50,558 |
| Learning Disabilities: | | | | | | |
| Salaries of Teachers | 11-204-100-101 | 25,000 | (5,720) | 19,280 | 19,280 | - |
| Total Learning Disabilities | | 25,000 | (5,720) | 19,280 | 19,280 | - |
| Health Services: | | | | | | |
| Salaries | 11-213-100-100 | 55,000 | 1,855 | 56,855 | 54,148 | 2,707 |
| Supplies | 11-213-100-610 | 2,000 | - | 2,000 | 1,778 | 222 |
| Total Health Services | | 57,000 | 1,855 | 58,855 | 55,926 | 2,929 |
| Child Study Team: | | | | | | |
| Purchased Professional & Technical Services | 11-000-219-320 | 115,000 | (47,200) | 67,800 | 56,654 | 11,146 |
| Total Child Study Team | | 115,000 | (47,200) | 67,800 | 56,654 | 11,146 |
| Administration: | | | | | | |
| Salaries - General Administration | 11-000-230-100 | 267,000 | 9,097 | 276,097 | 274,847 | 1,250 |
| Purchased Professional & Technical Services | 11-000-230-340 | 142,000 | 14,050 | 156,050 | 146,899 | 9,151 |
| Legal Services | 11-000-230-331 | 6,000 | 3,000 | 9,000 | 7,364 | 1,636 |
| Communication/Telephone | 11-000-230-530 | 13,200 | (4,606) | 8,594 | 2,741 | 5,853 |
| Other Purchased Services - (400-500Series) | 11-000-230-500 | 29,100 | 11,914 | 41,014 | 40,544 | 470 |
| Travel | 11-000-230-580 | 2,500 | (2,500) | - | - | - |
| Supplies and Materials | 11-000-230-610 | 18,700 | 5,000 | 23,700 | 18,654 | 5,046 |
| Miscellaneous | 11-000-230-890 | - | 4,736 | 4,736 | 4,736 | - |
| Total Administration | | 478,500 | 40,691 | 519,191 | 495,785 | 23,406 |

**HOPE COMMUNITY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | ACCOUNT NUMBERS | JUNE 30, 2016 | | | | POSITIVE/ (NEGATIVE) FINAL TO ACTUAL |
|--|-----------------|--------------------|---------------------|-----------------|------------|---|
| | | ORIGINAL BUDGET | BUDGET TRANSFERS | FINAL BUDGET | ACTUAL | |
| Central Services: | | | | | | |
| Salaries | 11-000-251-100 | 24,500 | (10,500) | 14,000 | 12,783 | 1,217 |
| Interest on Current Loans | 11-000-251-831 | 3,001 | (3,001) | - | - | - |
| Total Central Services | | 27,501 | (13,501) | 14,000 | 12,783 | 1,217 |
| Support Services: | | | | | | |
| Salaries | 11-000-262-100 | 65,500 | (10,974) | 54,526 | 52,199 | 2,327 |
| Purchased Professional & Technical Services | 11-000-262-300 | 74,500 | 11,070 | 85,570 | 82,183 | 3,387 |
| Rent on Land & Buildings | 11-000-262-441 | 226,395 | - | 226,395 | 225,995 | 400 |
| Insurance | 11-000-262-520 | 60,050 | (9,000) | 51,050 | 49,525 | 1,525 |
| Supplies and Materials | 11-000-262-610 | 10,000 | 15,000 | 25,000 | 19,151 | 5,849 |
| Energy Costs | 11-000-262-620 | 68,500 | (18,500) | 50,000 | 38,184 | 11,816 |
| Miscellaneous Expense | 11-000-262-890 | 15,000 | (10,000) | 5,000 | 2,966 | 2,034 |
| Transportation | 11-000-270-512 | 12,000 | 30,100 | 42,100 | 32,615 | 9,485 |
| Total Support Services | | 531,945 | 7,696 | 539,641 | 502,818 | 36,823 |
| Unallocated Benefits - Employee Benefits: | | | | | | |
| Social Security Contributions | 11-000-291-220 | 49,500 | 9,202 | 58,702 | 57,824 | 878 |
| PERS Contributions | 11-000-291-241 | 20,000 | 16,605 | 36,605 | 34,603 | 2,002 |
| Unemployment Compensation | 11-000-291-250 | 10,000 | 17,000 | 27,000 | 18,641 | 8,359 |
| Workmen's Compensation | 11-000-291-260 | 20,000 | 13,000 | 33,000 | 31,361 | 1,639 |
| Health Benefits | 11-000-291-270 | 162,500 | (42,500) | 120,000 | 105,717 | 14,283 |
| Total Unallocated Benefits | | 262,000 | 13,307 | 275,307 | 248,146 | 27,161 |
| Capital Outlay: | | | | | | |
| Land and Improvements | 12-000-400-710 | 10,000 | 15,704 | 25,704 | 1,955 | 23,749 |
| Total Capital Outlay | | 10,000 | 15,704 | 25,704 | 1,955 | 23,749 |
| Nonbudgeted: | | | | | | |
| Reimbursed TPAF Social Security Contributions | | - | - | - | 93,378 | (93,378) |
| Total Expenditures | | 2,807,446 | (169,892) | 2,637,554 | 2,553,943 | 83,611 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | | 14,919 | (221,961) | (207,042) | (102,881) | 104,161 |
| Fund Balances, July 1 | | 231,335 | (86,754) | 144,581 | 688,126 | 543,545 |
| Fund Balances, June 30 | | \$ 246,254 | \$ (308,715) | \$ (62,461) | \$ 585,245 | \$ 647,706 |

RECAPITULATION OF FUND BALANCE:

| | |
|---------------------------------|-------------------|
| Restricted Fund Balance: | |
| Escrow Reserve | \$ 75,000 |
| Assigned Fund Balance: | |
| Reserve for Encumbrances | 24,999 |
| Unassigned Fund Balance: | <u>485,246</u> |
| Total | <u>\$ 585,245</u> |

**HOPE COMMUNITY CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| REVENUES | JUNE 30, 2016 | | | | POSITIVE/ (NEGATIVE) FINAL TO ACTUAL |
|--|--------------------|---------------------|-----------------|------------|---|
| | ORIGINAL BUDGET | BUDGET TRANSFERS | FINAL BUDGET | ACTUAL | |
| Federal Sources | \$ 438,730 | \$ - | \$ 438,730 | \$ 438,730 | \$ - |
| Total Revenues | 438,730 | - | 438,730 | 438,730 | - |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | 311,688 | - | 311,688 | 311,688 | - |
| Purchased Professional - Educational Services | 1,130 | - | 1,130 | 1,130 | - |
| General Supplies | 20,756 | - | 20,756 | 20,756 | - |
| Total Instruction | 333,574 | - | 333,574 | 333,574 | - |
| Support Services: | | | | | |
| Personal Services - Employee Benefits | 84,556 | - | 84,556 | 84,556 | - |
| Purchased Professional - Educational Services | 20,600 | - | 20,600 | 20,600 | - |
| Total Support Services | 105,156 | - | 105,156 | 105,156 | - |
| Total Expenditures | 438,730 | - | 438,730 | 438,730 | - |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses) | \$ - | \$ - | \$ - | \$ - | \$ - |

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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**HOPE COMMUNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

| | GENERAL FUND | SPECIAL REVENUE FUND |
|---|-----------------------------|-----------------------------|
| Sources/Inflows of Resources: | | |
| Actual Amounts (Budgetary Basis) "Revenue" | | |
| From the Budgetary Comparison Schedule (C-Series) | \$ 2,451,062 | \$ 438,730 |
| | <u> </u> | <u> </u> |
| Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2) | <u>\$ 2,451,062</u> | <u>\$ 438,730</u> |
| Uses/outflows of resources: | | |
| Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule | \$ 2,553,943 | \$ 438,730 |
| | <u> </u> | <u> </u> |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2) | <u>\$ 2,553,943</u> | <u>\$ 438,730</u> |

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)
Not Applicable

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**HOPE COMMUNITY CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | TITLE I PART A | TITLE II PART A | TEACHER INCENTIVE FUND | CHARTER SCHOOL IMPLEMENTATION | I.D.E.A. PART B BASIC | TOTALS |
|--|-------------------|--------------------|------------------------------|-------------------------------------|-----------------------------|------------|
| Revenues: | | | | | | |
| Federal Sources | \$ 243,152 | \$ 1,130 | \$ 93,160 | \$ 61,203 | \$ 40,085 | \$ 438,730 |
| Total Revenues | \$ 243,152 | \$ 1,130 | \$ 93,160 | \$ 61,203 | \$ 40,085 | \$ 438,730 |
| Expenditures: | | | | | | |
| Instruction: | | | | | | |
| Salaries of Teachers | \$ 191,088 | \$ - | \$ 68,000 | \$ 21,600 | \$ 31,000 | \$ 311,688 |
| Other Salaries | - | - | - | - | - | - |
| Purchased Professional Services | - | 1,130 | - | - | - | 1,130 |
| General Supplies | 2,381 | - | - | 18,375 | - | 20,756 |
| Total Instruction | 193,469 | 1,130 | 68,000 | 39,975 | 31,000 | 333,574 |
| Support Services: | | | | | | |
| Purchased Professional Educational Services | - | - | - | 19,575 | 1,025 | 20,600 |
| Personal Services/ Employee Benefits | 49,683 | - | 25,160 | 1,653 | 8,060 | 84,556 |
| Total Support Services | 49,683 | - | 25,160 | 21,228 | 9,085 | 105,156 |
| Total Expenditures | \$ 243,152 | \$ 1,130 | \$ 93,160 | \$ 61,203 | \$ 40,085 | \$ 438,730 |

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F. Capital Projects Fund

Not Applicable

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G. Proprietary Funds
See Exhibits B-4 through B-6

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Enterprise Funds
See Exhibits B-4 through B-6

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Internal Service Fund

Not Applicable

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H. Fiduciary Fund

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**HOPE COMMUNITY CHARTER SCHOOL
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

| ASSETS | <u>AGENCY PAYROLL FUND</u> |
|-----------------------------------|------------------------------------|
| Cash & Cash Equivalents | <u>\$ 126,578</u> |
| Total Assets | <u>126,578</u> |
| LIABILITIES | |
| Payroll Deductions & Withholdings | 121,896 |
| Accrued Salary & Wages | <u>4,682</u> |
| Total Liabilities | <u><u>\$ 126,578</u></u> |

**HOPE COMMUNITY CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| ASSETS | BALANCE JULY 1, 2015 | ADDITIONS | DELETIONS | BALANCE JUNE 30, 2016 |
|--------------------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| Cash | \$ 18,984 | \$ 1,790,038 | \$ 1,682,444 | \$ 126,578 |
| | <u>\$ 18,984</u> | <u>\$ 1,790,038</u> | <u>\$ 1,682,444</u> | <u>\$ 126,578</u> |
| LIABILITIES | | | | |
| Net Payroll | \$ - | \$ 1,215,026 | \$ 1,215,026 | \$ - |
| Accrued Salaries & Wages | 4,908 | 31,394 | 31,620 | 4,682 |
| Payroll Deductions & Withholdings | 14,076 | 543,618 | 435,798 | 121,896 |
| Total Liabilities | <u>\$ 18,984</u> | <u>\$ 1,790,038</u> | <u>\$ 1,682,444</u> | <u>\$ 126,578</u> |

I. Long-Term Debt

Not Applicable

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STATISTICAL SECTION (Unaudited)

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HOPE COMMUNITY CHARTER SCHOOL
NET POSITION BY COMPONENT
LAST THREE FISCAL YEARS
(Accrual Basis of Accounting)

| | FISCAL YEAR ENDING JUNE 30, | | |
|-----------------------------------|-----------------------------|------------|------------|
| | 2016 | 2015 | 2014 |
| Governmental Activities: | | | |
| Assigned | \$ 24,999 | \$ 10,210 | \$ - |
| Restricted | 75,000 | - | - |
| Unrestricted | 485,246 | 667,916 | 234,473 |
| | | | |
| Total Governmental Activities | | | |
| Net Position | \$ 585,245 | \$ 678,126 | \$ 234,473 |
| | | | |
| Business-Type Activities: | | | |
| Unrestricted | \$ 12,351 | \$ 15,068 | 506 |
| | | | |
| Total Business-Type Activities | | | |
| Net Position | \$ 12,351 | \$ 15,068 | \$ 506 |
| | | | |
| Government-Wide: | | | |
| Assigned | \$ 24,999 | \$ 10,210 | \$ - |
| Restricted | 75,000 | - | - |
| Unrestricted | 497,597 | 692,984 | 234,979 |
| | | | |
| Total Charter School Net Position | \$ 597,596 | \$ 703,194 | \$ 234,979 |
| | | | |

**HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST THREE FISCAL YEARS**

| | <u>FISCAL YEAR ENDING JUNE 30,</u> | | |
|---|------------------------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2014 |
| Expenses: | | | |
| Governmental Activities | | | |
| Instruction | \$ 1,400,792 | \$ 919,627 | 643,994 |
| Administration | 495,785 | 369,880 | 341,603 |
| Support Services | 752,617 | 775,048 | 392,059 |
| Unallocated Benefits | 341,524 | 200,673 | 37,248 |
| Capital Outlay | 1,955 | 22,602 | - |
| | <hr/> | <hr/> | <hr/> |
| Total Governmental Activities Expenses | 2,992,673 | 2,287,830 | 1,414,904 |
| | <hr/> | <hr/> | <hr/> |
| Business-Type Activities: | | | |
| Food Service | 117,645 | 113,893 | 110,119 |
| | <hr/> | <hr/> | <hr/> |
| Total Business-Type Activities Expense | 117,645 | 113,893 | 110,119 |
| | <hr/> | <hr/> | <hr/> |
| Total Charter School Expenses | <u>\$ 3,110,318</u> | <u>\$ 2,401,723</u> | <u>\$ 1,525,023</u> |
| | <hr/> | <hr/> | <hr/> |
| Program Revenues: | | | |
| Governmental Activities: | | | |
| Capital Grants & Contributions | \$ 532,108 | \$ 410,766 | 296,387 |
| | <hr/> | <hr/> | <hr/> |
| Total Governmental Activities Program Revenues | 532,108 | 410,766 | 296,387 |
| | <hr/> | <hr/> | <hr/> |
| Business-Type Activities: | | | |
| Charges for Services: | | | |
| Food Service | - | 5,761 | 459 |
| Capital Grants & Contributions | 114,928 | 122,694 | 74,271 |
| Transfers | - | - | 25,895 |
| | <hr/> | <hr/> | <hr/> |
| Total Business Type Activities Program Revenues | 114,928 | 128,455 | 100,625 |
| | <hr/> | <hr/> | <hr/> |
| Total Charter School Program Revenues | <u>\$ 647,036</u> | <u>\$ 539,221</u> | <u>\$ 397,012</u> |
| | <hr/> | <hr/> | <hr/> |
| Net/(Expense)/Revenue: | | | |
| Governmental Activities | \$ (2,460,565) | \$ (1,877,064) | \$ (1,118,517) |
| Business-Type Activities | (2,717) | 14,562 | (9,494) |
| | <hr/> | <hr/> | <hr/> |
| Total Charter School Net Expense | <u>\$ (2,463,282)</u> | <u>\$ (1,862,502)</u> | <u>\$ (1,128,011)</u> |

**HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST THREE FISCAL YEARS**

| | FISCAL YEAR ENDING JUNE 30, | | |
|---|-----------------------------|--------------|--------------|
| | 2016 | 2015 | 2014 |
| General Revenues & Other Changes in Net Position: | | | |
| Governmental Activities: | | | |
| Property Taxes Levied for General Purposes, Net | \$ 79,186 | \$ 72,474 | 42,748 |
| Grants & Contributions | 2,250,796 | 2,232,360 | 1,325,584 |
| Miscellaneous Income | 27,702 | 25,883 | 10,553 |
| Transfers | - | - | (25,895) |
| | | | |
| Total Governmental Activities | 2,357,684 | 2,330,717 | 1,352,990 |
| | | | |
| Total Government-Wide | \$ 2,357,684 | \$ 2,330,717 | \$ 1,352,990 |
| Change in Net Position: | | | |
| Governmental Activities | \$ (102,881) | \$ 453,653 | \$ 234,473 |
| Business-Type Activities | (2,717) | 14,562 | 506 |
| | | | |
| Total Charter School | \$ (105,598) | \$ 468,215 | \$ 234,979 |

Source: Charter School's Records

HOPE COMMUNITY CHARTER SCHOOL
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS
(Modified Accrual Basis of Accounting)

| | <u>FISCAL YEAR ENDING JUNE 30,</u> | | |
|--------------------|------------------------------------|-------------------|-------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| General Fund | | | |
| Restricted | \$ 75,000 | \$ - | \$ - |
| Assigned | 24,999 | 10,210 | - |
| Unassigned | 485,246 | 677,916 | 234,473 |
| | | | |
| Total General Fund | <u>\$ 585,245</u> | <u>\$ 688,126</u> | <u>\$ 234,473</u> |

Source: Charter School Records

HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST THREE FISCAL YEARS
(Modified Accrual Basis of Accounting)

| | 2016 | 2015 | 2014 |
|---|--------------|-------------|-------------|
| Revenues: | | | |
| Federal | \$ 438,730 | \$ 349,626 | \$ 289,594 |
| State | 2,344,174 | 2,293,500 | 1,332,377 |
| Local | 106,888 | 98,357 | 53,301 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenue | 2,889,792 | 2,741,483 | 1,675,272 |
| | <hr/> | <hr/> | <hr/> |
| Current Expense: | | | |
| Instruction | 1,400,792 | 919,627 | 629,619 |
| Administrative Services | 495,785 | 369,880 | 341,603 |
| Support Services | 752,617 | 775,048 | 392,059 |
| Capital Outlay: | | | |
| Instructional Equipment | 1,955 | 22,602 | 14,375 |
| Unallocated Benefits | 341,524 | 200,673 | 37,248 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 2,992,673 | 2,287,830 | 1,414,904 |
| | <hr/> | <hr/> | <hr/> |
| Other Financing Sources/(Uses): | | | |
| Board Contribution to Food Service | - | - | (25,895) |
| | <hr/> | <hr/> | <hr/> |
| Excess (Deficiency) of Revenues Over/ (Under) Expenditures | (102,881) | 453,653 | 234,473 |
| | <hr/> | <hr/> | <hr/> |
| Net Change in Fund Balances | \$ (102,881) | \$ 453,653 | \$ 234,473 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Source: Charter School Records

EXHIBITS J-5 THROUGH J-13

NOT APPLICABLE

EXHIBIT J-14

**HOPE COMMUNITY CHARTER SCHOOL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST THREE FISCAL YEARS**

| YEAR | POPULATION (a) | PERSONAL INCOME(b) | PER CAPITA PERSONAL INCOME (c) | UNEMPLOYMENT RATE (d) |
|------|----------------|-----------------------|--------------------------------------|--------------------------|
| 2016 | N/A | N/A | N/A | N/A |
| 2015 | 76,119 | N/A | N/A | 11.10% |
| 2014 | 76,504 | \$3,586,966,544 | 46,886 | 12.70% |

Source:

a Population information provided by the NJ Dept of Labor and Workforce Development

b Personal income is estimated - population times estimated per capita personal income.

c Per Capita Per County from US Bureau of Economic Analysis

d Unemployment data provided by the NJ Dept of Labor and Workforce Development

EXHIBIT J-15 NOT APPLICABLE

**HOPE COMMUNITY CHARTER SCHOOL
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST THREE FISCAL YEARS**

| Function/Program | 2016 | 2015 | 2014 |
|---------------------------|-------------|------|------|
| Number of Classes: | | | |
| Kindergarten | 2 | 2 | 3 |
| Grade 1 | 2 | 3 | 2 |
| Grade 2 | 1 | 3 | - |
| Grade 3 | 4 | - | - |
| | <hr/> | | |
| Total Number of Classes | 9 | 8 | 5 |
| | <hr/> <hr/> | | |
| Full-Time Employees: | | | |
| School Director | 1 | 1 | 1 |
| Teachers | 22 | 11 | 6 |
| Special Education Teacher | 3 | 1 | 1 |
| Teacher Aides | 2 | 11 | 6 |
| School Nurse | 1 | 1 | 1 |
| Administrative Assistant | 2 | 1 | 1 |
| | <hr/> | | |
| Total Employees | 31 | 26 | 16 |
| | <hr/> <hr/> | | |
| Teacher/Student Ratio | 1:8 | 1:17 | 1:17 |
| | <hr/> <hr/> | | |
| Student Count at June 30 | 192 | 201 | 101 |
| | <hr/> <hr/> | | |

Source: Charter School's Personnel Records

**HOPE COMMUNITY CHARTER SCHOOL
OPERATING STATISTICS
LAST THREE FISCAL YEARS**

| FISCAL YEAR | ENROLLMENT | OPERATING EXPENDITURES (a) | COST PER PUPIL | PERCENTAGE CHANGE | TEACHING STAFF (b) | PUPIL/TEACHER RATIO | AVERAGE DAILY ENROLLMENT (ADA) (c) | AVERAGE DAILY ATTENDANCE (ADA) (d) | % CHANGE IN AVERAGE DAILY ENROLLMENT | STUDENT ATTENDANCE PERCENTAGE |
|-------------|------------|----------------------------|----------------|-------------------|--------------------|---------------------|------------------------------------|------------------------------------|--------------------------------------|-------------------------------|
| 2016 | 192 | \$ 2,551,988 | \$ 13,292 | -38% | 27 | 1:8 | 190 | 186 | 25% | 97% |
| 2015 | 201 | 1,938,204 | 9,643 | 6% | 12 | 1:17 | 176 | 149 | 74% | 74% |
| 2014 | 109 | 1,118,517 | 10,262 | 100% | 6 | 1:17 | 106 | 86 | N/A | 100% |

Sources: District records

Note: Enrollment based on annual June 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 (SRS).

**HOPE COMMUNITY CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
LAST THREE FISCAL YEARS**

| DISTRICT BUILDING | 2016 | 2015 | 2014 |
|---------------------|--------|--------|--------|
| School Building: | | | |
| Square Feet | 16,821 | 16,821 | 16,821 |
| Capacity (Students) | 320 | 320 | 320 |
| Enrollment | 192 | 201 | 109 |

Number of Schools at June 30, 2016:

 School Building - 1

Source: District Facilities Office

Note: Enrollment is based on the annual October District count.

**EXHIBIT J-19
NOT APPLICABLE**

**HOPE COMMUNITY CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2016**

| | COVERAGE | DEDUCTIBLE |
|--|--------------|------------|
| Directors & Officers | | |
| Policy Year Agg for EPL | \$ 3,000,000 | |
| Policy Year Agg other than EPL | 3,000,000 | |
| Commercial General Liability: | | |
| General Aggregate | 3,000,000 | |
| Personal & Advertising Injury Limit | 1,000,000 | |
| Damage to Premises Rented | 100,000 | |
| Medical Expense Limit/Person | 5,000 | 500 |
| Employee Benefits Liability | 1,000,000 | 1,000 |
| Sexual Molestation | 300,000 | |
| Excess Liability | | |
| Each occurrence limit | 5,000,000 | |
| General Aggregate | 5,000,000 | |
| Prodcuts Completed Ops Aggregate | 5,000,000 | |
| Self-insured Retention | 10,000 | |
| Workers Compensation | | |
| Bodily Injury by Accident- Each Accident | 2,000,000 | |
| Bodily Injury by Disease- Policy Limit | 2,000,000 | |
| Bodily Injury by Disease- Each Employee | 2,000,000 | |
| Salary Contiuance | | |
| Maxium Weekly Benefit | 2,500 | |

Source: District Records

HOPE COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE
FISCAL RATIOS
June 30, 2016

| | 2014 | 2015 | 2016 | Source |
|--------------------------------|------------|------------|------------|--|
| | Audit | Audit | Audit | |
| Cash | \$ 374,911 | \$ 630,877 | \$ 493,619 | Audit: Exhibit A-1 |
| Current Assets | 436,616 | 788,164 | 739,648 | Audit: Exhibit A-1 |
| Total Assets | 436,616 | 788,164 | 739,648 | Audit: Exhibit A-1 |
| Current Liabilities | 200,637 | 84,970 | 142,052 | Audit: Exhibit A-1 |
| Total Liabilities | 200,637 | 84,970 | 142,052 | Audit: Exhibit A-1 |
| Net Position | 234,979 | 703,194 | 597,596 | Audit: Exhibit A-1 |
| Total Revenue | 1,750,002 | 2,869,938 | 3,004,720 | Audit: Exhibit A-2 |
| Total Expenses | 1,515,023 | 2,401,723 | 3,110,318 | Audit: Exhibit A-2 |
| Change in Net Position | 234,979 | 468,215 | (105,598) | Audit: Exhibit A-2 |
| Depreciation Expense | - | - | - | Financial Statements/Audit: Workpapers |
| Interest Expense | - | - | - | Financial Statements/Audit: Workpapers |
| Principal Payments | - | - | - | Financial Statements/Audit: Workpapers |
| Interest Payments | - | - | - | Financial Statements/Audit: Workpapers |
| Final Average Daily Enrollment | 106 | 176 | 175,80 | DOE Enrollment Reports |
| March 30th Budgeted Enrollment | 106 | 194 | 178 | Charter School Budget |

RATIOS ANALYSIS...

| | 2014 | 2015 | 2016 | 3 YR CUM | Source: |
|----------------------------------|-------|---------|-----------|----------|--|
| Near Term Indicators | | | | | |
| 1a. Current Ratio | 2.18 | 9.28 | 5.21 | 5.55 | Current Assets/Current Liabilities |
| 1b. Unrestricted Days Cash | 90.32 | 95.88 | 57.93 | 81.38 | Cash/(Total Expenses/365) |
| 1c. Enrollment Variance | 100% | 91% | 99% | 96% | Average Daily Enrollment/Budgeted Enrollment |
| 1d.* Default | No | No | No | N/A | Audit |
| Sustainability Indicators | | | | | |
| 2a. Total Margin | 13% | 16% | -4% | 0 | Change in Net Assets/Total Revenue |
| 2b. Debt to Asset | 46% | 11% | 19% | 0 | Total Liabilities/Total Assets |
| 2c.** Cash Flow | N/A | 255,966 | (137,238) | 39,569 | Net Change in cash flow from prior years |
| 2d. Debt Service Coverage Ratio | N/A | N/A | N/A | N/A | (Change in Net Assets-Depreciation-Interest Expense)/Principal & Interest Payments |

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2016=2016 Cash - 2015 Cash; 2015 =2015 Cash-2014 Cash; 2014 =2014 Cash-2013 Cash

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SINGLE AUDIT SECTION

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EXHIBIT K-1

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

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
Camden, 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Hope Community Charter School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hope Community Charter School’s basic financial statements, and have issued our report thereon dated November 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hope Community 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hope Community Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of Hope Community Charter School’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 *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. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a

timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as Finding No 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hope Community Charter School's financial statements are free from 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey as Finding No 2016-002.

We also noted certain administrative findings that we reported to management of the Hope Community Charter School, as described in a separate auditor's management report dated November 26, 2016.

The Hope Community Charter School's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

November 26, 2016
Medford, New Jersey



EXHIBIT K-2

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
County of Camden
Camden, New Jersey

Report on Compliance for Each Major State Program

We have audited Hope Community Charter School’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District’s major state programs for the year ended June 30, 2016. Hope Community Charter School’s major state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Hope Community Charter School’s major 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 State Awards (Uniform Guidance); *the New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB’s Circular 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 state program occurred. An audit includes examining, on a test basis, evidence about Hope Community Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Hope Community Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and New Jersey OMB's Circular 15-08 which are described in the accompanying schedule of findings and questioned costs as items Finding No 2016-002. Our opinion on each major state program is not modified with respect to these matters.

Hope Community Charter School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hope Community Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Hope Community Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hope Community Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's Circular 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 Hope Community Charter School's internal control over compliance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 program 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 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. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2016-001 to be material weaknesses.

Hope Community Charter School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hope Community Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

November 26, 2016
Medford, New Jersey

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HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE | FEDERAL AWARD IDENTIFICATION NUMBER | CFDA NUMBER | GRANT OR STATE PROJECT NUMBER | AWARD AMOUNT | GRANT PERIOD | BALANCE AT JUNE 30, 2015 | CASH RECEIVED | BUDGETARY EXPENDITURES | SUBRECIPIENT EXPENDITURES | (ACCOUNTS RECEIVABLE) AT JUNE 30, 2016 | UNEARNED REVENUE AT JUNE 30, 2016 |
|---|---|----------------|--|-----------------|------------------|-----------------------------------|------------------|---------------------------|------------------------------|---|--|
| U.S. DEPARTMENT OF AGRICULTURE PASSED-THROUGH STATE DEPARTMENT OF EDUCATION: | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | |
| National School Breakfast Program | 1616NJ304N1099 | 10.553 | N/A | \$ 30,475 | 7/1/15-6/30/16 | \$ - | 24,831 | \$ (30,475) | \$ - | \$ (5,644) | \$ - |
| National School Breakfast Program | 1515NJ304N1099 | 10.553 | N/A | 32,609 | 7/1/14-6/30/15 | (2,763) | 2,763 | - | - | - | - |
| Subtotal | | | | | | (2,763) | 27,594 | (30,475) | - | (5,644) | - |
| National School Lunch Program | 1616NJ304N1099 | 10.555 | N/A | 80,550 | 7/1/15-6/30/16 | - | 65,548 | (80,550) | - | (15,002) | - |
| National School Lunch Program | 1515NJ304N1099 | 10.555 | N/A | 69,643 | 7/1/14-6/30/15 | (6,394) | 6,394 | - | - | - | - |
| Snack Program | 1616NJ304N1099 | 10.555 | N/A | 905 | 7/1/15-6/30/16 | - | 905 | (905) | - | - | - |
| Subtotal | | | | | | (6,394) | 72,847 | (81,455) | - | (15,002) | - |
| Total Child Nutrition Cluster | | | | | | (9,157) | 100,441 | (111,930) | - | (20,646) | - |
| Health Hunger Free Kids Act | 1616NJ304N1099 | 10.592 | N/A | 1,564 | 7/1/15-6/30/16 | - | 1,273 | (1,564) | - | (291) | - |
| Health Hunger Free Kids Act | 1515NJ304N1099 | 10.592 | N/A | 1,426 | 7/1/14-6/30/15 | (130) | 130 | - | - | - | - |
| Subtotal | | | | | | (130) | 1,403 | (1,564) | - | (291) | - |
| Total U.S. Department of Agriculture- Child Nutrition Cluster | | | | | | (9,287) | 101,844 | (113,494) | - | (20,937) | - |
| THROUGH STATE DEPARTMENT OF EDUCATION: | | | | | | | | | | | |
| Title I, Part A | S010A150030 | 84.010 | NCLB608615 | 243,152 | 7/1/15-6/30/16 | - | 94,133 | (243,152) | - | (149,019) | - |
| Title I, Part A | S010A140030 | 84.010 | NCLB608614 | 190,395 | 7/1/14-6/30/15 | (104,395) | 104,395 | - | - | - | - |
| Subtotal | | | | | | (104,395) | 198,528 | (243,152) | - | (149,019) | - |
| Title II, Part A | S367A150029 | 84.367 | NCLB608615 | 1,130 | 7/1/15-6/30/16 | - | - | (1,130) | - | (1,130) | - |
| Title II, Part A | S367A140029 | 84.367 | NCLB608614 | 785 | 7/1/14-6/30/15 | (785) | 785 | - | - | - | - |
| Title II, Part A | S367A130029 | 84.367 | NCLB608613 | 962 | 7/1/13-6/30/14 | (962) | - | - | - | (962) | - |
| Subtotal | | | | | | (1,747) | 785 | (1,130) | - | (2,092) | - |
| I.D.E.A. Part B, Basic | H027A150100 | 84.027 | FT-6086-15 | 21,758 | 7/1/15-6/30/16 | 154 | 19,064 | (40,085) | - | (20,867) | - |
| Teacher Incentive Fund | S374A120060 | 84.374A | N/A | 93,160 | 10/1/12-9/30/17 | 707 | 67,753 | (93,160) | - | (24,700) | - |
| Charter School Implementation- Phase I | U282A10025 | 84.282A | N/A | 175,000 | 11/1/13-10/31/14 | 15,435 | - | - | - | - | 15,435 |
| Charter School Implementation- Phase II | U282A10025 | 84.282A | N/A | 100,000 | 11/1/14-10/31/15 | (38,697) | 100,000 | (61,203) | - | - | 100 |
| Subtotal | | | | | | (23,262) | 100,000 | (61,203) | - | - | 15,535 |
| Total U.S. Department of Education | | | | | | (128,543) | 386,130 | (438,730) | - | (196,678) | 15,535 |
| Total Federal Financial Assistance | | | | | | \$ (137,830) | \$ 487,974 | \$ (552,224) | \$ - | \$ (217,615) | \$ 15,535 |

HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| STATE GRANTOR/ PROGRAM TITLE | GRANT OR STATE PROJECT NUMBER | AWARD AMOUNT | GRANT PERIOD | BALANCE AT JUNE 30, 2015 | CASH RECEIVED | BUDGETARY EXPENDITURES | SUBRECIPIENT EXPENDITURES | REPAYMENT OF PRIOR YEARS BALANCE | (ACCOUNTS RECEIVABLE) 2016 | UNEARNED REVENUE 2016 | DUE TO GRANTOR 2016 | MEMO | | |
|---|--|-----------------|-----------------|-----------------------------------|------------------|---------------------------|------------------------------|--|----------------------------------|-----------------------------|---------------------------|---------------------------|-------------------------|-------------------------------------|
| | | | | | | | | | | | | BUDGETARY EXPENDITURES | BUDGETARY RECEIVABLE | CUMULATIVE TOTAL EXPENDITURES |
| State Department of Education: | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| State Aid Cluster: | | | | | | | | | | | | | | |
| Equalization Aid | 16-495-034-5120-078 | \$ 2,116,532 | 7/1/15-6/30/16 | \$ - | \$ 2,204,225 | \$ (2,116,532) | \$ - | \$ - | \$ (13,934) | \$ - | \$ 101,627 | \$ - | \$ 2,116,532 | |
| Equalization Aid | 15-495-034-5120-078 | 2,118,340 | 7/1/14-6/30/15 | 55,171 | - | - | - | (65,171) | - | - | - | - | - | |
| Special Education Categorical Aid | 16-495-034-5120-089 | 57,757 | 7/1/15-6/30/16 | - | 57,757 | (57,757) | - | - | - | - | - | - | 57,757 | |
| Security Aid | 16-495-034-5120-084 | 76,507 | 7/1/15-6/30/16 | - | 76,507 | (76,507) | - | - | - | - | - | - | 76,507 | |
| Total State Aid Cluster | | | | 55,171 | 2,338,489 | (2,250,796) | - | (65,171) | (13,934) | - | 101,627 | - | 2,250,796 | |
| On-Behalf TPAF Social Security Reimbursement | 16-495-034-5095-002 | 93,378 | 7/1/15-6/30/16 | - | 79,165 | (93,378) | - | - | (14,213) | - | - | - | 93,378 | |
| On-Behalf TPAF Social Security Reimbursement | 15-495-034-5095-002 | 61,140 | 7/1/14-6/30/15 | (3,003) | 3,003 | - | - | - | - | - | - | - | - | |
| Total General Fund | | | | 52,168 | 2,420,657 | (2,344,174) | - | (65,171) | (28,147) | - | 101,627 | - | 2,344,174 | |
| State Department of Agriculture: | | | | | | | | | | | | | | |
| National School Lunch Program | 16-100-10-3360-067 | 1,434 | 7/1/15-6/30/16 | - | 1,167 | (1,434) | - | - | (267) | - | - | - | 1,434 | |
| National School Lunch Program | 15-100-10-3360-067 | 1,340 | 7/1/14-6/30/15 | (158) | 158 | - | - | - | - | - | - | - | - | |
| Total Enterprise Fund | | | | (158) | 1,325 | (1,434) | - | - | (267) | - | - | - | 1,434 | |
| Total State Financial Assistance | | | | \$ 52,010 | \$ 2,421,982 | \$ (2,345,608) | \$ - | \$ (65,171) | \$ (28,144) | \$ - | \$ 101,627 | \$ - | \$ 2,345,608 | |

**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF FEDERAL AND STATE
FINANCIAL ASSISTANCE
JUNE 30, 2016**

Note 1. General

The accompanying schedule of federal and state financial assistance includes state financial assistance programs of the Hope Community Charter School. The Charter School is defined in Note 1 to the Charter School's basic financial statements. All State awards received directly from State agencies, as well as state financial assistance passed through other government agencies is included on the schedule of state financial assistance.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the district's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Of the state expenditures presented in the Schedule of Expenditures of Federal Awards and State Financial Assistance, the Hope Community Charter School did not provide any state awards to sub recipients.

Hope Community Charter School has not elected to use the 10% de minimis cost rate allowed by the Uniform Guidance.

3. Relationship to Basic Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A.18A:22-4.2*.

**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF FEDERAL AND STATE
FINANCIAL ASSISTANCE
JUNE 30, 2016**

Note 3. Relationship to Basic Financial Statements (continued):

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(0) for the general fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as presented as follows:

| | State | Federal | Total |
|----------------------------|--------------|----------------|--------------|
| General Fund | \$ 2,344,174 | \$ - | \$ 2,344,174 |
| Special Revenue Fund | - | 438,730 | 438,730 |
| Food Service Fund | 1,434 | 113,494 | 114,928 |
| | | | |
| Total Financial Assistance | \$ 2,345,608 | \$ 552,224 | 2,897,832 |

4. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

Note 5. Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2016 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.

Note 6. Federal and State Loans Outstanding

The Hope Community Charter School had no loan balances outstanding at June 30, 2016.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|---|-------------------|
| Type of auditor’s report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| 1) Material weakness(es) identified? | Yes |
| 2) Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| Noncompliance material to basic financial Statements noted? | No |

Federal Awards – NOT APPLICABLE

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as low-risk auditee?

Internal Control over major programs:

- 1) Material weakness(es) identified?
- 2) Significant deficiencies identified that are not considered To be material weaknesses?

Type of auditor’s report issued on compliance for major programs

Any audit findings disclosed that are required to be reported in accordance With 2 CFR 200 Section .516(a) of the Uniform Guidance?

Identification of major programs:

| CFDA Number(s) | FAIN(s) | Name of Federal Program or Cluster |
|-----------------------|----------------|---|
|-----------------------|----------------|---|

NOT APPLICABLE

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

State Awards

Internal Control over major programs:

- | | |
|---|-------------------|
| 1) Material weakness(es) identified? | Yes |
| 3) Significant deficiencies identified that are not considered To be material weaknesses? | None Noted |
| Type of auditor’s report issued on compliance for major programs | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance With NJ OMB Circular Letter 15-08? | Yes |

Identification of major programs:

| GMIS Number(s) | Name of State Program |
|------------------|-----------------------------------|
| 495-034-5120-078 | Equalization Aid |
| 495-034-5120-084 | Security Aid |
| 495-034-5120-089 | Categorical Special Education Aid |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding 2016-001:

Criteria or Specific Requirement:

The Treasurer's Report reconciles to the individual bank reconciliations performed by the Board Secretary of the Charter School.

Condition:

It was noted during our audit that the Charter School's June net payroll and payroll agency account reconciliations did not reconcile to the Treasurer's Report.

Context:

Appropriate internal controls should be in place to ensure that the Treasurer reconciliations are reconciled to the bank statements and cash records of the Board Secretary.

Effect:

The Charter School risks misstating their cash.

Cause:

Lack of control surrounding the reconciliations of cash accounts.

Recommendation:

That the Treasurer reconciles their cash records with the reconciled bank statements and the cash records of the Board Secretary.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School management agrees with this finding and will take the appropriate steps to correct this issue.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2016**

Section III – State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJOMB Circular Letter 15-08, as applicable.

Finding 2016-002:

Information on the State Program:

Equalization Aid, Special Education Categorical Aid and Security Aid

Criteria or Specific Requirement:

The Charter School complies with NJAC 6A:23A, which outlines required policies and procedures related to travel.

Condition:

It was noted during our audit that the employees of the Charter School did not follow policies in relation to travel and reimbursement policies as set forth in NJAC 6A:23A.

Questioned Costs:

Not determinable.

Context:

Appropriate internal controls should be in place and followed in order to ensure that all travel activities and reimbursements follow NJAC 6A:23A.

Effect:

The Charter School risks a reduction in State Aid for failure to comply with state statutes.

Cause:

Lack of understanding of the requirements of NJAC 6A:23A.

Recommendation:

That the Charter School implements controls that follow guidelines set forth by NJAC 6A:23A.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School management agrees with this finding and will take the appropriate steps to follow this compliance requirement.

**HOPE COMMUNITY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
For the Fiscal Year Ended June 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards*. (§1.511 (a)(b)) and NJOMB's Circular 04-04 and/or 15-08, as applicable.

Finding 2015-001:

It was noted during our audit that the Charter School's tax exempt status was revoked due to the failure to file proper federal tax returns. The Charter School is currently in the process of applying for the reinstatement of their tax exempt status with the IRS.

Status: Management has taken corrective action on this finding and has been reinstated as a tax exempt organization.

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