

Comprehensive Annual Financial Report

of the

***Great Futures
Charter High School
for the
Health Sciences***

for the

*Fiscal Year Ended
June 30, 2016*

Prepared by
Great Futures Charter High School
for the Health Sciences

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

TABLE OF CONTENTS

	<u>Page #</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	1 - 5
Organization Chart	6
Roster of Officials	7
Consultants and Advisors	8
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	9 - 11
Required Supplementary Information - Part I	
Management's Discussion and Analysis	12 - 17
Basic Financial Statements	
A. Charter School-Wide Financial Statements:	
A-1 Statement of Net Position	18
A-2 Statement of Activities	19
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	20
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	21
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds:	
B-4 Statement of Net Position	23
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	24
B-6 Statement of Cash Flows	25
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	26
B-8 Statement of Changes in Fiduciary Net Position	N/A
Notes to Basic Financial Statements	27 - 52
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	53-54
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	55
Notes to Required Supplementary Information - Part II	
C-3 Budgetary Comparison Schedule - Note to RSI	56

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

TABLE OF CONTENTS

		Page #
L.	Required Supplementary Information - Part III	
L-1	Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS	57
L-2	Schedule of the Charter School's Contributions - PERS	58
L-3	Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF	59
	Notes to Required Supplementary Information - Part III	
L-4	Notes to Required Supplementary Information - Pensions	60
	Other Supplementary Information	
D.	School Level Schedules:	
	NOT APPLICABLE	N/A
E.	Special Revenue Fund:	
E-1	Combining Schedule of Revenues and Expenditures - Special Revenue Fund - Budgetary Basis	61
F.	Capital Projects Fund:	
	NOT APPLICABLE	N/A
G.	Proprietary Funds:	
	Enterprise Fund:	
	Included at Schedules B-4 through B-6 pages 23 through 25	
	Internal Service Fund:	
	NOT APPLICABLE	N/A
H.	Fiduciary Funds:	
H-1	Combining Statement of Fiduciary Net Assets	62
H-2	Combining Statement of Changes in Fiduciary Net Assets	N/A
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	63
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	64
I.	Long-Term Debt:	
	NOT APPLICABLE	N/A
	Statistical Section (Unaudited):	
J.	J-1 Net Position by Component	65
	J-2 Change in Net Position	66
	J-3 Fund Balances - Governmental Funds	67
	J-4 Changes in Fund Balances - Governmental Funds	68
	J-5 General Fund - Other Local Revenue by Source	69
	J-6 Assessed Value of Taxable Property	N/A
	J-7 Direct and Overlapping Property Tax Rates	N/A
	J-8 Principal Property Tax Payers	N/A

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

TABLE OF CONTENTS

		<u>Page #</u>	
J-9	Property Tax Levies and Collections	N/A	
J-10	Ratios of Outstanding Debt by Type	N/A	
J-11	Ratios of Net General Bonded Debt Outstanding	N/A	
J-12	Ratios of Overlapping Governmental Activities Debt	N/A	
J-13	Legal Debt Margin Information	N/A	
J-14	Demographic and Economic Statistics	70	
J-15	Principal Employers	71	
J-16	Full Time Equivalent District Employees by Function/Program	72	
J-17	Operating Statistics	73	
J-18	School Building Information	74	
J-19	Schedule of Required Maintenance for School Facilities	N/A	
J-20	Insurance Schedule	75	
J-21	Performance Framework Financial Indicators	76	
SINGLE AUDIT SECTION			
K.	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	77-78
	K-2	Independent Auditor's Report on Compliance For Each Major State Program and on Internal Control Over Compliance as Required by the Uniform Guidance and New Jersey OMB Circular 15-08	79-81
	K-3	Schedule of Expenditures of Federal Awards, Schedule A	82
	K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	83
	K-5	Notes to the Schedules of Expenditures of Awards and Financial Assistance	84-85
	K-6	Schedule of Findings and Questioned Costs	86-87
	K-7	Summary Schedule of Prior-Year Audit Findings and Questioned Costs as Prepared by Management	88

INTRODUCTORY SECTION



225 Morris Blvd, Jersey City, New Jersey 07302 Tel: 201-716-1520 Fax: 201-716-1530

December 1, 2016

The Commissioner
New Jersey Department of Education Riverview
Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Great Futures Charter High School for the Health Sciences (the “Charter School”) for the period July 1, 2015 to 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 are reported in a manner designed to fairly present the financial position and result of operations of the various funds 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.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

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 independent auditor’s report, MD&A and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

1. 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 National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

The Charter School is one of Jersey City's newest and most innovative public charter schools. Great Futures Charter High School for the Health Sciences' vision is that its program will provide students a foundation for post-secondary education or workforce readiness in certified health related professions. Students will explore core content with technology through integrated projects, case studies, online learning and focused learning experiences. Through the transformation of our students the school will change the face of health care in our community.

Opened in September 2014, Great Futures Charter High School for the Health Sciences is in its second year of operation. The Charter School ended the 2015-2016 school year with 227 students in the ninth and tenth grades and we will go on to add a grade each year to grow to about 500 students in grades 9-12.

The Charter School's approach is distinctive in several key ways:

- Free, open enrollment school.
- Prepares students to achieve at the highest levels in the worlds of college, work and life.

2. Economic Condition and Outlook

The Jersey Great Futures Charter High School for the Health Sciences is located in Jersey City, the second largest municipality in New Jersey with a population of 247,597 accordingly to the United States Department of Commerce's 2010 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York-Northern New Jersey Metropolitan area.

The City's land area is 15.8 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multifamily development over the past ten years. The City is connected to New York City by Holland Tunnel and the PATH railroad tubes and is within ten miles of Newark International Airport and the container and cargo facilities of Port Newark-Elizabeth.

The City is located in the County of Hudson. The City's size and current development activity cause it to dominate the economy of Hudson County. The City also serves as the seat of the County Government.

3. **Mission and Education Program**

The core academic mission of the Charter School emphasizes high expectations for all students to successfully complete a rigorous curriculum and meet high academic standards for graduation and preparation for post-secondary education and 21st century careers, including certified health related professions. Through the transformation of our students the Charter School will change the face of health-care in our community.

- All students will graduate with a high school diploma in four years meeting all requirements.
- All students will participate in academic and college career readiness experiences in the health sciences/medical professions, concentrating on placements of at the Jersey City Medical Center at the hospital location.
- All students will have opportunities to obtain college credits during the high school years.
- All students will graduate positioned and ready to continue on in two year or four year colleges or universities or to enter the workforce for employment, having obtained certification in a health/science related field.
- All students will practice effective academic, personal and social leadership skills and principles.

4. **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 are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The system of 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 awards and state financial assistance, the Charter School also is responsible for ensuring that adequate system of internal controls is in place to ensure compliance with applicable laws and regulations related to those programs. This system of internal control is also subject to periodic evaluation by the Charter School's management.

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

5. Budgetary Controls

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at period end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2016.

6. Accounting Systems and Report

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school.

The accounting system is organized on the basis of funds and account groups. These funds are explained in "Notes to the Financial Statements", Note 1.

7. Cash Management

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

8. Risk Management

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

9. **Other Information**

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Donohue, Gironda, Doria & Tomkins, LLC Certified Public Accountants to perform the audit for the fiscal year ended June 30, 2016. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*.

The auditor's report on the basic financial statements, is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. **Acknowledgements**

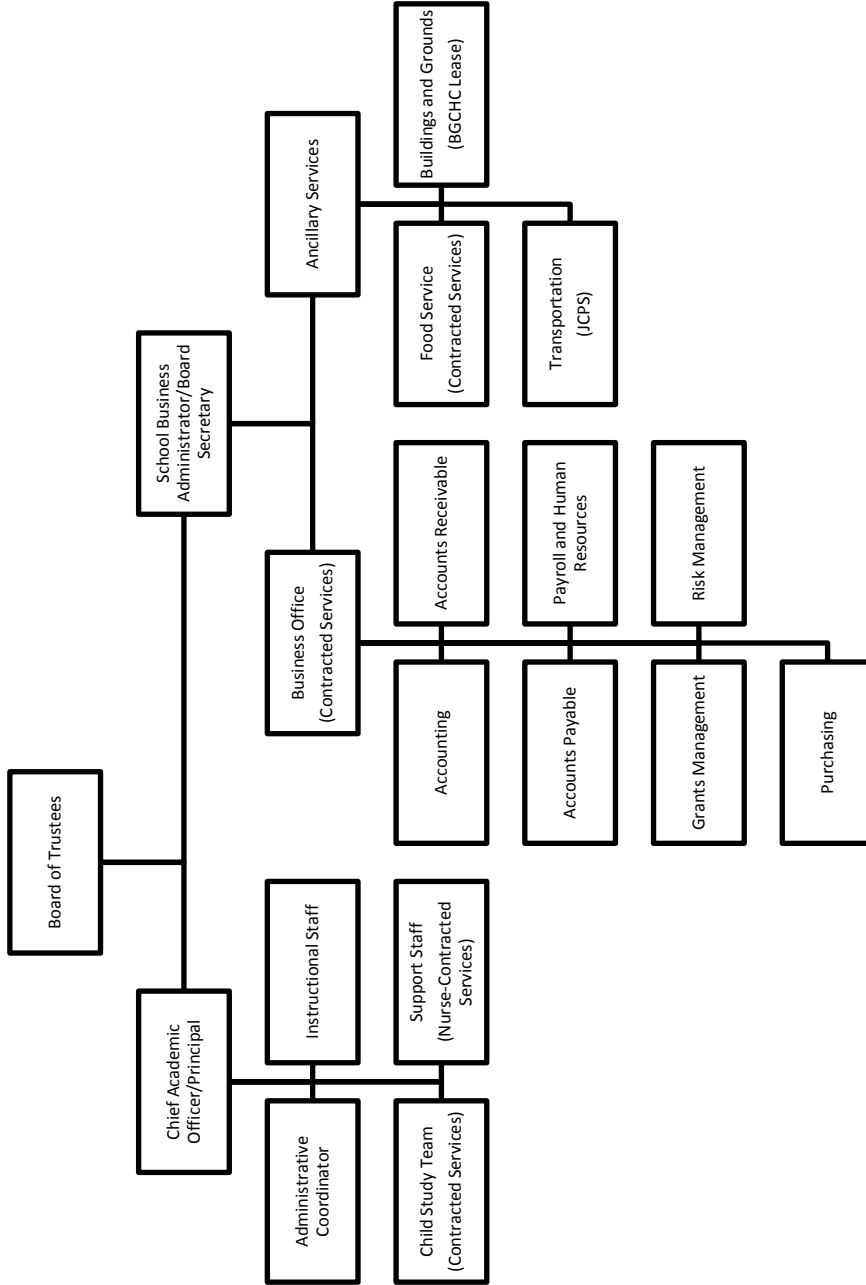
A note of appreciation is extended to the Finance Committee of the Charter School for their support and commitment to fiscal integrity and to the Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,



Dr. Brian Falkowski
Board Secretary/School Business Administrator



**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH
SCIENCES**

ROSTER OF TRUSTEES AND OFFICERS

JUNE 30, 2016

Members of the Board of Trustees

Term Expiration

Adele T. Macula, Ed.D., President	6/30/2017
Gary Greenberg, Vice President	6/30/2017
Nicole Pratt	6/30/2018
Dr. Nadia Sexton	6/30/2019
Lourdes Valdes	6/30/2017
Gary Williams	6/30/2018
Vacant	N/A

Other Officials

Dr. Heather Jackson, Interim Executive Director	Effective 9-12-2016
Michael Falkowski, School Business Administrator/Board Secretary	
Dr. Brian Falkowski, Substitute School Business Administrator/Board Secretary	

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH
SCIENCES**

CONSULTANTS AND ADVISORS

JUNE 30, 2016

Audit Firm

Donohue, Gironda, Doria & Tomkins, LLC
Certified Public Accounts

310 Broadway
Bayonne, NJ 07002

Attorney

Susan Lavelle, Esq.
1814 Kennedy Boulevard
Union City, NJ 07087

Official Depository

Provident Bank
Washington and York Streets
Jersey City, NJ 07303

FINANCIAL SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Matthew A. Donohue, CPA
Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA

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Linda P. Kish, CPA, RMA
Mark W. Bednarz, CPA, RMA
Jason R. Gironda, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members of the Board of Trustees
Great Futures Charter High School for the Health Sciences
Jersey City, New Jersey

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 Great Futures Charter High School for the Health Sciences (the "Charter School"), in the County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Charter School as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in 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, and pension information on pages 12 through 17, pages 53 through 56, and pages 57 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

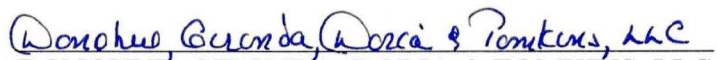
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, respectively, and are not a required part of the basic financial statements.

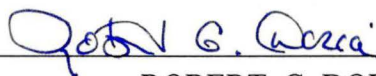
The combining and individual fund financial statements, and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual fund financial statements, long-term debt schedules, and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables 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 December 1, 2016, on our consideration of the Charter School's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.


DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants


ROBERT. G. DORIA
Certified Public Accountant
Public School Accountant No. CS 00778

Bayonne, New Jersey
December 1, 2016

REQUIRED SUPPLEMENTARY INFORMATION

PART I

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
JERSEY CITY, NEW JERSEY**

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

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

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2016 are as follows:

- General revenues accounted for \$2,910,530 or 86% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$460,091 or 14% of total revenues of \$3,370,621.
- The Charter School had \$3,213,199 in expenses; only \$460,091 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$2,910,530 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$2,910,530 in revenues and \$2,683,591 in expenditures. The General Fund's fund balance increased by 226,939 over 2015. This increase was anticipated by the Board of Trustees.
- During 2015, the Charter School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. The Charter School does not yet have any pension liabilities as its first year of operation was the fiscal year ended June 30, 2015.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Great Futures Charter High School for the Health Sciences as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
JERSEY CITY, NEW JERSEY**

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

activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Great Futures Charter High School for the Health Sciences, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two kinds of activities:

- Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service and After School enterprise fund is reported as a business activity.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
JERSEY CITY, NEW JERSEY**

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 27 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net Position may serve, over time, as a useful indicator of a government's financial position. The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined Net Position were \$757,875 on June 30, 2016 and \$533,980 on June 30, 2015.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
JERSEY CITY, NEW JERSEY**

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

Governmental Activities

The Charter School's total revenues were \$3,287,753 for 2016 and \$2,145,124 for 2015; this includes \$38,838 for 2016 and \$-0- for 2015 of state reimbursed TPAF social security contributions and a contribution to the food service fund of \$66,573 for 2016 and \$50,000 for 2015.

The total cost of all program and services were \$3,060,814 for 2016 and \$1,614,188 for 2015. Instruction comprised 47% for 2016 and 45% for 2015 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. The net cost shows the financial burden that was placed on the Charter School's taxpayers by each of these functions.

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

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

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

Business-Type Activities

Revenues for the Charter School's business-type activities (Food service) were comprised of charges for services and federal and state reimbursements.

- Revenues were (less) and greater than expenses for 2016 and 2015 by (\$3,044) and \$3,044 respectively.
- Charges for services represented \$26,675 for 2016 and \$1,424 for 2015 of revenue. This represents amounts paid by patrons for food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast and snacks were \$56,193 for 2016 and \$30,586 for 2015. Additionally, the board contributed \$66,573 in 2016.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
JERSEY CITY, NEW JERSEY**

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

The Charter School's Funds

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2016 as compared to 2015, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Fiscal Year 6/30/2015	Fiscal Year 6/30/2016	Percent of Total	Increase/ (Decrease)	Percent of Increase/ (Decrease)
Local Sources	\$ 420,145	\$ 731,789	21.82%	\$ 311,644	74.18%
Miscellaneous	254,780	12,325	0.37%	(242,455)	-95.16%
State and Federal Sources	1,520,199	2,610,212	77.82%	1,090,013	71.70%
Total	<u>\$ 2,195,124</u>	<u>\$ 3,354,326</u>	<u>100.00%</u>	<u>\$ 1,159,202</u>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2016 as compared to 2015, and the amount and percentage of decreases in relation to prior year amounts.

Expenditures	Fiscal Year 6/30/2015	Fiscal Year 6/30/2016	Percent of Total	Increase/ (Decrease)	Percent of Increase/ (Decrease)
Instruction	\$ 718,615	\$ 1,299,244	42.45%	\$ 580,629	80.80%
Administration	337,547	1,002,848	32.76%	665,301	197.10%
Support Services	558,026	679,545	22.20%	121,519	21.78%
Capital Outlay	-	79,177	2.59%	79,177	N/A
Total	<u>\$ 1,614,188</u>	<u>\$ 3,060,814</u>	<u>100.00%</u>	<u>\$ 1,446,626</u>	

The increase in revenues and expenses from 2015 to 2016 was based on the school being in its second year versus first year. Each year it is in operation it is adding a grade. The Charter School had only 9th grade in 2015 and expanded to 9th and 10th in 2016.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
JERSEY CITY, NEW JERSEY**

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

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the Charter School revised the annual operating budget in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Michael Falkowski, School Board Administrator at Great Futures Charter High School for the Health Sciences, 225 Morris Boulevard, Jersey City, New Jersey 07302.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 926,475	\$ -	\$ 926,475
Interfund Receivables	-	6,562	6,562
Receivables and Other Assets	55,093	5,114	60,207
Capital Assets, Net	-	3,295	3,295
Total Assets	981,568	14,971	996,539
LIABILITIES:			
Cash Overdraft	-	10,047	10,047
Interfund Payable	6,562	-	6,562
Payable to State Government	166,584	-	166,584
Accounts Payable	50,547	4,924	55,471
Total Liabilities	223,693	14,971	238,664
NET POSITION:			
Restricted for:			
Charter School Escrow	50,000		50,000
Unrestricted	707,875	-	707,875
Total Net Position	\$ 757,875	\$ -	\$ 757,875

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

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 1,435,490	\$ -	\$ 311,178	\$ -	\$ (1,124,312)	\$ -	\$ (1,124,312)
Administration	795,722	-	-	-	(795,722)	-	(795,722)
Support Services	750,425	-	66,045	-	(684,380)	-	(684,380)
Capital Outlay	79,177	-	-	-	(79,177)	-	(79,177)
Total Governmental Activities	3,060,814	-	377,223	-	(2,683,591)	-	(2,683,591)
BUSINESS-TYPE ACTIVITIES:							
Food Service	152,485	26,675	56,193	-	-	(69,617)	(69,617)
Total Business-Type Activities	152,485	26,675	56,193	-	-	(69,617)	(69,617)
Total Primary Government	\$ 3,213,299	\$ 26,675	\$ 433,416	\$ -	\$ (2,683,591)	\$ (69,617)	\$ (2,753,208)
GENERAL REVENUES							
General Purposes					731,789	-	731,789
State Aid Not Restricted					2,232,989	-	2,232,989
Miscellaneous Income					12,325	-	12,325
Transfers In/(Out)					(66,573)	66,573	-
Total General Revenues					2,910,530	66,573	2,977,103
Change in Net Position					226,939	(3,044)	223,895
Net Position - Beginning					530,936	3,044	533,980
Net Position - Ending					\$ 757,875	\$ -	\$ 757,875

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Governmental Funds

Balance Sheet

For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and Cash Equivalents	\$ 926,475	\$ -	\$ 926,475
Accounts Receivable:			
State of New Jersey	8,960	-	8,960
Federal Government	-	46,133	46,133
Interfund Receivable	<u>46,133</u>	<u>-</u>	<u>46,133</u>
 Total Assets	 <u>981,568</u>	 <u>46,133</u>	 <u>1,027,701</u>
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	6,562	46,133	52,695
Payables to State Government	166,584	-	166,584
Accounts Payable	<u>50,547</u>	<u>-</u>	<u>50,547</u>
 Total Liabilities	 <u>223,693</u>	 <u>46,133</u>	 <u>269,826</u>
 Fund Balances:			
Restricted:			
Charter School Escrow	50,000		50,000
Unassigned:			
General Fund	<u>707,875</u>	<u>-</u>	<u>707,875</u>
 Total Fund Balances	 <u>757,875</u>	 <u>-</u>	 <u>757,875</u>
 Total Liabilities and Fund Balances	 <u>\$ 981,568</u>	 <u>\$ 46,133</u>	

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

Net Position of Governmental Activities - A-1

\$ 757,875

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

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 731,789	\$ -	\$ 731,789
Miscellaneous	12,325	-	12,325
Total Local Sources	<u>744,114</u>	<u>-</u>	<u>744,114</u>
State Sources	2,232,989	-	2,232,989
Federal Sources	-	377,223	377,223
Total State and Federal Sources	<u>2,232,989</u>	<u>377,223</u>	<u>2,610,212</u>
Total Revenues	<u>2,977,103</u>	<u>377,223</u>	<u>3,354,326</u>
EXPENDITURES:			
Instruction	988,066	311,178	1,299,244
Administration	1,002,848	-	1,002,848
Support Services	613,500	66,045	679,545
Capital Outlay	79,177	-	79,177
Total Expenditures	<u>2,683,591</u>	<u>377,223</u>	<u>3,060,814</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>293,512</u>	<u>-</u>	<u>293,512</u>
OTHER FINANCING SOURCES (USES):			
Transfer Out	<u>(66,573)</u>	<u>-</u>	<u>(66,573)</u>
NET CHANGE IN FUND BALANCES	226,939	-	226,939
Fund Balance, July 1, 2015	<u>530,936</u>	<u>-</u>	<u>530,936</u>
Fund Balance, June 30, 2016	<u>\$ 757,875</u>	<u>\$ -</u>	<u>\$ 757,875</u>

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

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
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 (B-2)	\$	226,939
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are depreciated, are allocated over their estimated useful lives as depreciation expense in the current fiscal year.		-
Repayment of loan principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets is not reported in the statement of activities.		-
Change in net position of governmental activities (A-2)	\$	<u>226,939</u>

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

PROPRIETARY FUND

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Proprietary Funds

Statement of Net Position

For the Fiscal Year Ended June 30, 2016

	Business-Type Activities- Enterprise Funds <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ -
Receivables:	
Interfund Receivable	6,562
Intergovernmental Receivable-State	107
Intergovernmental Receivable-Federal	<u>5,007</u>
 Total Current Assets	 <u>11,676</u>
Noncurrent Assets:	
Machinery and Equipment	3,661
Less: Accumulated Depreciation	<u>(366)</u>
 Total Noncurrent Assets	 <u>3,295</u>
 Total Assets	 <u><u>14,971</u></u>
LIABILITIES:	
Liabilities	
Cash overdraft	10,047
Interfund Accounts Payable	-
Accounts Payable	<u>4,924</u>
 Total Liabilities	 <u>14,971</u>
NET POSITION:	
Unrestricted	<u>-</u>
 Total Net Position	 <u><u>\$ -</u></u>

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

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Proprietary Funds

Statement of Revenues, Expenditures

and Changes in Fund Net Position

For the Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities Enterprise Fund- Food Service</u>
OPERATING REVENUES:	
Daily Sales:	
Non-reimbursable Program:	<u>\$ 26,675</u>
 Total Operating Revenues	 <u> 26,675</u>
 OPERATING EXPENSES:	
Salaries	19,258
Cost of Sales	126,016
Depreciation Expense	366
Write-off of assets	<u>6,845</u>
 Total Operating Expenses	 <u> 152,485</u>
 OPERATING LOSS	 <u> (125,810)</u>
 NONOPERATING REVENUES:	
State Sources:	
State School Lunch Program	1,201
Federal Sources:	
Federal Breakfast Program	7,253
Federal School Lunch Program	46,884
Federal Snack	855
Board Contribution	<u>66,573</u>
 Total Nonoperating Revenues	 <u> 122,766</u>
 Change in Net Position	 (3,044)
 Net Position, July 1, 2015	 <u> 3,044</u>
 Net Position, June 30, 2016	 <u><u> \$ -</u></u>

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

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

	Business-Type Activities
	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 26,675
Cash Payments to Suppliers and Employees	<u>(140,350)</u>
Net Cash Used by Operating Activities	<u>(113,675)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	51,079
Board Contribution	<u>60,011</u>
Net Cash Provided by Noncapital Financing Activities	<u>111,090</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets (Net)	
Net Cash Used for Capital and Related Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and Construction of Capital Assets	<u>(3,661)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(3,661)</u>
Net Decrease in Cash and Cash Equivalents	(6,246)
Cash and Cash Equivalents, July 1	<u>(3,801)</u>
Cash and Cash Equivalents, June 30	<u><u>\$ (10,047)</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss Used for Operating Activities	\$ (125,810)
Increase in Accounts Payable	4,924
Depreciation and write-off of assets	<u>7,211</u>
Net Cash Used by Operating Activities	<u><u>\$ (113,675)</u></u>

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

FIDUCIARY FUNDS

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Fiduciary Funds

Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Agency		
	Payroll Agency	Student Activities	Total Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ 50,367	\$ 1,085	\$ 51,452
Total Assets	\$ 50,367	\$ 1,085	\$ 51,452
LIABILITIES:			
Payroll Liabilities	50,367		50,367
Due to Student Groups		1,085	1,085
Total Liabilities	\$ 50,367	\$ 1,085	\$ 51,452
NET ASSETS:			
Restricted:			
Unrestricted:			
Total Net Assets			

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

NOTES TO BASIC FINANCIAL STATEMENTS

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Trustee's (the "Board") of the Great Futures Charter High School for the Health Sciences (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's Proprietary Funds have elected not to apply the standards issued by FASB after November 30, 1989.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Charter School's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Charter School's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Internal activity is eliminated in the Statement of Activities.

The more significant of the Charter School's accounting policies are described below.

A. Reporting Entity:

The Charter School was incorporated in the State of New Jersey on January 21, 2014 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School's Board is responsible for the fiscal control of the Charter School. A Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing statutes, the Charter School's duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Charter School's Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

B. Basic Financial Statements – Charter School-Wide Statements:

The Charter School's basic financial statements include both charter school-wide (reporting the Charter School as a whole) and fund financial statements (reporting the Charter School's major funds). Both the charter school-wide and fund financial statements categorize primary activities as either governmental or business type. The Charter School's general operating services, special revenue and capital projects funds are classified as governmental activities. The Charter School's food service operations are classified as business-type activities.

The Statement of Net Position and Statement of Activities display information about the reporting Charter School as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Charter School's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Charter School first utilizes restricted resources to finance qualifying activities.

The charter school-wide Statement of Activities reports both the gross and net cost of each of the Charter School's functions and business-type activities. The functions are also supported by general government revenues (property and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – Charter School-Wide Statements (Continued):

The net costs (by function or business-type activity) are normally covered by general revenue (property, taxes, intergovernmental revenues, interest income, etc.)

The Charter School does not allocate indirect costs. The charter school-wide focus is more on the sustainability of the Charter School as an entity and the change in the Charter School's net position resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements:

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Charter School:

1. GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School:

General Fund - The General Fund is the general operating fund of the Charter School. It 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 non-instructional equipment which are classified in the capital outlay sub fund.

As required by the New Jersey State 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, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed 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.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements (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.

Capital Projects Fund - The Capital Projects Fund would be used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources would be derived from various types of debt instruments.

2. PROPRIETARY FUND

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Fund of the Charter School:

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

The Charter School's Enterprise Fund is comprised of the Food Service Fund.

The Proprietary Fund is accounted for on a cost of services or "economic resource" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported net position (net total position) is segregated into invested in capital assets, net of related debt, restricted for capital projects or unrestricted, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustive capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Food Service Fund:</u>	
Machinery and Equipment	5-10 Years

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements (Continued):

3. FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Expendable Trust Funds - An Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include the Unemployment Compensation Insurance Trust Fund.

Agency Funds - Agency Funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll, student activities funds and the other Charter School activity fund.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Charter School considers all governmental and business-type activities to be major.

The Charter School's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and expendable trust). Since by definition these assets are being held for the benefit of a third party (other local governments, students, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting and Measurement Focus:

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

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a) All governmental funds and expendable trust funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c) Agency funds are not involved in the measurement of results of operation; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting and Measurement Focus (Continued):

Basis of Accounting (Continued)

In the fund financial statements, governmental funds, expendable trust funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are reported when due. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item units are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 committed fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the Special Revenue Fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

G. Cash, Cash Equivalents and Investments:

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 amortized cost. All other investments are stated at fair value.

New Jersey School Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 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 a 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 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.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Short-Term Interfund Receivables/Payables:

Short-term inter-fund 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. For the purpose of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

I. Inventories and Prepaid Expenses:

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

J. Capital Assets:

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The Charter School considers all property, plant and equipment with a cost over \$2,000 to be a capital asset.

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

K. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, sabbatical leave and salary related payments. 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.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

The Charter School had no compensated absences as of June 30, 2016.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Unearned Revenue:

Unearned revenue in the Special Revenue Fund represents cash that has been received but not yet earned.

M. Equity Classifications

Government-wide Statements

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred inflows, deferred outflows and liabilities in the Government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the Government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Equity is classified as net position and displayed in three components:

Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Equity Classifications (Continued):

Fund Statements

Governmental fund equity is classified as fund balance. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”) established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balance is further categorized as nonspendable, restricted, committed, assigned, or unassigned fund balance. Restrictions include amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Nonspendable- includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.

Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision- making authority.

Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - All other fund balance that did not meet the definition of restricted, committed, or assigned.

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted. Decreases in fund balance first reduce unassigned fund balance. In the event that unassigned fund balances becomes zero, then assigned and committed fund balances are used in that order.

N. Operating and Nonoperating Revenue:

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue not related to capital and related financing, noncapital financing, or investing activities. Nonoperating revenues include reimbursements by the State and Federal government for school breakfast, lunch and food distribution programs.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Use of Estimates:

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

P. On-Behalf Payments:

Revenues and expenditures of the General Fund include payments made by the State of New Jersey for pension and social security contributions for certificated teacher and/or administrators who are members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget.

Q. Adoption of New Accounting Pronouncement

The Charter School has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68*. GASB No. 68 and No. 71 require participating employers in pension plans to recognize their proportionate share of their collective net pension liability, collective deferred inflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

However, it should be noted that the Charter School was established during the school year 2014-2015 and was therefore only two years in the New Jersey State pension system as of June 30, 2016. Because of its relatively short time in the system, there was no information to report for GASB 68 disclosure during the current or prior year. Pension liabilities information will be disclosed as it becomes available in the future.

R. Subsequent Events:

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2016 and December 1, 2016, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Charter School that would require disclosure.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2. CASH AND CASH EQUIVALENTS

All bank deposits as of the balance sheet date are classified as to credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized.
- b) Collateralized with securities held by the pledging financial institution.
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Charter School's name.

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. The Charter School does not have a deposit policy for custodial credit risk. As of June 30, 2016, none of the Charter School's bank balances totaling \$1,010,330 was exposed to custodial credit risk.

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2016, the Charter School's carrying amount of deposits was \$916,428 and the bank balance was \$1,010,330. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2016 were secured by federal deposit insurance and \$750,330 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

NOTE 3. DEPOSIT AND INVESTMENT RISK

The Charter School is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school Charter School or bonds or other obligations of the local unit or units within which the school Charter School is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the Charter School's name, and are held by either:

- a) The counterparty or
- b) The counterparty's trust department or agent but not in the Charter School's name

Foreign currency risk is the risk that changes in exchange rates will adversely affect investments. The Charter School does not have investments denominated in foreign currency.

At June 30, 2016 the Charter School's deposits were not exposed to custodial credit risk or foreign currency risk.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

3. DEPOSIT AND INVESTMENT RISK (Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2016 the Charter School's only deposits were insured by FDIC and GUDPA. The Charter School does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that the Charter School disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School is exempt from this requirement because all of it has no investments at June 30, 2016.

Concentration of Credit Risk - The Charter School places no formal limits on the amount they may invest in any one issue.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Charter School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

NOTE 4. CAPITAL ASSETS

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

	Balance at July 1, 2015	Additions	Balance at June 30, 2016
Governmental Activities:		None	
Business-type Activity:			
Depreciable:			
Machinery and Equipment	\$ -	\$ 3,661	\$ 3,661
Total at Historical Cost	-	3,661	3,661
Less: Accumulated Depreciation:			
Machinery and Equipment	-	(366)	(366)
Total Accumulated Depreciation	-	(366)	(366)
Business-type Activity, Capital Assets, Net	\$ -	\$ 3,295	\$ 3,295

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5. OPERATING LEASES

The Charter School has commitments to lease certain office equipment and schools under operating leases. Total operating lease payments made during the year ended June 30, 2016 were \$148,400. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 154,900
June 30, 2018	554,900
June 30, 2019	143,325
thereafter	-
	853,125

NOTE 6. PENSION PLANS

A. Description of Plans:

All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

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

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, by which the State of New Jersey is responsible to fund 100% of the employer contributions, excluding any local employer retirement incentive (ERI) contributions. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

C. Public Employees' Retirement System (PERS):

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

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

D. Vesting and Benefit Provisions:

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. 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 PERS and 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 service credit 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, 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 their 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.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increase were suspended for all current and future retirees of all retirement systems.

All charter school employees are tier 5.

E. Contribution Requirements:

The contribution policy is set by N.J.S.A. 43:15A for PERS and N.J.S.A. 18:66 for TPAF, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5 plus an additional 1% phased-in over 7 years beginning July 2012. The member contribution was 7.06% in fiscal year 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

E. Contribution Requirements (Continued):

Employers' contribution amounts for PERS are based on an actuarially determined rate. The annual employer contributions for PERS include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. Under current Statute, the Charter School is a non-contributing employer of the TPAF.

	Salaries	EE Contrib	Salaries	EE Contrib
	<u>TPAF</u>	<u>TPAF</u>	<u>PERS</u>	<u>PERS</u>
June 30, 2016	\$ 1,228,877	\$ 86,759	\$ 98,547	\$ 6,957
June 30, 2015	428,071	29,623	40,000	2,768

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

It should be noted that the Charter School was established during the school year 2012- 2013, with its first school year being the 14-15 school year. The Charter School employees' began making contributions during the 15-16 school year. Because of its relatively short time in the system, there was no information to report for GASB 68 disclosure during the current year. Pension liabilities information will be disclosed as it becomes available in the future.

At June 30, 2016 the State's net pension liability for TPAF associated with the Charter School was \$-0-. For the year ended June 30, 2016, the Charter School recognized an on-behalf TPAF pension expense of \$-0- offset by an on-behalf TPAF pension contribution for the same amount.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, Charter Schools TPAF proportion was 0.0000%, which was a decrease of 0.0000% from its proportion measured as of June 30, 2014.

Actuarial Assumptions

The total TPAF pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total TPAF pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

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

Inflation rate	2.50%
Salary increases 2012-2021	Varies based on experience
Salary increases Thereafter	Varies based on experience
Investment rate of return	7.90%

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

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

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

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

Long-Term Expected Rate of Return

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

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

Discount Rate

The discount rate used to measure the total pension liability for TPAF was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.8% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20- Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employees will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

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

be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Pension Plan fiduciary net position

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate.

The Charter School's proportionate share of the net pension liability is not available as of June 30, 2015, when it becomes available in future years, the sensitivity analysis will be calculated.

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

It should be noted that the Charter School was established during the school year 2012- 2013, with its first school year being the 14-15 school year. The Charter School employees' began making contributions during the 15-16 school year. Because of its relatively short time in the system, there was no information to report for GASB 68 disclosure during the current year. Pension liabilities information will be disclosed as it becomes available in the future.

At June 30, 2016 the State's net pension liability for PERS associated with the Charter School was \$-0-.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, Charter Schools PERS proportion was 0.0000%, which was a decrease of 0.0000% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Charter School recognized PERS pension expense of \$-0-. At June 30, 2016, the Charter School did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

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

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for Males and 1 year for Females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future expectations will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return

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

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employees will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 6. PENSION PLANS (Continued)

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

Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate.

The Charter School's proportionate share of the net pension liability is not available as of June 30, 2015, when it becomes available in future years, the sensitivity analysis will be calculated.

Pension Plan fiduciary net position

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

H. Reimbursed TPAF Social Security Contributions

In accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the Charter School \$38,838 during the year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the required supplementary information schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 7. POST-RETIREMENT BENEFITS

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

As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a 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.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 7. POST-RETIREMENT BENEFITS (Continued)

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

NOTE 8. COMPENSATED ABSENCES

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences".

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2016, Charter School-wide compensated absences amounted to \$-0-.

NOTE 9. DEFERRED COMPENSATION

The Charter School offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

AXA Financial Advisors

NOTE 10. ECONOMIC DEPENDENCY

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

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11. CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

NOTE 12. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Charter School did not significantly reduce insurance coverage during fiscal year 2016. Insurance claims have not exceeded coverage in any of the past two fiscal years. The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following inter-fund balances remained on the balance sheet of the governmental fund financial statement at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
Enterprise - Food Service	\$ 6,562	\$ -
General Fund	46,133	6,562
Special Revenue Fund		46,133
	\$ 52,695	\$ 52,695

The above balances are the result of revenues earned in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in a cash overdraft position. The Charter School expects to liquidate all inter-fund balances within one year.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14. FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$757,875 General Fund balance at June 30, 2016, of which \$50,000 is restricted for charter school escrow and \$707,875 is unassigned and undesignated. The charter school escrow is required by the New Jersey Department of Education Office of Charter Schools in the case of dissolution or revocation of the schools charter.

NOTE 15. RECEIVABLES FROM OTHER GOVERNMENTS

Receivables from other governments as reported on the general fund balance sheet amounting to \$8,960 is due from the State of NJ for FICA reimbursement for TPAF employees.

Receivables from other governments as reported on the special revenue fund balance sheet amounting to \$46,133 are from a Federal Charter School Grant.

All receivables are considered collectible in full.

NOTE 16. RELATED PARTY TRANSACTION

The Charter School has a five year lease for its main educational facility at 225 Morris Boulevard with The Boys and Girls Club of Jersey City. This lease is cancellable with 60 days notice. The Vice-President of the Board of Trustees of the Charter School is also the Executive Director and CEO of the Hudson County Boys and Girls' Club, a 501c(3) charitable organization. Gary Williams is a board member of both entities and Dr. Macula, the Charter School Board of Trustee President's husband, Joseph Macula, is the Vice President of The Hudson County Boys and Girl's Club's Board of Directors. The lease appears to be an "arm length" transaction which is mutually beneficial to both organizations. The lease payment for the fiscal years ending June 30, 2015 and 2016 was \$130,000. It is scheduled to be \$136,500 for 2017 and \$143,325 for 2018.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

Great Futures Charter High School for the Health Sciences

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2016

C-1

Sheet 1 of 2

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 772,691	\$ (40,902)	\$ 731,789	\$ 731,789	\$ -
Miscellaneous Revenue	-	-	-	12,325	12,325
Total Local Revenues	772,691	(40,902)	731,789	744,114	12,325
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	2,082,464	(110,231)	1,972,233	1,972,233	-
Special Education	160,043	(10,449)	149,594	149,594	-
Security Aid	77,318	(4,994)	72,324	72,324	-
Total Categorical Aid	2,319,825	(125,674)	2,194,151	2,194,151	-
Reimbursed TPAF Social Security	-	-	-	38,838	38,838
Total Revenues From Other Sources	-	-	-	38,838	38,838
Total Revenues	3,092,516	(166,576)	2,925,940	2,977,103	12,325
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,134,267	(372,361)	761,906	761,906	-
Other Salaries for Instruction	115,000	(103,195)	11,805	11,805	-
Purchased Prof/Tech Services		150,131	150,131	150,131	-
Other Purchased Services	6,800	(5,509)	1,291	1,291	-
General Supplies	28,500	(17,763)	10,737	10,737	-
Textbooks	60,000	(36,430)	23,570	23,570	-
Miscellaneous	28,750	(124)	28,626	28,626	-
Total Instruction	1,373,317	(385,251)	988,066	988,066	-
Administration:					
Salaries - General Administration	320,000	21,376	341,376	341,376	-
Salaries of Secretarial/Clerical Assistants	45,000	(15,294)	29,706	29,706	-
Purchases Prof/Tech Services	123,500	133,624	257,124	257,124	-
Legal	15,000	408	15,408	15,408	-
Other Purchased Services	3,500	1,285	4,785	4,785	-
Communications/Telephone	19,000	5,740	24,740	24,740	-
Supplies and Materials	2,500	27,327	29,827	29,827	-
Total Benefits Cost	285,582	(43,636)	241,946	241,946	-
Interest on Current Loans		-		-	-
Miscellaneous Expenses	5,500	13,598	19,098	19,098	-
Total Administration	819,582	144,428	964,010	964,010	-

Great Futures Charter High School for the Health Sciences
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2016

C-1
 Sheet 2 of 2

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	275,000	(36,432)	238,568	238,568	-
Purchased Prof/Tech Services	55,000	173,568	228,568	228,568	-
Rental of Land and Buildings	130,000	-	130,000	130,000	-
Other Purchased Services	-	8,437	8,437	8,437	-
Insurance for Property, Liability and Fidelity	19,000	(18,480)	520	520	-
Non-Mandated Transportation To/From School	-	3,220	3,220	3,220	-
Supplies and Materials	4,000	187	4,187	4,187	-
Energy Costs (Heat and Electricity)			-		
Miscellaneous			-		
Total Support Services	483,000	130,500	613,500	613,500	-
Capital Outlay:					
Non-Instructional Equipment	-	3,661	3,661	3,661	-
Architectural Services	7,000	69,076	76,076	75,516	560
Total Capital Outlay	7,000	72,737	79,737	79,177	560
Reimbursed TPAF Pension	-	-	-	-	
Reimbursed TPAF Social Security	-	-	-	38,838	
Total Expenditures	2,682,899	(37,586)	2,645,313	2,683,591	560
Excess (Deficiency) of Revenues Over (Under) Expenditures	409,617	(128,990)	280,627	293,512	12,885
(Continued from Prior Page)					
OTHER FINANCING USES:					
Transfer Out To Food Services	\$ -	\$ (55,086)	\$ (55,086)	\$ (66,573)	\$ (11,487)
Total Other Financing Uses	-	(55,086)	(55,086)	(66,573)	(11,487)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	409,617	(184,076)	225,541	226,939	1,398
Fund Balance July 1, 2015	120,591	342,605	463,196	530,936	(67,740)
Fund Balance June 30, 2016	<u>\$ 530,208</u>	<u>\$ 158,529</u>	<u>\$ 688,737</u>	<u>\$ 757,875</u>	<u>\$ (66,342)</u>
Recapitulation:					
Restricted - Charter School Escrow			\$ 50,000		
Unassigned			707,875		
Fund Balance per Governmental Funds (GAAP)			<u>\$ 757,875</u>		

BUDGETARY COMPARISON SCHEDULES

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Special Revenue Fund

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Federal Sources	\$ 54,733	\$ 322,490	\$ 377,223	\$ 377,223	\$ -
Total Revenues	54,733	322,490	377,223	377,223	-
EXPENDITURES:					
Instruction:					
Salaries of Teachers	54,733	35,312	90,045	90,045	-
General Supplies	-	182,176	182,176	182,176	-
Equipment	-	38,957	38,957	38,957	-
Total Instruction	54,733	256,445	311,178	311,178	-
Support Services:					
Personal Services - Employee Benefits	-	23,412	23,412	23,412	-
Purchased Prof/Ed Services	-	41,605	41,605	41,605	-
Other Purchased Professional Services	-	1,028	1,028	1,028	-
Total Support Services	-	66,045	66,045	66,045	-
Total Expenditures	54,733	322,490	377,223	377,223	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PART II**

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Special Revenue Fund

Required Supplementary Information - Budgetary Comparison Schedule

Notes to RSI Part II

For the Fiscal Year Ended June 30, 2016

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 2,977,103	[C-2]	\$ 377,223
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				
Current		-		-
Prior		-		-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ <u>2,977,103</u>	[B-2]	\$ <u>377,223</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	[C-1]	\$ 2,683,591	[C-2]	\$ 377,223
Differences - budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.				
Current		-		-
Prior		-		-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ <u>2,683,591</u>	[B-2]	\$ <u>377,223</u>

REQUIRED SUPPLEMENTARY INFORMATION

PART III

PENSION INFORMATION SCHEDULES

RSI-Part III

Schedule of the Charter School's Proportionate Share
of the Net Pension Liability - PERS

	First Three Fiscal Years		
	Fiscal Year	Fiscal Year	Fiscal Year
	Ending	Ending	Ending
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Charter School's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
Charter School's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
Charter School's covered employee payroll	\$ -	\$ 40,000	\$ 98,547
Charter School's proportionate share as a percentage of covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

While the Charter School implemented the GASB 68 Pension disclosure during the year ended June 30, 2015, the pension reports provided by the New Jersey Division of Pension did not include the proportional share of the Charter School's liabilities. This is because the Charter School was just opened in 2014-2015 school-year and was therefore only one year in the plan. The information will be provided in the ensuing years.

It should be noted that the State is providing the information on a one year lag, so the 2016 information above relates to information as of June 30, 2015. This applies for all the years.

This schedule does not contain ten year of information as GASB 68 was implemented June 30, 2015 and allows for projective compliance

RSI-Part III

Schedule of the Charter School's Contributions - PERS

First Three Fiscal Years

	Fiscal Year Ending <u>June 30, 2014</u>	Fiscal Year Ending <u>June 30, 2015</u>	Fiscal Year Ending <u>June 30, 2016</u>
Contractually required contribution	\$ -	\$ -	\$ -
Contributions made	\$ -	\$ -	\$ -
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ -	\$ 40,000	\$ 98,547
Contribution as a percentage of covered payroll	N/A	N/A	N/A

While the Charter School implemented the GASB 68 Pension disclosure during the year ended June 30, 2015, the pension reports provided by the New Jersey Division of Pension did not include the proportional share of the Charter School's liabilities. This is because the Charter School was just opened in 2014-2015 school-year and was therefore only one year in the plan. The information will be provided in the ensuing years.

It should be noted that the State is providing the information on a one year lag, so the 2016 information above relates to information as of June 30, 2015. This applies for all the years.

This schedule does not contain ten year of information as GASB 68 was implemented June 30, 2015 and allows for projective compliance

RSI-Part III

Schedule of the Charter School's Proportionate Share
of the Net Pension Liability - TPAF

	First Three Fiscal Years		
	Fiscal Year Ending <u>June 30, 2014</u>	Fiscal Year Ending <u>June 30, 2015</u>	Fiscal Year Ending <u>June 30, 2016</u>
Charter School's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
Charter School's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
Charter School's covered employee payroll	\$ -	\$ 428,071	\$ 1,228,877
Charter School's proportionate share as a percentage of covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

While the Charter School implemented the GASB 68 Pension disclosure during the year ended June 30, 2015, the pension reports provided by the New Jersey Division of Pension did not include the proportional share of the Charter School's liabilities. This is because the Charter School was just opened in 2014-2015 school-year and was therefore only one year in the plan. The information will be provided in the ensuing years.

It should be noted that the State is providing the information on a one year lag, so the 2016 information above relates to information as of June 30, 2015. This applies for all the years.

This schedule does not contain ten year of information as GASB 68 was implemented June 30, 2015 and allows for projective compliance

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PART III**

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PART III – PENSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 5.39% as of June 30, 2014 (2015 GFCHS CAFR) to 4.90% as of June 30, 2015 (2016 GFCHS CAFR). The inflation rate changed from 3.01% as of June 30, 2014 (2015 GFCHS CAFR) to 3.04% as of June 30, 2015 (2016 GFCHS CAFR).

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 4.68% as of June 30, 2014 (2015 GFCHS CAFR) to 4.13% as of June 30, 2015 (2016 GFCHS CAFR).

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

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

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
June 30, 2016

	No Child Left Behind			Charter School	Total
	Title I A	Title II A	I.D.E.A.	Grant	
REVENUES:					
Federal Sources	\$ 113,457	\$ 1,028	\$ 41,605	\$ 221,133	\$ 377,223
Total Revenues	113,457	1,028	41,605	221,133	377,223
EXPENDITURES:					
Instruction:					-
Salaries of Teachers	90,045	-	-	-	90,045
General Supplies	-	-	-	182,176	182,176
Equipment	-	-	-	38,957	38,957
Total Instructional Expenditures	90,045	-	-	221,133	311,178
Support Services:					
Personal Services - Employee Benefits	23,412	-	-	-	23,412
Purchased Professional Services	-	-	41,605	-	41,605
Other Purchased Services	-	1,028	-	-	1,028
	23,412	1,028	41,605	-	66,045
Total Expenditures	113,457	1,028	41,605	221,133	377,223
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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

PROPRIETARY FUNDS

Proprietary funds are used to account for district activities that are similar to business operations in the private sector. There are two categories of proprietary funds – enterprise and internal service funds.

Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

Internal service funds are used to account for the financing of goods or services provided by one department or office to other departments or offices of the district board of education, or to other district boards of education and governmental units, on a cost-reimbursement basis.

Internal Service Fund - Not applicable.

THIS SECTION HAS ALREADY BEEN AT SECTIONS B-4 THROUGH B-6

FIDUCIARY FUNDS

Fiduciary funds report assets that are held in a trustee or agency capacity for external parties and that cannot be used to support the government's own programs.

Trust and agency funds are used to account for resources held and administered by a school district when it acts in a fiduciary capacity. Trust funds are used to account for assets held by the district in a trustee capacity. Agency funds are utilized to account for assets held by the district as an agent for individuals or other funds.

Payroll Agency Fund -

This agency fund is used to account for the payroll transactions of the school district.

Student Activity Fund -

This agency fund is used to account for student funds held at the schools.

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Fiduciary Funds

Combining Statement of Fiduciary Net Assets

June 30, 2016

	Agency		
	Payroll Agency	Student Activities	Total Agency
ASSETS:			
Cash and Cash Equivalents	\$ 50,367	\$ 1,085	51,452
Due from Net Payroll	-	-	-
Total Assets	<u>50,367</u>	<u>1,085</u>	<u>51,452</u>
LIABILITIES:			
Due to Students	-	1,085	1,085
Payroll Deductions and Withholdings	50,367	-	50,367
Total Liabilities	<u>\$ 50,367</u>	<u>\$ 1,085</u>	<u>\$ 51,452</u>

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

June 30, 2016

NOT APPLICABLE

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and Cash Equivalents	\$ 1,263	\$ 604	\$ 782	\$ 1,085
Total Assets	<u>1,263</u>	<u>604</u>	<u>782</u>	<u>1,085</u>
LIABILITIES:				
Due to Student Activities	<u>1,263</u>	<u>604</u>	<u>782</u>	<u>1,085</u>
Total Liabilities	<u>\$ 1,263</u>	<u>\$ 604</u>	<u>\$ 782</u>	<u>\$ 1,085</u>

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Fiduciary Funds

Payroll Agency Fund

Schedule of Receipts and Disbursements

June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and Cash Equivalents	\$ 324	\$ 328,779	\$ 278,736	\$ 50,367
Due from Net Payroll	-			-
Total Assets	\$ 324	\$ 328,779	\$ 278,736	\$ 50,367
LIABILITIES:				
Due to General Fund	-			-
Payroll Deductions and Withholdings	324	328,779	278,736	50,367
Total Liabilities	\$ 324	\$ 328,779	\$ 278,736	\$ 50,367

LONG-TERM DEBT

Long-term debt is used to record the outstanding principal balances of the general long-term liabilities of the school district. This included serial bonds outstanding, the outstanding principal balance of capital leases and activity for debt service of the school district.

As of June 30, 2016, the GFCHS did not have any outstanding long term debt.

STATISTICAL SECTION
(Unaudited)

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Net Position by Component
 First Two Fiscal Years Ending June 30th
Unaudited
(accrual basis of accounting)

	<u>2015</u>	<u>2016</u>
Governmental Activities		
Invested in capital assets, net of related debt	\$ -	\$ -
Restricted for Charter Escrow	-	50,000
Unrestricted	530,936	707,875
Total Governmental Activities Net Assets	<u><u>530,936</u></u>	<u><u>757,875</u></u>
Business-Type Activities		
Unrestricted	3,044	-
Total Business-Type Activities Net Position	<u><u>3,044</u></u>	<u><u>-</u></u>
Charter School-wide		
Invested in capital assets, net of related debt	-	-
Restricted	-	50,000
Unrestricted	533,980	707,875
Total Charter School-wide Net Position	<u><u>\$ 533,980</u></u>	<u><u>\$ 757,875</u></u>

Source: CAFR Schedule A-1

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Changes in Net Position

First Two Fiscal Years Ending June 30th

Unaudited

(accrual basis of accounting)

	2015	2016
Expenses		
Governmental Activities:		
Instruction	\$ 718,615	\$ 1,435,490
Administration	337,547	795,722
Support Services	558,026	750,425
Capital Outlay	-	79,177
Total Governmental Activities Expenses	<u>1,614,188</u>	<u>3,060,814</u>
Business-Type Activities:		
Food Service	78,966	152,485
Total Business-Type Activities Expenses	<u>78,966</u>	<u>152,485</u>
Total Charter School Expenses	<u>\$ 1,693,154</u>	<u>\$ 3,213,299</u>
Program Revenues		
Governmental Activities:		
Operating Grants and Contributions	\$ 496,542	\$ 377,223
Total Governmental Activities Revenues	<u>496,542</u>	<u>377,223</u>
Business-Type Activities:		
Charges for Services	1,424	26,675
Operating Grants and Contributions	30,586	56,193
Total Business-Type Activities Revenues	<u>32,010</u>	<u>82,868</u>
Total Charter School-wide Program Revenues	<u>\$ 528,552</u>	<u>\$ 460,091</u>
Net (Expense)/Revenue		
Governmental Activities	\$ (1,117,646)	\$ (2,683,591)
Business-Type Activities	(46,956)	(69,617)
Total Charter School Net Expense	<u>\$ (1,164,602)</u>	<u>\$ (2,753,208)</u>
General Revenues		
Governmental Activities:		
General Purposes	\$ 420,145	\$ 731,789
Federal and State Aid Not Restricted	1,271,449	2,232,989
Miscellaneous Income	6,988	12,325
Transfers	(50,000)	(66,573)
Total Governmental Activities	<u>1,648,582</u>	<u>2,910,530</u>
Business-Type Activities:		
Transfers	50,000	66,573
Total Business-Type Activities Expenses	<u>50,000</u>	<u>66,573</u>
Total Charter School Wide	<u>\$ 1,698,582</u>	<u>\$ 2,977,103</u>
Change in Net Position		
Governmental Activities	\$ 530,936	\$ 226,939
Business-Type Activities	3,044	(3,044)
Total Charter School	<u>\$ 533,980</u>	<u>\$ 223,895</u>

Source: CAFR Schedule A-2

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Fund Balances - Governmental Funds
 First Two Fiscal Years Ending June 30th
Unaudited
(modified accrual basis of accounting)

	<u>2015</u>	<u>2016</u>
General Fund		
Restricted for Charter Escrow		\$ 50,000
Unreserved	<u>530,936</u>	<u>707,875</u>
Total General Fund	<u><u>\$ 530,936</u></u>	<u><u>\$ 757,875</u></u>
All Other Governmental Funds		
Reserved	\$ -	\$ -
Unreserved	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Source: CAFR Schedule B-1

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Changes in Fund Balances - Governmental Funds

First Two Fiscal Years Ending June 30th

*Unaudited**(modified accrual basis of accounting)*

	<u>2015</u>	-	<u>2016</u>
Revenues:			
Local Tax Levy	420,145		731,789
State Sources	1,271,449		2,232,989
Federal Sources	248,750		377,223
Miscellaneous	254,780		12,325
Total Revenues	<u>2,195,124</u>		<u>3,354,326</u>
Expenditures:			
Instruction	718,615		1,299,244
Administration	337,547		1,002,848
Support Services	558,026		679,545
Capital Outlay	-		79,177
Total Expenditures	<u>1,614,188</u>		<u>3,060,814</u>
Other Financing Uses:			
Transfers Out	(50,000)		(66,573)
Net Change in Fund Balance	<u>\$ 530,936</u>		<u>\$ 226,939</u>

Source: CAFR Schedule B-2

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

General Fund - Other Local Revenue by Source

First Two Fiscal Years Ending June 30th

*Unaudited**(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	Miscellaneous Revenue	Total
2015	\$ 6,988	\$ 6,988
2016	12,325	12,325

Source: CAFR Schedule B-2

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
Demographic and Economic Statistics
First Two Fiscal Years Ending June 30th
(Unaudited)

Year	Population ^a	Personal Income ^b	Hudson County Per Capita Personal Income ^c	Hudson County Unemployment Rate ^d
2015	674,836	\$ 34,596,817,212	51,267	5.90%
2016	674,836	\$ 36,404,028,020	53,945	5.20%

^a US Dept. of Census as of 2015

^b Estimated based on population and per capita income

^c US Dept. of Commerce Bureau of Economic Analysis (one year lag)

^d NJ Department of Labor and Workforce Development

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
 Full-Time Equivalent Charter School Employees by Function
 First Two Fiscal Years Ending June 30th
 (Unaudited)

<u>Function/Program</u>	<u>2015</u>	<u>2016</u>
Instruction:		
Regular Ed	5	14
Special Ed	4	4
Other Instruction	1	1
Support Services:		
General Administration	2	3
Other Support Services	5	8
Total	<u>17</u>	<u>30</u>

Source: Charter School Records

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Operating Statistics

First Two Fiscal Years Ending June 30th
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2015	124	\$ 1,614,188	\$ 13,018	N/a	10	1:12	123.4	120.9	N/A	98.00%
2016	227	3,060,814	13,484	3.46%	19	1:12	236.6	227.8	91.73%	96.30%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff and includes contracted staff whom are not employees of the Charter School
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

School Building Information
 First Two Fiscal Years Ending June 30th
 (Unaudited)

<u>Charter School Building</u>	<u>2015</u>	<u>2016</u>
225 Morris Street		
Square Feet	17,800	17,800
Capacity	230	230
Enrollment	124	227

Source: Charter School Records

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Insurance Schedule

June 30, 2016

	<u>Coverage</u>	<u>Deductible</u>	
Commercial General & Liability:			
General & Auto Liability	\$ 5,000,000	\$ -	
Property & Auto Physical Damage	202,000	2,500	GFCHS does not own building
Boiler & Machinery	100,000,000	5,000	
Comprehensive Crime Coverage:			
Money and Securities	2,500,000	1,000	Each Loss
Blanket dishonesty bond including faithful performance	500,000		Per Loss
School Leaders Professional Liability	5,000,000	5,000	\$5,000,000 Fund Aggregation
Workers' Compensation:			
Each Accident	100,000		
Each Employee	100,000		
Employee Benefit Liability	5,000,000		

Source: Charter School Records

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES

Charter School Performance Framework Financial Indicators

First Two Fiscal Years Ending June 30th

(Unaudited)

	2015	2016		
Cash	\$ 545,221	\$ 926,475		
Other Current Assets	6,845	66,769		
Capital Assets, Net	-	3,295		
Total Assets	552,066	996,539		
Current Liabilities	18,086	238,664		
Long Term Liabilities	-	-		
Total Liabilities	18,086	238,664		
Net Position	533,980	757,875		
Total Revenue	2,227,134	3,437,194		
Total Expenses	(1,693,154)	(3,213,299)		
Change in Net Position	533,980	223,895		
Depreciation Expense	\$ -	\$ 366		
Final Enrollment	124	227		
March 30th Budget Enrollment	125	250		
Near Term Indicators:			Two Yr. Ave.	Target
Current Ratio	30.52	4.16	17.34	> 1.1
Unrestricted Days Cash	117.54	105.24	111.39	> or = 60
Enrollment Variance	99%	91%	95%	> or = 95%
Default	N/A-No Debt	N/A-No Debt		
Sustainability Indicators:				
Total margin	24.0%	6.5%	15.2%	Positive
Debt to asset	0.03	0.24	0.14	< .9
Cash flow	\$ 545,221	\$ 381,254	\$ 926,475	Positive
Debt service coverage ratio	N/A-No Debt	N/A-No Debt		

Note that the school meets all the required benchmark's except for Enrollment variance. There are also different requirements depending on if the school has just opened or not.

Source: Charter School Records and "Performance Framework" NJ DOE Office of Charter Schools

SINGLE AUDIT SECTION

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Certified Public Accountants

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K-1

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

The Honorable President and Members of the Board of Trustees
Great Futures Charter High School for the Health Sciences
Jersey City, New Jersey

We have audited, 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Great Futures Charter High School for the Health Sciences (the "Charter School"), in the County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise of the Charter School's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

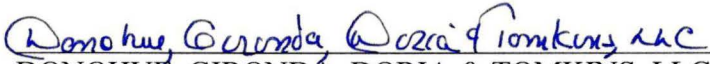
As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.


We noted certain matters that we reported to management of the Charter School in a separate auditor's management report dated December 1, 2016 as required by the Division of Finance, Department of Education, State of New Jersey.

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

Purpose of this Report

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


DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants


ROBERT. G. DORIA
Certified Public Accountant
Public School Accountant No. CS 00778

Bayonne, New Jersey
December 1, 2016

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

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K-2

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08

The Honorable President and Members of the Board of Trustees
Great Futures Charter High School for the Health Sciences
Jersey City, New Jersey

Report on Compliance for Each Major State Program

We have audited the Great Futures Charter High School for the Health Sciences (the "Charter School"), in the County of Hudson, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2016. The 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 the 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 as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, 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 the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 the Charter School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Donohue, Gironda, Doria & Tomkins, LLC
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants

Robert G. Doria
ROBERT. G. DORIA
Certified Public Accountant
Public School Accountant No. CS 00778

Bayonne, New Jersey
December 1, 2016

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2015	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUST- MENTS	BALANCE AT
								JUNE 30, 2016 (ACCOUNTS RECEIVABLE)
Enterprise Funds								
U.S. Department of Agriculture								
Passed-through State Department of Education:								
Child Nutrition Cluster:								
Cash Assistance:								
* School Breakfast Program	N/A	3,281	07/01/14 06/30/15	(825)	-	-	825	-
* School Breakfast Program	N/A		07/01/15 06/30/16	-	6,646	(7,253)	-	(607)
* National School Lunch Program	N/A	26,670	07/01/14 06/30/15	(5,879)	-	-	5,879	-
* National School Lunch Program	N/A		07/01/15 06/30/16	-	43,339	(47,739)	-	(4,400)
Total Child Nutrition Cluster				(6,704)	49,985	(54,992)	6,704	(5,007)
Total Enterprise Funds				(6,704)	49,985	(54,992)	6,704	(5,007)
Special Revenue Funds								
US Department of Education								
Passed-through State Department of Education:								
Title I, Part A Cluster:								
Title I - Part A Grants to Local Educational Agency:	84.01A	113,457	07/01/15 06/30/16	-	113,457	(113,457)	-	-
Title II - Part A Improving Teacher Quality	84.367A	1,028	07/01/15 06/30/16	-	1,028	(1,028)	-	-
Special Education Cluster (IDEA)								
I.D.E.A. Part B Basic Regular	84.027	41,605	07/01/15 06/30/16	-	41,605	(41,605)	-	-
Charter School Imp. Grant	84.282	221,133	07/01/15 06/30/16	-	175,000	(221,133)	-	(46,133)
Total US Department of Education				-	331,090	(377,223)	-	(46,133)
Total Special Revenue Funds				-	331,090	(377,223)	-	(46,133)
Total Federal Financial Assistance				(6,704)	\$ 381,075	\$ (432,215)	\$ 6,704	\$ (51,140)

NA- Information Not Available

GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT 6/30/2015		CASH RECEIVED	BUDGETARY EXPENDITURES YEARS' BALANCES	ADJUSTMENTS/ REPAYMENT OF PRIOR BALANCES	BALANCE AT June 30, 2016
				DEFERRED REVENUE/ (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR				
General Funds									
State Department of Education									
* Equalization Aid	16-495-034-5120-078	\$ 2,704,022	07/01/15 06/30/16	\$ -	\$ -	\$ 2,704,022	\$ (2,704,022)	\$ -	\$ -
Special Education Aid	16-495-034-5120-089	149,594	07/01/15 06/30/16	-	-	149,594	(149,594)	-	-
Security Aid	16-495-034-5120-084	72,324	07/01/15 06/30/16	-	-	72,324	(72,324)	-	-
T.P.A.F. Social Security	16-495-034-5095-002	38,838	07/01/15 06/30/16	-	-	38,838	(38,838)	-	-
Total General Funds				-	-	2,964,778	(2,964,778)	-	-
Enterprise Fund:									
National School Lunch Program (State Share)	15-100-010-3360-067	635	07/01/14 06/30/15	-	-	494	(635)	141	-
National School Lunch Program (State Share)	16-100-010-3360-067	1,202	07/01/15 06/30/16	-	-	1,094	(1,201)	-	(107)
Total Enterprise Fund				-	-	1,588	(1,836)	141	(107)
Total State Financial Assistance				\$ -	\$ -	\$ 2,966,366	\$ (2,966,614)	\$ 141	\$ (107)

Less:
On Behalf T.P.A.F.
Total State Financial Assistance Subject to Single Audit
38,838
\$ (2,927,776)

N/A - Information not available.
* Denotes major program

The Accompanying Notes to the Schedule of Awards and Financial Assistance are an integral part of this schedule.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Great Futures Charter High School for the Health Sciences (the "Charter School"). The Charter School is defined in Note 1 to the District's basic financial statements. All federal awards and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Financial Assistance and State Financial Assistance are 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 bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General Fund and Special Revenue Fund on 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.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED 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 and \$-0- for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the District’s basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ -	\$ 2,964,778	\$ 2,964,778
Special Revenue Fund	377,223	-	377,223
Enterprise Fund-Food Services	54,992	1,836	56,828
	\$ 432,215	\$ 2,966,614	\$ 3,398,829

NOTE 4 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 – INDIRECT COST RATE

The Charter School has not elected to use the 10% de minimis indirect cost rate as allowed under the uniform guidance.

NOTE 6 - OTHER

The amount of \$38,838 reported as TPAF Social Security Contributions represent 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 7 – ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf expenditures for the Charter School by the State are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District’s basic financial statements and the amount subject to the State single audit and major program determination.

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
Schedule of Findings and Questioned Costs
For the 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 financial statements that are required to be reported in accordance with paragraphs 6.33 of Government Auditing Standards.

No matters reported

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

(This section identifies audit findings required to be reported by U.S. *Uniform Guidance* and New Jersey OMB Circular Letter 15-08.)

No matters reported

**GREAT FUTURES CHARTER HIGH SCHOOL FOR THE HEALTH SCIENCES
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 *Uniform Guidance* and New Jersey OMB Circular 15-08.)

No matters reported