

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**of the**

**Hoboken Charter School  
Hoboken, New Jersey**

**For the Fiscal Year Ended June 30, 2016**



**McIntee Fusaro Del Corral, LLC**  
*Certified Public Accountants & Forensic Consultants*

Hoboken Charter School  
Fiscal Year Ended June 30, 2016

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# **INTRODUCTORY SECTION**



# Hoboken Charter School

*A preK-12 community of learners, the Hoboken Charter School seeks to develop the academic, artistic, personal, and civic growth of all its members through its commitment to service learning and learner-centered education.*

Tuesday, November 15, 2016

Honorable Chairperson and  
Members of the Board of Trustees  
713 Washington Street  
Hoboken, NJ 07030

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

Dear Board Members and Commissioner:

The comprehensive annual financial report of the Hoboken Charter School Local Educational Agency (LEA) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Hoboken Charter School Board of Trustees. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The Charter School is required to undergo an annual single audit in conformity with the Uniform Guidance and the provisions of 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 auditor's report on the internal control structure and compliance with applicable laws, and regulations and findings, and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Hoboken Charter School LEA is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) in codification section 2100. All funds and account groups of the Charter School are included in this report.

The Charter School provides a full range of educational services appropriate to grade levels K through 12. That program includes regular education, special education, social, health, and nutrition services that support the total education of the students and their families. The Charter School completed the 2015-2016 fiscal year with an ADE enrollment of 297.4 which is an increase from 2014-2015's total of 285.2 of (12.2) students. The ADE count has increased from 1988-1989 (121.1) to 2015-2016 (297.4). The following details the historical changes in the student enrollment of the LEA since inception:



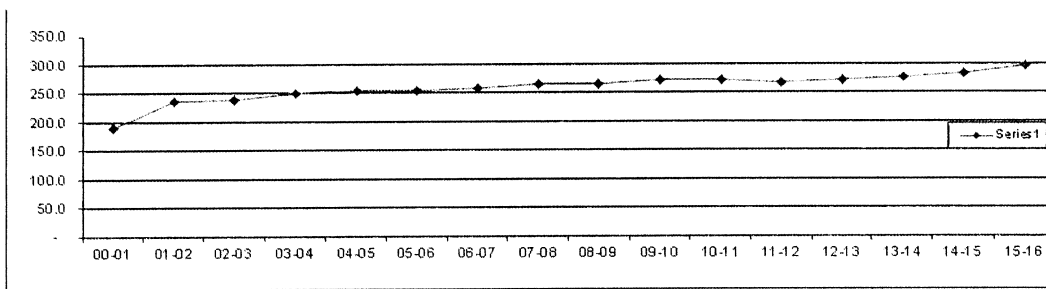
# Hoboken Charter School

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## Hoboken Charter School

Annual ADE Enrollment Counts

District	District	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Bergen	Hackensack											0.40							
Bergen	Rutherford								1.00	-	-								
Bergen	Little Ferry												2.00	1.60					
Bergen	Palisades Pk	-	-	-	-	0.80	2.00	2.00	-	-				0.40	2.00	1.00			
Bergen	Paramus																		0.60
Bergen	Cliffside Park												0.90	1.00	1.00	1.10			
Bergen	Fairview													1.00	1.00				
Burlington	Wilmington									0.50									
Essex	Orange										0.40	1.00							
Essex	W Orange									0.80									
Essex	E Orange									1.30									0.50
Essex	Irvington								0.90	2.20			0.30	0.80					
Essex	Newark								0.50	2.80	3.00	6.00	11.00	9.70	8.30	5.40	2.00	1.00	
Hudson	Bayonne					0.40	1.30		0.30	0.10	2.00	2.00	5.00	3.00	2.00	3.00	1.00	2.70	5.00
Hudson	Guttenberg	1.50	2.00	2.00	3.00	4.40	3.00	3.00	3.00	4.00	2.00	3.00	3.00	1.00					3.00
Hudson	Hoboken	100.00	147.50	163.90	199.00	188.40	191.10	184.50	174.60	165.30	160.30	154.10	156.50	152.50	157.90	167.90	171.40	186.00	198.30
Hudson	Jersey City	11.90	13.30	15.30	18.50	22.20	31.40	46.10	55.60	64.70	79.80	78.90	79.70	80.40	80.30	79.50	87.60	82.30	81.50
Hudson	N Bergen	0.70	1.40	2.40	3.00	6.10	8.00	8.00	10.00	8.30	7.50	10.80	7.00	10.90	9.50	7.00	7.00	5.00	2.00
Hudson	Secaucus				2.00	0.20	1.00						0.50	0.30	1.00				
Hudson	Union City	3.00	4.00	4.20	6.00	6.50	6.30	6.00	4.30	3.20	3.00	3.40	2.70	3.80	1.00	2.30	2.00	4.00	3.00
Hudson	Weehawken	4.00	4.00	3.00	4.00	5.00	4.00	2.00	2.90	2.80	3.70	3.00	2.00	2.00	3.00	3.00	2.00	1.50	2.00
Hudson	W NY	-	-	0.40	1.20	4.80	3.00	3.00	2.00	2.80	4.00	3.00	2.00	1.00				1.00	2.00
Middlesex	Carteret										0.60								
Middlesex	Woodbridge									0.80				1.00					
Morris	Boonton																	0.20	
Union	Rahway									0.70									
Union	Elizabeth									0.40									
Passaic	Clifton												1.60	4.00	2.00				
Charter	Totals	121.1	172.2	191.2	236.7	238.8	251.1	254.6	255.1	260.7	266.3	265.6	273.3	273.3	269.0	274.1	277.1	285.2	297.4



### Changes in Enrollment from FY 1998-99 to 2015-16

FY	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	
Totals	121.1	172.2	191.2	236.7	238.8	251.1	254.6	255.1	260.7	266.3	265.6	273.3	273.3	269.0	274.1	277.1	285.2	297.4	
Change		51.1	19.0	45.5	2.1	12.3	3.5	0.5	5.6	5.6	(0.7)	7.7	-	(4.3)	5.1	3.0	8.1	12.2	
% Change		42.20%	11.03%	23.80%	0.89%	5.15%	1.39%	0.20%	2.20%	2.15%	-0.26%	2.90%	0.00%	-1.57%	1.90%	1.09%	2.92%	4.28%	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

**2) ECONOMIC CONDITIONS AND OUTLOOK:** The Hoboken Charter School has two locations in Hoboken. The High School is located in the A.J. Demarest Middle School building on the fourth floor. The K-8 is located at 713 Washington St. The Charter School has completed its eighteenth year of operation. During the 2015-2016 school year, the school served approximately 298 students in grades K-12.

Hoboken Charter School is a public school located in an urban city in New Jersey. The Charter School has successfully brought together families from the diverse communities in Hoboken, evident by a significant percentage of the students qualifying for free or reduced lunches. We have the unique challenge of bringing together a diverse group of families who traditionally have had limited contact with one another. As a community, Hoboken is also experiencing many of the pressures that are the consequence of an urban city in the process of change.



# Hoboken Charter School

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## Growth

The Hoboken Charter School initially opened during the 1998-1999 school year and served students in grades preK-3 and 9-10. As stated above, the Charter School served students in grades K-12 during the 2015-2016 school year.

## Accomplishments and Initiatives

Throughout the 2015-2016 academic year, we have made important strides in developing an approach to curriculum and teaching that places the student at the center of inquiry. This approach has its foundation in the school's four critical learning "cornerstones." These cornerstones include rigorous academics, arts literacy, and personal and civic growth. The four cornerstones are unified by two basic educational practices: learner-centered education and service learning.

The ideas that drive the Hoboken Charter School -- learner-centered service learning in a multi-age community -- allowed us to take important steps in the creation of an academically intense environment and inclusive school community. We are deeply committed to our vision of a school in which all members of the Hoboken community feel welcome and are invested in the development of Hoboken's youth. We believe that efforts undertaken during the past year leave us well positioned to continue and extend this important work.

Major accomplishments for the 2015-2016 academic year:

- Continued efforts to maintain a fiscally sound operational budget and end the year in a positive cash position.
- Ended the year with a student ADE enrollment of 297.4.
- Continued HCS recognition. Statewide and Nationally.
- Completion and approval of its 18<sup>th</sup> year.
- Parent Involvement in the School, Workshops: Suicide prevention, Best practices, skills management, SPED with other Charters, Financial aid for college.
- Partnering Organizations and activities:
  - Hudson County Alliance of Teen Artists-County Show in Bayonne, NJCU exhibit, State Arts Exhibit
  - AENJ (Art Educators of NJ)-YAM state show in Trenton, NJPAC
  - Hoboken Public Library-80 student exhibitions, personal tours, and mural
  - Celebrating Art-publication
  - Liberty Science Center
  - High 5- Broadway
- All HCS students engaged in service learning experiences throughout the year:
- SK Duff has continued to speak nationally on Service Learning topics. SK is the global representative for H2O for Life including speaking at the NAFTA Art Education Conference and the Statewide Curriculum Consortium.
- Sean Gavarny has won awards on the schoolwide music performance at the Highnote Festival in NJ.
- Continuation of Service Learning Programs:
  - Continued fundraising to aid homelessness in Hoboken.
  - Supplying food to April's Pantry
  - Hoboken Charter High School's PeaceJam Students Meet Former Costa Rican President and Nobel
- Continued *Make-a-Difference Day*: Each class plans and executes a one-day project whose effect will make a difference in the community.
  - Continued *Dr. Martin Luther King Jr. Celebration*: Students march to City Hall to honor the life and principles of Dr. King following a two-week curricular study of the Civil Rights movement and its pertinence to our own time. Local performing artists join students in a "Sing Out for Justice" concert open to the community.
  - Continued *Empty Bowls Fundraiser*: Students make bowls and host a luncheon at the local homeless shelter to raise funds for the shelter and related programs for the hungry as well as raise awareness about the issues of hunger and homelessness. Supported by community pledges.
- Exhibitions of student work throughout the community, including poetry readings, dramatic productions, and visual art displays.
- Ongoing review of and creation of systems and policies for general operation of school organization.
- Increased. After-School programs creating additional learning, skill, and social experiences.

# Hoboken Charter School

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- Professional Development Conferences and Workshops for HCS teachers to improve their knowledge, skills, practices, and growth.

3) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure that 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). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. There were no open encumbrances at the end of the year.

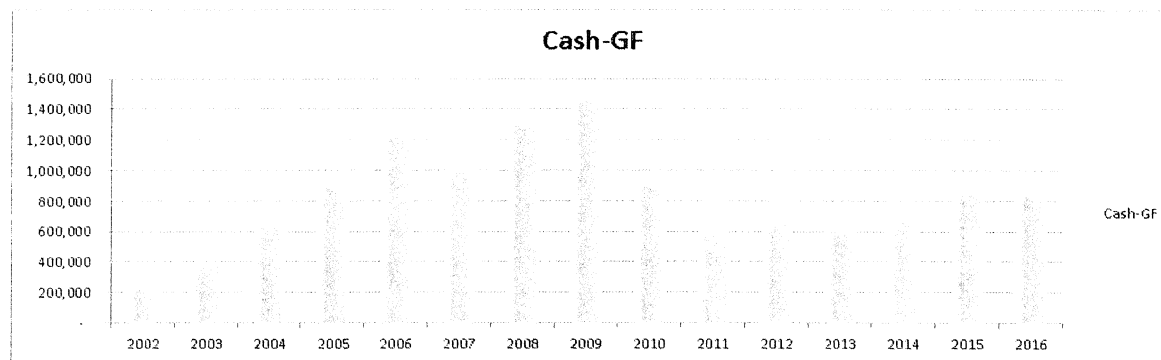
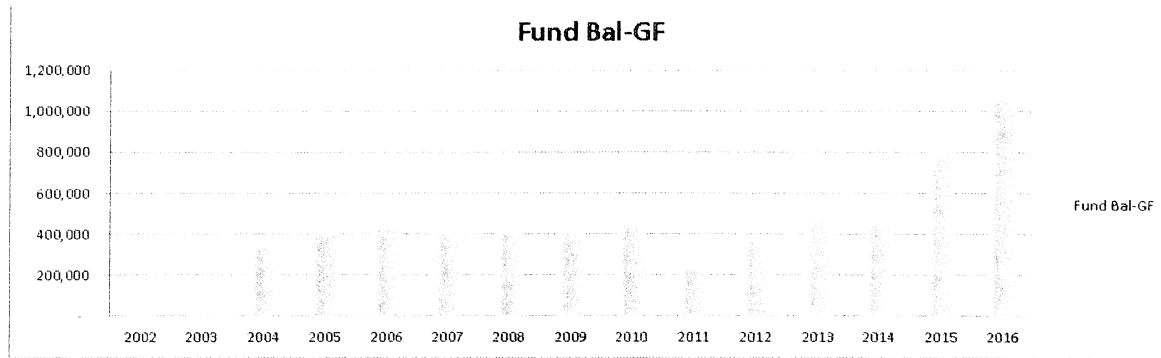
5) **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1. The CDK System , HCS' accounting system, enhances the tracking of expenses and reporting of the budget throughout the year.

6) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following table refers to HCS' General Fund only.

# Hoboken Charter School

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	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16
Fund Bal-GF	26,649	26,849	345,760	413,305	459,969	419,325	413,740	429,361	469,584	259,493	378,775	499,729	463,038	801,138	1,077,314
Cash-GF	256,435	392,106	658,548	918,902	1,258,569	1,017,747	1,315,321	1,478,423	924,188	600,972	668,421	623,487	703,883	892,458	856,365



As noted in the above charts, HCS has maintained the highest level of fiscal responsibility in the past. There has been consistent and stable Fund/Cash Balances. The Fund Balances have averaged over \$400,000 each year since FY 04-05 through FY 15-16. FY 10-11/ 11-12 showed a dip which reflects the cost in renovations of 713 Washington to obtain a certificate of occupancy and movement costs due the fire of 2012. Cash Balances have averaged around \$1,000,000 from FY 05-06 through FY 08-09. FY 09-10 to present show healthy Cash Balances from \$600,000 - \$900,000.

7) **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. The Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, directors and officers insurance, and workman's compensation. A Schedule of Insurance coverage is found on Exhibit J-20.

# Hoboken Charter School

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9) **INDEPENDENT AUDIT:** State statues require and annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of McIntee Fusaro Del Corral, LLC was selected by the management team and approved by the Board of Trustees. In addition to meeting the requirements set forth in state statues, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the Uniform Guidance and New Jersey OMB Circular 15-08. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) **CHALLENGES:** As an entity in its eighteenth year, the Hoboken Charter School has had to face numerous challenges ranging from issues related to the refinement of fiscal accountability systems, the evaluation, redesign and implementation of the overall educational programs, and facilities-related concerns. The School must continue to be fiscally prudent in the face of a changing environment. The change in facilities location has made unifying issues the most immediate challenge. HCS has met the past challenges head on and still ended up with ample fund and cash balances and will continue to do so in the future.

**ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of Hoboken Charter School Board of Trustees for their concern in providing fiscal and managerial accountability to the citizens and taxpayers whose funding flows to the Hoboken Charter School LEA and thereby contributing their full support to the development and maintenance of our financial operation. Also, special thanks should go to Darren J. Fusaro, CPA, CFE (McIntee Fusaro Del Corral, LLC), Charles De Meola, CPA (De Meola Zawacki Mingione & Co, LLC), and Deirdra Grode (Executive Director/Principal K-8) who have helped provide sound fiscal advice and service to the school.

Respectfully submitted,

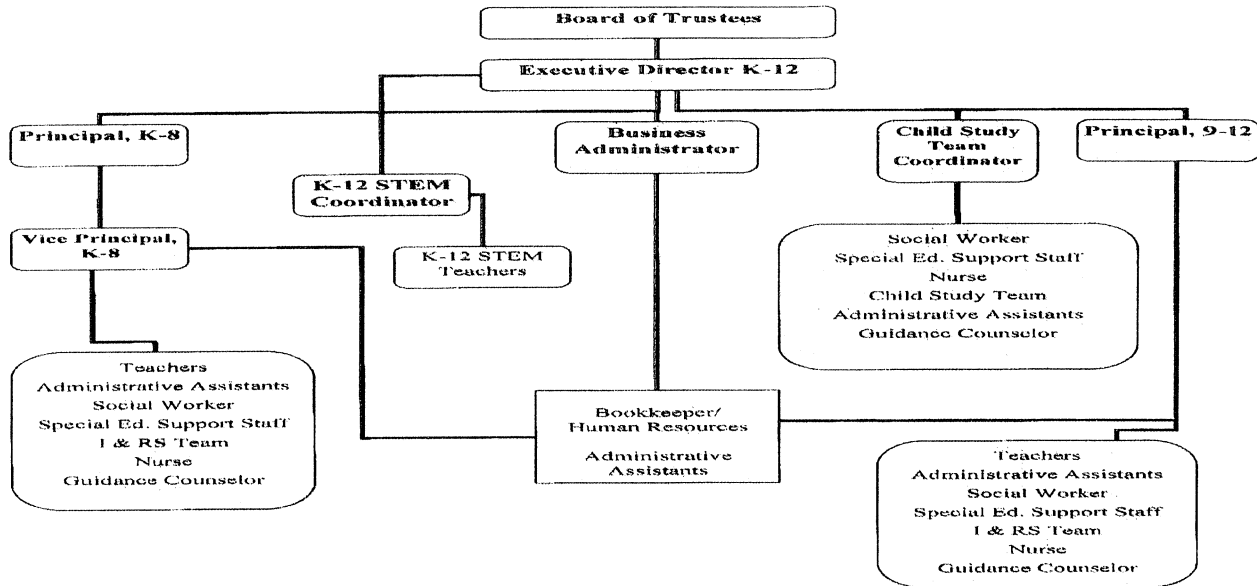
Morton Marks  
Business Administrator/Board Secretary

# Hoboken Charter School

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## Hoboken Charter School Organizational Chart

2015-2016



# Hoboken Charter School

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## Hoboken Charter School Board of Trustees 2015 – 2016

<i>NAME:</i> <i>BOARD MEMBER, ADMINISTRATOR</i>	NAME of OFFICE; MEMBER; ADMINIS- TRATOR	BOARD STATUS: VOTING or NON-VOTING
Lauren Calmas	Chairperson	Voting
Morton Marks	Board Secretary	Non-Voting
Jason Altberger	Member	Voting
John Berger	Member	Voting
Christine Sheedy	Member	Voting
Anthony Fellela	Member	Voting
Lisa McIntyre	Member	Voting
Jose Rivera	Member	Voting
Marc Silberberg	Member	Voting
Deidra Grode	Member	Non-Voting

# **Hoboken Charter School**

## **Consultants, Independent Auditors, and Advisors**

### **Audit Firm**

McIntee Fusaro Del Corral, LLC  
277 Fairfield Road, Suite 300  
Fairfield, New Jersey 07004

### **Attorney**

Saiber, Schlesinger Satz & Goldstein  
One Gateway Center – 13<sup>th</sup> Floor  
Newark, New Jersey 07101

### **Financial Consultants**

DeMeola Zawacki Mingione & Co., LLC  
33 Sicomac Road  
North Haledon, New Jersey 07508

### **Official Depository**

Bank of America  
615 Washington Street  
Hoboken, New Jersey 07030

## **FINANCIAL SECTION**





**McIntee Fusaro Del Corral, LLC**  
*Certified Public Accountants & Forensic Consultants*

David G. McIntee, CPA/CFF, CVA  
Darren J. Fusaro, CPA, CFE  
Isabel Del Corral, CPA

**Independent Auditors' Report**

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the 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 opinion.

### 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hoboken Charter School, in the County of Hudson, State of New Jersey as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, (pages 13 through 17), Budgetary Comparison Information, (pages 45 through 47), and the schedules related to accounting and reporting for pensions (pages 48 through 51), 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 Hoboken Charter School's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards and *New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, and State Aid* 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of Hoboken Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hoboken Charter School's internal control over financial reporting and compliance.

**November 16, 2016**



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Darren J. Fusaro, CPA  
Licensed Public School Accountant  
No. CS 00237100  
McIntee Fusaro Del Corral, LLC  
Fairfield, New Jersey



## **Required Supplementary Information – Part I**

## HOBOKEN CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hoboken Charter School's financial performance provides an overview of the School's financial activities for the year ended June 30, 2016, which was the School's 18th year of operations. Please read it in conjunction with the Independent Auditors' Report and the Charter School's financial statements, including the notes to the financial statements.

### Financial Highlights

The School's net position increased by \$276,176 and totaled \$1,077,314 as of June 30, 2016.

Total revenues on a budgetary basis (gross) for the year (both general and program-related) increased by \$278,461 in fiscal year 2016 compared to fiscal year 2015, totaling to \$5,346,175 for the year. General Revenues increased by \$210,347 due to an increase in enrollment (State Aid). Program revenues for fiscal year 2016 increased from the previous year by \$68,114, primarily due to an increase in enrichment program revenues.

Total general expenses on a budgetary basis (gross) for the year increased by \$340,385 compared to fiscal year 2015. The primary reason was an increase in salaries and materials and supplies.

### Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

### Reporting the School as a Whole

#### The Statement of Net Position and Changes in Net Position

The Statement of Net Position and the Changes in Net Position report information about the School as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenditures are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net position and changes in them. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment stability and facility conditions in arriving at a conclusion regarding the overall health of the School.

## Reporting the School's Most Significant Funds

### Fund Financial Statements

Our analysis of the School's major funds and fund financial statements provides detailed information about the most significant funds – not the School as a whole. The School's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

### Governmental Funds

Most of the 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 future periods. These funds are reported using the modified accrual method of accounting, which measures cash and other financial assets that can be converted readily to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Changes in Net Position) and governmental funds is reconciled in the basic financial statements.

### Fiduciary Funds

The School is a fiduciary for its Unemployment Compensation Fund and Teachers' Pension and Annuity Fund. The School's fiduciary activities are reported in a separate statement of Fiduciary Net Position. These activities are excluded from the School's other financial statements because the assets cannot be utilized by the School to finance operations.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,077,314 at the close of the fiscal year. Net position invested in capital assets are reported net of related depreciation. The School uses capital assets to provide services; consequently, these assets are not available for future spending.

Table 1  
Net Position

	Governmental Activities	
	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Current and Other Assets:		
Cash	\$ 887,715	\$ 923,121
Receivables	70,547	121,979
Prepaid Expenses	80,500	45,455
Due from Agency Fund	<u>377,641</u>	<u>128,741</u>
Total Assets	<u>1,416,403</u>	<u>1,219,296</u>
Liabilities:		
Accounts Payable	-0-	3,600
Accrued Salaries and Payroll Taxes	264,526	286,385
Deferred Revenue	<u>74,563</u>	<u>128,173</u>
Total Liabilities	<u>339,089</u>	<u>418,158</u>
Total Unrestricted Net Position	<u>\$ 1,077,314</u>	<u>\$ 801,138</u>

Table 2  
Changes in Net Position

	Governmental Activities	
	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
General Revenues:		
District Equalization Aid	\$ 3,570,650	\$ 3,493,241
Security Aid	60,477	55,122
Special Education Categorical Aid	154,259	132,617
State Adjustment Aid	938,594	849,040
FICA Reimbursement	155,636	139,249
Program Revenues:		
Operating Grants and Contributions and Programs	<u>466,559</u>	<u>398,445</u>
Total Revenues	<u>5,346,175</u>	<u>5,067,714</u>
Expenditures		
Instructional Services	2,053,744	1,996,469
Supporting Services	1,582,451	1,364,514
Administration	<u>1,433,804</u>	<u>1,368,631</u>
Total Expenditures	<u>5,069,999</u>	<u>4,729,614</u>
Changes in Net Position	276,176	338,100
Net Position, Beginning of Year	<u>801,138</u>	<u>463,038</u>
Net Position, End of Year	<u>\$ 1,077,314</u>	<u>\$ 801,138</u>



## General Fund Budget Information

The School's budget is prepared on the modified accrual basis of accounting and has been enhanced by the usage of encumbrances. The tracking of expenses is focused at the Purchase Order level instead of the Invoice level. This method alerts management in a more timely fashion as to when expenditures occur and how they affect the budget.

The most significant budgeted fund is the General Fund. The School may amend its revenue and expenditure estimates periodically due to changing conditions. There were no significant variations between the original and final budgets. Net budget transfers totaled \$ -0-.

## Contacting the School's Financial Management

This financial report is designed to provide our fellow citizens, customers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School office at 201-963-0222.

## Factors Expected to Have an Effect on Future Operations

The School is pursuing an alternative location for the High School currently located at 4<sup>th</sup> and Garden Street in Hoboken.

## Basic Financial Statements

**Hoboken Charter School  
Statement of Net Position  
June 30, 2016**

**Exhibit A-1**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 856,365
Accounts Receivable	70,547
Prepaid Expenses	70,289
Due from Agency Fund	377,641
	1,374,842
 Deferred Outflow of Resources	 321,883
 Total Assets	 1,696,725
 <b>LIABILITIES</b>	
Accounts Payable	50,298
Net Pension Liability (Note D-3)	1,434,587
Accrued Salaries and Payroll Taxes	264,526
Deferred Revenue	33,002
	1,782,413
 Deferred Inflow of Resources	 202,690
 Total Liabilities	 1,985,103
 <b>NET POSITION</b>	 \$ (288,378)

**The Accompanying Notes to Financial Statements are an Integral Part of this Statement**

Hoboken Charter School  
Statement of Activities  
For the Year Ended June 30, 2016

Exhibit A-2

Functions/Programs	Program Revenues			Changes in Net Position			
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Salaries	\$ 1,853,266	\$ -	\$ 57,138	-	\$ (1,796,128)	\$ -	\$ (1,796,128)
Supplies and Materials	133,607	-	29,984	-	(103,623)	-	(103,623)
Textbooks	10,246	-	-	-	(10,246)	-	(10,246)
Business and Other Support Services	-	-	-	-	-	-	-
Purchased Professional and Technical Services	56,625	-	-	-	(56,625)	-	(56,625)
Support services:							
Salaries	374,927	-	36,400	-	(338,527)	-	(338,527)
Supplies and Materials	62,030	-	-	-	(62,030)	-	(62,030)
Rent	534,452	-	-	-	(534,452)	-	(534,452)
Purchased Professional and Technical Services	273,784	-	28,540	-	(245,244)	-	(245,244)
Payroll Taxes and Employee Benefits	7,156	-	7,156	-	-	-	-
Travel	18,415	-	-	-	(18,415)	-	(18,415)
Business and Other Support Services	43,306	-	-	-	(43,306)	-	(43,306)
Property and Liability Insurance	61,812	-	-	-	(61,812)	-	(61,812)
Administration:							
Salaries	632,723	-	-	-	(632,723)	-	(632,723)
Supplies and Materials	-	-	-	-	-	-	-
Payroll Taxes and Employee Benefits	1,351,747	-	-	-	(1,351,747)	-	(1,351,747)
Purchased Professional and Technical Services	110,950	-	-	-	(110,950)	-	(110,950)
Travel	-	-	-	-	-	-	-
Communication and Telephone	65,026	-	-	-	(65,026)	-	(65,026)
Instructional Equipment	-	-	-	-	-	-	-
Non-Instructional Equipment	-	-	-	-	-	-	-
Total Governmental Activities	\$ 5,590,072	-	159,218	-	(5,430,854)	-	(5,430,854)
Business - Type Activities:							
Enrichment Program	206,568	206,568	-	-	-	-	-
Total Business - Type Activities	206,568	206,568	-	-	-	-	-
Total Primary Government Activities	\$ 5,796,640	\$ 206,568	\$ 159,218	\$ -	\$ (5,430,854)	\$ -	\$ (5,430,854)
General Revenues:							
District Equalization Aid	-	-	-	3,570,650	-	-	3,570,650
Security Aid	-	-	-	60,477	-	-	60,477
Special Education Categorical Aid	-	-	-	154,259	-	-	154,259
State Adjustment Aid	-	-	-	938,594	-	-	938,594
FICA Reimbursement	-	-	-	155,636	-	-	155,636
TPAF Pension (on behalf)	-	-	-	555,060	-	-	555,060
TPAF Post Retirement Medical Benefits (on behalf)	-	-	-	155,223	-	-	155,223
Contributions	-	-	-	100,772	-	-	100,772
Total General Revenues	-	-	-	5,690,671	-	-	5,690,671
Change in Net Position							
Net Position—Beginning of Year					(548,195)		(548,195)
Net Position—End of Year					(288,378)		(288,378)

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School  
Balance Sheet  
Governmental Funds  
June 30, 2016**

Exhibit B-1

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 856,365	\$ -	\$ 856,365
Accounts Receivable	70,547	-	70,547
Prepaid Expenses	70,289	-	70,289
Due from Agency Fund	377,641	-	377,641
Total Assets	\$ 1,374,842	\$ -	\$ 1,374,842
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued Salaries and Payroll Taxes	264,526	-	264,526
Deferred Revenue	33,002	-	33,002
Total Liabilities	297,528	-	297,528
Fund Balances:			
General Fund:			
Unassigned	1,077,314	-	1,077,314
Total Fund balances	1,077,314	-	1,077,314
Total Liabilities and Fund Balances	\$ 1,374,842	\$ -	\$ 1,374,842
Fund balances - total governmental funds			1,077,314
Amounts reported for governmental activities in the statement of net position (A-1) are different because:			
Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:			
Net pension liability (per GASB 68 report)			(1,434,587)
Deferred outflows of resources related to pensions of \$321,883 = \$154,063 deferred outflows of resources pension expense (per GASB 68 report) + \$50,298 deferred outflow of 2015 employer contributions related to pensions + \$154,063 changes in assumptions + \$83,298 changes in proportion			321,883
Deferred inflows of resources related to pensions (per GASB 68 Report)			(202,690)
2016 employer contribution recorded as accounts payable			(50,298)
Net Position of Governmental Activities (A-1)			\$ (288,378)

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

Exhibit B-2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local sources:			
District Equalization Aid	\$ 3,570,650	\$ -	\$ 3,570,650
Security Aid	60,477	-	60,477
Special Education Categorical Aid	154,259	-	154,259
State Adjustment Aid	938,594	-	938,594
FICA Reimbursement	155,636	-	155,636
Teachers Pension & Annuity Fund (on behalf)	130,360	-	130,360
Post Retirement Medical Benefits (on behalf)	155,223	-	155,223
Contributions	100,772	2,584	103,356
Total - Local Sources	<u>5,265,971</u>	<u>2,584</u>	<u>5,268,555</u>
Federal sources	-	156,634	156,634
Total revenues	<u>5,265,971</u>	<u>159,218</u>	<u>5,425,189</u>
<b>EXPENDITURES</b>			
Current:			
Instruction:			
Salaries	1,796,128	57,138	1,853,266
Materials and Supplies	103,623	29,984	133,607
Textbooks	10,246	-	10,246
Business and Other Support Services	-	-	-
Purchased Professional and Technical Services	56,625	-	56,625
	<u>1,966,622</u>	<u>87,122</u>	<u>2,053,744</u>
Support:			
Salaries	338,527	36,400	374,927
Materials and Supplies	62,030	-	62,030
Rent	534,452	-	534,452
Purchased Professional and Technical Services	245,244	28,540	273,784
Payroll Taxes and Employee Benefits	-	7,156	7,156
Travel	18,415	-	18,415
Business and Other Support Services	43,306	-	43,306
Property and Liability Insurance	61,812	-	61,812
	<u>1,303,786</u>	<u>72,096</u>	<u>1,375,882</u>
Administration:			
Salaries	632,723	-	632,723
Payroll Taxes and Employee Benefits	910,688	-	910,688
Purchased Professional and Technical Services	110,950	-	110,950
Travel	-	-	-
Communication and Telephone	65,026	-	65,026
Materials and Supplies	-	-	-
	<u>1,719,387</u>	<u>-</u>	<u>1,719,387</u>
Facilities Acquisition and Construction Services			
Instructional Equipment	-	-	-
Non-Instructional Equipment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,989,795</u>	<u>159,218</u>	<u>5,149,013</u>
Excess of Revenues Over Expenditures	276,176	-	276,176
Fund Balance, Beginning of Year	<u>801,138</u>	<u>-</u>	<u>801,138</u>
Fund Balance, End of Year	<u>\$ 1,077,314</u>	<u>\$ -</u>	<u>\$ 1,077,314</u>

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2016**

Exhibit B-3

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ 276,176

Amounts reported for governmental activities in the Statement  
 in the Statement of Activities are different because:

Governmental funds report school pension contributions as expenditures. However, in the  
 Statement of Activities, the cost of pension benefits earned net of employee contributions is  
 reported as pension expense

School pension contributions	54,943	
Cost of benefits earned net of employee contributions (pension expense per Fiscal Year June 30, 2015 GASB 68 report)	(71,302)	(16,359)

**Change in Net Position of Governmental Activities** \$ 259,817

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School  
Statement of Net Position  
Proprietary Funds  
June 30, 2016**

	<b>Business-Type Activity - Enterprise Fund</b>	
	<b>Enrichment Program</b>	<b>Totals</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 31,350	\$ 31,350
Investments	-	-
Accounts receivable	-	-
Prepaid Expenses	10,211	10,211
Inventories	-	-
Total current assets	41,561	41,561
Noncurrent assets:		
Restricted cash and cash equivalents	-	-
Furniture, machinery & equipment	-	-
Less accumulated depreciation	-	-
Total noncurrent assets	-	-
Total assets	41,561	41,561
<b>LIABILITIES</b>		
Current liabilities:		
Accrued salaries and payroll taxes	-	-
Deferred revenue	41,561	41,561
Total current liabilities	41,561	41,561
Noncurrent Liabilities:		
Compensated absences	-	-
Total noncurrent liabilities	-	-
Total liabilities	41,561	41,561
<b>NET POSITION</b>		
Invested in capital assets net of related debt	-	-
Restricted for:		
Capital projects	-	-
Unrestricted	-	-
Total net position	\$ -	\$ -

The Accompanying Notes to Financial Statements are an Integral Part of this Statement



**Hoboken Charter School**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-type Activity Enterprise Fund	
	Enrichment Program	Total Enterprise
Operating revenues:		
Charges for services:		
After School Programs	206,569	206,569
Total Operating Revenues	<u>206,569</u>	<u>206,569</u>
Operating expenditures:		
Salaries	90,146	90,146
Payroll Taxes and Employee benefits	5,485	5,485
Other Purchased Professional Services	8,429	8,429
Miscellaneous	102,509	102,509
Total Operating Expenses	<u>206,569</u>	<u>206,569</u>
Operating Income (Loss)	<u>-</u>	<u>-</u>
Change in net assets	-	-
Total net position—beginning of year	<u>-</u>	<u>-</u>
Total net position—end of year	<u><u>-</u></u>	<u><u>-</u></u>

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

**Hoboken Charter School  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2016**

	<b>Business-Type Activity - Enterprise Funds</b>	
	<b>Enrichment Program</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and other funds	\$ 206,569	\$ 206,569
Payments to employees	(90,146)	(90,146)
Payments for employee benefits	(5,485)	(5,485)
Payments to suppliers	(110,938)	(110,938)
Net cash provided by (used for) operating activities	-	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State sources	-	-
Federal sources	-	-
Operating subsidies and transfers to other funds	-	-
Net cash provided by (used for) non-capital financing activities	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Change in capital contributions	-	-
Purchases of capital assets	-	-
Gain/Loss on sale of fixed assets (proceeds)	-	-
Net cash provided by (used for) capital and related financing activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	-	-
Proceeds from sale/maturities of investments	-	-
Net cash provided by (used for) investing activities	-	-
Net increase (decrease) in cash and cash equivalents	-	-
Balances—beginning of year	-	-
Balances—end of year	-	-
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	-	-
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization	-	-
(Increase) decrease in accounts receivable, net	-	-
(Increase) decrease in inventories	-	-
(Increase) decrease in other current assets	-	-
Increase (decrease) in accounts payable	-	-
Increase (decrease) in accrued salaries benefits	-	-
Total adjustments	-	-
Net cash provided by (used for) operating activities	\$ -	\$ -

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

**Hoboken Charter School  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

**Exhibit B-7**

	<b>Unemployment Compensation Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash	\$ 1,000	\$ 412,910
Total Assets	1,000	412,910
<b>LIABILITIES</b>		
Accounts Payable	1,000	35,269
Due to General Fund	-	377,641
Total Liabilities	1,000	412,910
<b>NET ASSETS</b>		
Held in Trust for Unemployment Claims and Other Purposes	\$ -	\$ -

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

**Exhibit B-8**

	<b>Unemployment Compensation Trust</b>	<b>Agency Funds</b>
<b>ADDITIONS</b>		
Contributions:		
Hoboken Charter School	\$ 25,434	\$ 54,943
Plan Members	12,925	216,276
Total Contributions	38,359	271,219
Investment Earnings:		
Interest	-	-
Total Additions	38,359	271,219
<b>DEDUCTIONS</b>		
Quarterly Contribution Reports	38,359	271,219
Unemployment Claims	-	-
Total Deductions	38,359	271,219
Change in Net Position	-	-
Net Position—Beginning Year	-	-
Net Position—End of Year	\$ -	\$ -

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

## Notes to the Financial Statements

**Hoboken Charter School**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note A: Summary of Significant Accounting Policies**

The financial statements of the Board of Trustees (the “Board”) of the Hoboken Charter School (“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 responsible for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below:

**1. Reporting Entity**

The School is an instrument of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the School. The School is a not for profit entity organized under Internal Revenue Code Section 501(c)(3). The School’s mission is to provide a rigorous, world-class education to a base of diverse students through a curriculum that ensures active participation in academics, arts and service-learning. The school had an enrollment at June 30, 2016 of 297 students in grades Kindergarten through Grade Twelve.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and Schools by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School is not includable in any other reporting entity on the basis of such criteria.

**2. Revenues**

The School receives revenue from several sources, including local school districts, federal and state grants, and contributions.

The School receives a portion of the sending districts aid based on enrollment counts on October 15 and the last day of the school year.

The School accepted federal grants for No Child Left Behind (“NCLB”) and Individuals with Disabilities in Education Act (“IDEA”).

Under the New Jersey statutes, the School is entitled to reimbursement of Social Security and Medicare tax (FICA Reimbursement) for contract wages for school employees.

The School receives contributions from private sources to fund various educational programs.

### 3. **Fund Accounting**

The accounts of the School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

#### **Governmental Fund Types**

**General Fund** – The General Fund is the general operating fund of the School and is used to account for and report all expendable financial resources except those required to be accounted for in another fund.

**Special Revenue Fund** – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources from Federal and State Governments and local appropriations that are legally restricted or committed to expenditures for specified purposes.

#### **Fiduciary Fund Types**

**Trust and Agency Funds** – The Trust and Agency Funds are used to account for assets held by the School in a trustee capacity or as an agent on behalf of outside parties, including other governments.

**Expendable Trust Fund** – 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 Unemployment Compensation Insurance Funds.

**Agency Funds** – Agency funds are used to account for the assets that the district holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

## **Proprietary Funds**

**Business-Type Activity Fund** - The form is used to account for the revenues and expenses pertaining to the School's after school program.

**Enterprise Fund** – The enterprise funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs of providing services to the students on a continuing basis are financed or recovered primarily through user charges.

### **4. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the School the entire balance of aid in the amount reported to each district by the State Department of Education. The School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

In its accounting and financial reporting, the 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.

### **5. Budgets/Budgetary Control**

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



The budget is integrated with the accounting system to provide management with the ability to monitor actual results as compared to the budget.

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.

**6. 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 reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Funds, for which the school has received in advance, are reflected in the balance sheet as deferred revenues at the year end. There were no encumbrances recorded as of June 30, 2016.

**7. Accrued Salaries and Taxes**

Certain school employees who provide services to the School over the ten month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. Accrued salaries and taxes were \$264,526 for the year ended June 30, 2016.

**8. Accounts Receivable**

Accounts receivable are stated at the amount the School expects to collect from outstanding balances. The School provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no valuation allowance necessary at June 30, 2016.

**9. Compensated Absences**

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick leave and carry forward up to 20 days to subsequent years. Upon termination, employees forfeit all accrued benefits. Therefore, no accrual for compensated absences has been recorded.

**10. Deferred Revenue**

Deferred revenue represents cash that has been received but not yet earned.

**11. Accounting Estimates**

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

**12. Fund Balance Appropriated**

General Fund: of the \$1,077,314 General Fund balance at June 30, 2016, all is unassigned.

**13. Income Taxes**

The School is a non-profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The School follows accounting standards that provide clarification accounting for uncertainty in income taxes recognized in the School's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurements of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification of interest and penalties, disclosure and transition. Tax returns are generally subject to examination by taxing authorities for three years after the returns are filed. The School's tax returns for the years ended June 30, 2015, 2014, and 2013 remain open to examination.

At June 30, 2016, there are no significant income tax uncertainties or interest and penalties that are expected to have a material impact on the School's financial statements.

The School has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by clarifying the existing governmental fund type definitions (as detailed in Note 3). This Statement establishes 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.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The School has no funds restricted at June 30, 2016.

Unassigned fund balance is the residual classification for the School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The School has no committed resources at June 30, 2016.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the School to assign resources through policies adopted by the Board of Trustees. The School has no assigned resources at June 30, 2016.

**Note B: Cash and Cash Equivalents and Investments**

Cash and cash equivalents includes petty cash, change funds and amounts in deposits.

**1. Deposits**

New Jersey statutes require that school districts deposit public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits.

**Note C: Operating Lease**

**Lease for School Facilities**

The School has a lease with Friends of Hoboken Charter School (a related party) for classroom and administrative office space for facilities located at 711-713 Washington Street in Hoboken. The lease expired August 31, 2016. However, the lease was amended and renewed for an additional ten months commencing on September 1, 2016 and expiring on June 30, 2017. Rent is payable in equal installments of \$25,000 per month under the amendment. Rent expense for the 2015/2016 school year was \$408,000.

The School also has a lease for classroom and administrative office space for facilities located at 4<sup>th</sup> and Garden Street, Hoboken, NJ. Rent expense for the 2015/2016 school year was \$125,899.

The School leases other facilities for after school programs on a month to month basis. Rent expense for the 2015/2016 school year was \$553.

Future minimum rental payments are as follows:

2017	\$ <u>318,000</u>
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**Note D: Pension Plans**

**1. Description of Plans**

All required employees of the School are covered by either the Public Employees' Retirement System (PERS) 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 obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

The Teacher's Pension and Annuity Fund (TPAF) retirement system is considered a cost-sharing multiple employer plan and under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the system's other related non-contributing employers.

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all teachers or members of the professional staff.

The Public Employees' Retirement system (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system.

**2. Funding Policy**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:14A 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. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

The contribution policy was amended by Chapter 78, P.L. 2011 and requires contributions by active members and contributing employers. TPAF and PERS provide for employee contributions of 7.06% of employees annual salary for the fiscal year ended June 30, 2016. Additional increases in the employee contribution over the next three years are required, and will bring the total pension contribution rate to 7.5% of salary. The actuarially determined contribution includes funding for both cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the School is a non-contributing employer of the TPAF.

The School's total contract payroll for the year ended June 30, 2016 was \$2,860,916. This amount includes salaries that were allocated to federal grants and special purpose programs. Covered payroll was \$2,169,784 for TPAF and \$400,117 for PERS at June 30, 2016.

The employer contribution to the pension for the PERS was \$54,943 at June 30, 2016.

### **3. Public Employees Retirement System (PERS)**

#### *Summary of Significant Accounting Policies*

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

At June 30, 2016 the School reported a liability of \$1,434,587 (Exhibit A-1) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. The School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015. At June 30, 2015, the School's proportion was .0063907139%, which was an increase of .00052% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$71,302 (Exhibit A-2), which is included under the caption Payroll Taxes and Employee Benefits. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,224	\$ -0-
Changes of assumptions	154,063	-0-
Net difference between projected and Actual earnings on pension plan investments	-0-	23,065
Changes in proportion and differences between School contributions and proportionate share of contributions	83,298	179,625
School contributions subsequent to the measurement date	<u>50,298</u>	<u>-0-</u>
	<u>\$ 321,883</u>	<u>\$ 202,690</u>

\$50,298 reported as deferred outflows of resources related to pensions resulting from charter school contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ 30,079
2018	30,079
2019	30,079
2020	47,905
2021	<u>27,080</u>
	<u>\$ 165,222</u>

### *Actuarial Assumptions*

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

Inflation Rate	3.04%
Salary Increases:	
2012 – 2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience 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 (7.90% at June 30, 2015) is determined by the State Treasurer, after consultations with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. 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 U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

#### *Discount Rate*

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the School's proportionate share of the net pension liability as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:



	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
School's Proportionate Share of the Net Pension Liability	\$ 1,783,016	\$ 1,434,587	\$ 1,142,467

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits Financial Report at <http://www.nj.gov/treasury/pensions/financial-reports-home.shtml>.

*Payables to the Pension Plan*

The School reported a payable to the PERS of \$50,298 (included in accounts payable) (Exhibit A-1) for the year end June 30, 2016.

**Additional Information**

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$ 2,946,265,815
Collective deferred inflows of resources	360,920,604
Collective net pension liability	22,447,996,119
 School's Proportion	 .0064%

Collective pension expense for the measurement period ended June 30, 2016 was \$1,481,308,816

**4. Teachers' Pension and Annuity Fund (TPAF)**

*Summary of Significant Accounting Policies*

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

The employer contributions for the School are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the School (employer) does not contribute directly to the plan (except for employer specific financial amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the school. However, the state's portion of the net pension liability that was associated with the School was \$11,225,539 as measured on June 30, 2015.

For the year ended June 30, 2016, the School recognized pension expense of \$555,060 and revenue of \$555,060 (Exhibit A-2) for support provided by the State. The measurement period for the pension expense and revenue reported in the school's financial statements (Exhibit A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

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

	<u>6/30/2015</u>
Collective Deferred Outflows of Resources	\$ 7,521,378,257
Collective Deferred Inflow of Resources	\$ 554,399,005
Collective Net Pension Liability (Nonemployer State of New Jersey)	\$ 63,204,270,305
State's Portion of the Net Pension Liability that was Associated with the School	\$ 11,225,539
State's Portion of the Net Pension Liability that was Associated with the School as a Percentage of the Collective Net Pension Liability	0.0177607287%

#### *Actuarial Assumptions*

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

Inflation Rate	2.50%
Salary Increases:	
2012 – 2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

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

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

*Long-Term Expected Rates of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign Development Equity	12.00%	6.22%
Emerging Market Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds – 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 was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years employer's 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Since the School has to proportionate share of the net pension liability because of the special funding situation, the school would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gusb68-tpaf15.pdf>.

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financail-rprts-home.shtml>.

## **5. Tax Deferred Annuity Plan**

The School implemented a defined contribution tax deferred annuity plan which covers all employees of the School. This plan is funded solely through employee contributions deducted from their pay or from distributions from other qualified plans. The School has no obligation to contribute to this plan.

### **Note E: 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 (ABP) 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.

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 SEGBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/financail/2015/division/combined.pdf>.

#### **Note F: Social Security Tax Reimbursement**

In accordance with N.J.S.A. 18A:66-66 of the State of New Jersey reimbursed the School \$155.636 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 general purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure.

#### **Note G: Risk Management**

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

##### **Property and Liability Insurance**

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

##### **New Jersey Unemployment Compensation Insurance**

The School had elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the School was 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 School was billed quarterly for amounts due to the State.

The School filed a written notice terminating its election under the reimbursement option. Effective July 1, 2013 the school pays unemployment contributions on taxable wages on a quarterly basis. The school remains liable for the reimbursement of all benefits paid that were based on wages earned during the effective period of reimbursement option.

The table is a summary of the School's contribution, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013-2014	15,900	14,812	-0-	1,255
2014-2015	20,670	15,060	-0-	1,000
2015-2016	25,434	12,925	-0-	1,000

**Note H. Related Party**

The Friends of Hoboken Charter School, Inc. ("The Friends") is a tax exempt organization that was organized to support the Hoboken Charter School in endeavors that are not funded by the local school districts and federal and state grants. The Friends contributed \$100,000 to the School during the fiscal year ended June 30, 2016.

**Note I. Economic Dependency**

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

**Note J. Commitments and Contingencies**

Grant Programs – The School participates in federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant agreements. Management is not aware of any material items of noncompliance which would result in disallowance of program expenditures.

Litigation – The School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the School.

**Note K. Evaluation of Subsequent Events**

The School evaluated events subsequent to the balance sheet date for potential disclosure through November 16, 2016 the date which the financial statements were available to be issued.

## **Required Supplementary Information – Part II**

**Hoboken Charter School  
Budgetary Comparison Schedule  
General Fund  
Fiscal Year Ended June 30, 2016**

Exhibit C-1

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
State and Local Local Sources:					
District Equalization Aid	\$ 3,570,650	\$ -	\$ 3,570,650	\$ 3,570,650	\$ -
Security Aid	60,477	-	60,477	60,477	-
Special Education Categorical Aid	154,259	-	154,259	154,259	-
State Adjustment Aid	938,594	-	938,594	938,594	-
Contributions	-	-	-	100,772	100,772
TPAF - Post Retirement Medical (on behalf - Non Budgeted)	-	-	-	155,223	155,223
Teacher's Pension & Annuity Fund (on behalf - Non Budgeted)	-	-	-	130,360	130,360
Reimbursed TPAF Social Security Contributions (Non Budgeted)	-	-	-	155,636	155,636
<b>Total</b>	<u>4,723,980</u>	<u>-</u>	<u>4,723,980</u>	<u>5,265,971</u>	<u>541,991</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Instruction:</b>					
Salaries	1,840,502	(43,100)	1,797,402	1,796,128	1,274
Materials and Supplies	95,500	29,800	125,300	103,623	21,677
Textbooks	8,000	2,600	10,600	10,246	354
Business and Other Support Services	-	-	-	-	-
Purchased Professional and Technical Services	62,000	2,800	64,800	56,625	8,175
<b>Total Instruction</b>	<u>2,006,002</u>	<u>(7,900)</u>	<u>1,998,102</u>	<u>1,966,622</u>	<u>31,480</u>
<b>Support:</b>					
Salaries	278,500	67,200	345,700	338,527	7,173
Material and Supplies	87,500	(16,300)	71,200	62,030	-
Rent	533,152	1,300	534,452	534,452	-
Purchased Professional and Technical Services	280,150	(24,625)	255,525	245,244	10,281
Travel	19,000	-	19,000	18,415	585
Business and Other Support Services	46,000	12,575	58,575	43,306	15,269
Property and Liability Insurance	72,000	(10,000)	62,000	61,812	188
<b>Total Support</b>	<u>1,316,302</u>	<u>30,150</u>	<u>1,346,452</u>	<u>1,303,786</u>	<u>33,496</u>
<b>Administration:</b>					
Salaries	582,875	57,000	639,875	632,723	7,152
Payroll Taxes and Employee Benefits	510,712	(40,000)	470,712	469,469	1,243
Purchased Professional and Technical Services	162,500	(39,250)	123,250	110,950	12,300
Communications and Telephone	74,436	-	74,436	65,026	9,410
Materials and Supplies	-	-	-	-	-
<b>Total Administration</b>	<u>1,330,523</u>	<u>(22,250)</u>	<u>1,308,273</u>	<u>1,278,168</u>	<u>30,105</u>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment	-	-	-	-	-
Non-Instructional Equipment	-	-	-	-	-
<b>Total Facilities Acquisition and Construction Services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>On Behalf Contributions</b>					
TPAF - Post Retirement Medical (on behalf - Non Budgeted)	-	-	-	155,223	(155,223)
Teacher's Pension & Annuity Fund (on behalf - Non Budgeted)	-	-	-	130,360	(130,360)
Reimbursed TPAF Social Security Contributions (Non Budgeted)	-	-	-	155,636	(155,636)
<b>Total On Behalf Contributions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,219</u>	<u>(441,219)</u>
<b>Total Expenditures</b>	<u>4,652,827</u>	<u>-</u>	<u>4,652,827</u>	<u>4,989,795</u>	<u>(336,968)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>71,153</u>	<u>-</u>	<u>71,153</u>	<u>276,176</u>	<u>205,023</u>
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>801,138</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,077,314</u>	<u>-</u>

The Accompanying Notes to Financial Statements are an Integral Part of This Statement



**Hoboken Charter School  
Budgetary Comparison Schedule  
Special Revenue Fund  
Fiscal Year Ended June 30, 2016**

Exhibit C-2

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Programs	\$ 2,584	\$ -	\$ 2,584	\$ 2,584	\$ -
Federal Sources	156,634	-	156,634	156,634	-
	<u>159,218</u>	<u>-</u>	<u>159,218</u>	<u>159,218</u>	<u>-</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Instruction:</b>					
Salaries	57,138	-	57,138	57,138	-
Materials and Supplies	29,984	-	29,984	29,984	-
Textbooks	-	-	-	-	-
Business and Other Support Services	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
<b>Total Instruction</b>	<u>87,122</u>	<u>-</u>	<u>87,122</u>	<u>87,122</u>	<u>-</u>
<b>Support:</b>					
Salaries	36,400	-	36,400	36,400	-
Materials and Supplies	-	-	-	-	-
Rent	-	-	-	-	-
Purchased Professional and Technical Services	28,540	-	28,540	28,540	-
Payroll Taxes and Employee Benefits	7,156	-	7,156	7,156	-
Travel	-	-	-	-	-
Dues and Awards	-	-	-	-	-
Business and Other Support Services	-	-	-	-	-
Property and Liability Insurance	-	-	-	-	-
<b>Total Support</b>	<u>72,096</u>	<u>-</u>	<u>72,096</u>	<u>72,096</u>	<u>-</u>
<b>Administration:</b>					
Salaries	-	-	-	-	-
Payroll Taxes and Employee Benefits	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
Travel	-	-	-	-	-
Materials and Supplies	-	-	-	-	-
<b>Total Administration</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment	-	-	-	-	-
Non-Instructional Equipment	-	-	-	-	-
<b>Total Facilities Acquisition and Construction Services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>159,218</u>	<u>-</u>	<u>159,218</u>	<u>159,218</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Notes to the Required Supplementary Information – Part II**

**Hoboken Charter School  
Required Supplementary Information  
Budget to GAAP Reconciliation  
Note to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2016**

Exhibit C-3

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 5,265,971	[C-2]	\$ 159,218
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-		-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 5,265,971</u>	[B-2]	<u>\$ 159,218</u>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 4,989,795	[C-2]	\$ 159,218
Differences - budget to GAAP Encumbrances for supplies and services ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received and services rendered for <i>financial reporting</i> purposes.		-		-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 4,989,795</u>	[B-2]	<u>\$ 159,218</u>

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Required Supplementary Information – Part III**

**Hoboken Charter School  
Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS  
Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
School's proportion of the net pension liability	0.0072%	0.0059%	0.0064%
School's proportionate share of the net pension liability	\$ 1,381,706	\$ 1,098,333	\$ 1,434,587
School's covered employee payroll	\$ 435,555	\$ 268,168	\$ 400,117
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	317.23%	409.57%	358.54%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

The School Implemented GASB 68 in 6/30/15

This schedule is intended to show a ten year trend. Additional years will be reported as they become available.

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Schedule of Charter School Contributions - PERS**  
**Last Ten Fiscal years**

**Exhibit L-2**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
Contractually required contribution	\$ 54,473	\$ 48,361	\$ 54,943
Contributions in relation to the required contributions	<u>(54,473)</u>	<u>(48,361)</u>	<u>(54,943)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 School's covered employee payroll	 435,555	 268,168	 400,117
Contributions as a percentage of covered employee payroll	 12.51%	 18.03%	 13.73%

The School Implemented GASB 68 in 6/30/15

This schedule is intended to show a ten year trend. Additional years will be reported as they become available.

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF**  
**Last Ten Fiscal years**

**Exhibit L-3**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
School's proportion of the net pension liability	0.00%	0.00%	0.00%
School's proportionate share of net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated to the school	8,781,991	9,060,396	11,225,539
	<b>\$ 8,781,991</b>	<b>\$ 9,060,396</b>	<b>\$ 11,225,539</b>
School's covered payroll	\$ 1,623,257	\$ 1,915,968	\$ 2,169,784
State's proportionate share of the net pension liability attributable to the school as a percentage of covered payroll	541.01%	472.89%	517.36%
Plan fiduciary net position as a percentage of the total net pension liability	33.76%	33.64%	28.71%

The School Implemented GASB 68 in 6/30/15

This schedule is intended to show a ten year trend. Additional years will be reported as they become available.

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2016**

**Public Employees Retirement System (PERS)**

*Change in Benefit Terms:*

None

*Change in Assumptions:*

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.29%) to the current measurement date (3.80%), resulting in a change in the discount rate from 5.39% to 4.90%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

**Teachers Pension and Annuity Fund (TPAF)**

*Change in Benefit Terms:*

None

*Changes of Assumptions:*

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.29%) to the current measurement date (3.80%), resulting in a change in the discount rate from 4.68% to 4.13%. This change in the discount rate is considered to be change in actuarial assumptions under GASB No. 68.



## **Other Supplementary Information**

**Hoboken Charter School**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2016**

Exhibit E-1

	IDEA Part - B	Title I No Child Left Behind	Title II No Child Left Behind	Private Sources	Total
<b>REVENUES</b>					
Contributions	\$ -	\$ -	\$ -	\$ 2,584	\$ 2,584
Federal Sources	59,838	88,909	7,887	-	156,634
<b>Total Revenues</b>	<u>59,838</u>	<u>88,909</u>	<u>7,887</u>	<u>2,584</u>	<u>159,218</u>
<b>EXPENDITURES</b>					
<b>Instruction:</b>					
Salaries	-	57,138	-	-	57,138
Supplies and Materials	-	27,400	-	2,584	29,984
Textbooks	-	-	-	-	-
Business and Other Support Services	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
<b>Total Instruction</b>	<u>-</u>	<u>84,538</u>	<u>-</u>	<u>2,584</u>	<u>87,122</u>
<b>Support services:</b>					
Salaries	36,400	-	-	-	36,400
Supplies and Materials	-	-	-	-	-
Rentals	-	-	-	-	-
Employee Benefits and Payroll Taxes	2,785	4,371	-	-	7,156
Purchased Professional and Technical Services	20,653	-	7,887	-	28,540
Employee Benefits and Payroll Taxes	-	-	-	-	-
Travel	-	-	-	-	-
Dues and Awards	-	-	-	-	-
Business and Other Support Services	-	-	-	-	-
<b>Total Support Services</b>	<u>59,838</u>	<u>4,371</u>	<u>7,887</u>	<u>-</u>	<u>72,096</u>
<b>Administration</b>					
Salaries	-	-	-	-	-
Employee Benefits and Payroll Taxes	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
Travel	-	-	-	-	-
Supplies and Materials	-	-	-	-	-
<b>Total Administration</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital Outlay</b>					
Instructional Equipment	-	-	-	-	-
<b>Total Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>59,838</u>	<u>88,909</u>	<u>7,887</u>	<u>2,584</u>	<u>159,218</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School**  
**Combining Statement of Fiduciary Net Position**  
**Trust and Agency Funds**  
**June 30, 2016**

**Exhibit H-1**

	Trust		Agency		
	Unemployment Compensation	Total Trust Fund	Pension	Payroll	Total Agency Fund
<b>ASSETS</b>					
Cash	\$ 1,000	\$ 1,000	\$ 12,754	\$ 400,156	\$ 412,910
Total Assets	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 12,754</u>	<u>\$ 400,156</u>	<u>\$ 412,910</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,000	\$ 1,000	\$ 12,754	\$ 22,515	\$ 35,269
Due To General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,641</u>	<u>377,641</u>
Total Liabilities	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 12,754</u>	<u>\$ 400,156</u>	<u>\$ 412,910</u>

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Trust Fund**  
**For the Year Ended June 30, 2016**

**Exhibit H-2**

	<b>Unemployment Compensation Trust</b>	<b>Total</b>
<b>ADDITIONS</b>		
Contributions:		
Hoboken Charter School	\$ 4,764	\$ 4,764
Plan Members	(2,135)	(2,135)
Total Contributions	2,629	2,629
Investment Earnings:		
Interest	-	-
Total Additions	2,629	2,629
 <b>DEDUCTIONS</b>		
Transfer to General Fund	-	-
Quarterly Contribution Reports	2,629	2,629
Unemployment Claims	-	-
Total Deductions	2,629	2,629
Change in Net Position	-	-
Net Position—Beginning Year	-	-
Net Position—End of Year	\$ -	\$ -

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Payroll Agency and Pension Fund**  
**Schedule of Receipts and Disbursements**  
**June 30, 2016**

Exhibit H-4

	<b>Balance June 30, 2015</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2016</b>
<b>Payroll Agency Fund</b>				
Payroll, Deductions and Withholdings	\$ 140,132	\$ 3,532,854	\$ (3,272,830)	\$ 400,156
<b>Pension Fund</b>				
Pension Contributions and Withholdings	<u>5,776</u>	<u>327,787</u>	<u>(320,809)</u>	<u>12,754</u>
	<u>\$ 145,908</u>	<u>\$ 3,860,641</u>	<u>\$ (3,593,639)</u>	<u>\$ 412,910</u>

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**STATISTICAL SECTION  
(Unaudited)**

**Hoboken Charter School  
Introduction to the Statistical Section**

**J series**

**Contents**

**Page**

**Financial Trends**

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

57 - 60

**Revenue Capacity**

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

N/A

**Debt Capacity**

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

N/A

**Demographic and Economic Information**

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

61 - 62

**Operating Information**

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

63 - 64

*Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting school-wide information include information beginning in that year.*

## **Financial Trends**



**Hoboken Charter School  
Net Position by Component  
Last Ten Fiscal years**

Exhibit J-1

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities Unrestricted	\$ 419,325	\$ 413,740	\$ 429,361	\$ 469,584	\$ 259,492	\$ 378,775	\$ 499,729	\$(918,668)	\$(548,195)	\$(288,378)
Total Governmental Activities Net Position	\$ 419,325	\$ 413,740	\$ 429,361	\$ 469,584	\$ 259,492	\$ 378,775	\$ 499,729	\$(918,668)	\$(548,195)	\$(288,378)

\*\*

\*\*

Restatement of the June 30, 2014 net position as a result of the Implementation of GASB 68 during the fiscal year ended June 30, 2015

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)**

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>EXPENDITURES</b>										
Governmental Activities										
Instruction										
Salaries	1,657,816	1,802,379	1,820,661	1,816,271	1,710,214	1,648,520	1,682,184	1,596,652	1,659,440	1,796,128
Materials and Supplies	131,739	122,184	105,924	87,911	56,085	78,411	93,661	86,685	95,439	103,623
Textbooks	30,906	13,574	22,915	15,823	7,179	8,441	15,972	19,177	6,601	10,246
Business and Other Support Services	1,525	14,983	2,516	92	222	7,488	3,653	849	276	-
Purchased Professional and Technical Services	136,963	118,449	146,865	111,050	79,784	66,654	52,299	66,615	74,177	56,625
	<u>1,958,949</u>	<u>2,071,569</u>	<u>2,098,881</u>	<u>2,031,147</u>	<u>1,853,484</u>	<u>1,809,514</u>	<u>1,847,769</u>	<u>1,769,978</u>	<u>1,835,933</u>	<u>1,966,622</u>
Support										
Salaries	132,186	140,607	145,967	123,699	144,381	150,108	168,902	149,798	261,672	338,527
Materials and Supplies	73,538	66,426	59,164	65,530	89,603	84,946	100,608	216,149	88,178	62,030
Rent	135,444	178,556	197,475	226,688	372,990	543,368	401,975	456,092	525,129	534,452
Purchased Professional and Technical Services	146,364	273,102	238,800	312,520	422,652	117,665	243,604	308,041	238,437	245,244
Travel	12,007	8,499	7,479	7,453	8,002	6,875	6,959	21,289	24,790	18,415
Business and Other Support Services	224,334	151,190	35,285	9,443	31,229	44,658	37,182	71,471	93,337	43,306
Property and Liability Insurance	110,935	67,005	70,285	18,535	41,660	25,855	19,074	80,584	64,286	61,812
	<u>834,808</u>	<u>885,385</u>	<u>754,455</u>	<u>763,868</u>	<u>1,110,517</u>	<u>973,475</u>	<u>978,304</u>	<u>1,303,424</u>	<u>1,295,829</u>	<u>1,303,786</u>
Administration:										
Salaries	517,389	538,171	575,238	602,214	607,654	594,506	608,674	594,495	565,696	632,723
Payroll Taxes and Employee Benefits	593,249	692,665	730,227	754,361	803,952	771,368	630,252	648,563	1,028,010	1,351,747
Purchased Professional and Technical Services	105,359	93,391	171,411	157,240	166,511	162,132	276,081	177,190	145,650	110,950
Communication and Telephone	22,269	15,918	11,128	5,462	27,971	50,337	28,760	64,362	73,277	65,026
Materials and Supplies	12,303	11,630	6,917	4,077	848	2,653	918	2,636	-	-
	<u>1,250,569</u>	<u>1,351,775</u>	<u>1,494,921</u>	<u>1,523,354</u>	<u>1,606,936</u>	<u>1,580,996</u>	<u>1,544,685</u>	<u>1,487,246</u>	<u>1,812,633</u>	<u>2,160,446</u>
Facilities Acquisition and Construction Services										
Instructional Equipment	12,765	-	-	-	-	-	-	-	-	-
Non-Instructional Equipment	32,810	32,573	900	-	-	-	-	-	-	-
	<u>45,575</u>	<u>32,573</u>	<u>900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Governmental Expenses</b>	<b>4,089,901</b>	<b>4,341,302</b>	<b>4,349,157</b>	<b>4,318,369</b>	<b>4,570,937</b>	<b>4,363,985</b>	<b>4,370,758</b>	<b>4,560,648</b>	<b>4,944,395</b>	<b>5,430,854</b>
Business-Type Activity										
Enrichment Program	-	-	-	52,543	56,561	87,697	69,236	128,747	175,182	206,568
<b>Total Business-Type Activity Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,543</b>	<b>56,561</b>	<b>87,697</b>	<b>69,236</b>	<b>128,747</b>	<b>175,182</b>	<b>206,568</b>
<b>Total School-Wide Expenses</b>	<b>\$ 4,089,901</b>	<b>\$ 4,341,302</b>	<b>\$ 4,349,157</b>	<b>\$ 4,370,912</b>	<b>\$ 4,627,498</b>	<b>\$ 4,451,682</b>	<b>\$ 4,439,994</b>	<b>\$ 4,689,395</b>	<b>\$ 5,119,577</b>	<b>\$ 5,637,422</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Local Tax Levy and State Aid (District Equalization Aid)	\$ 2,489,943	\$ 2,749,980	\$ 3,069,320	\$ 3,260,219	\$ 3,067,918	\$ 3,156,649	\$ 3,266,892	\$ 3,356,662	\$ 3,493,241	\$ 3,570,650
Non Public Aid	115,500	37,730	-	-	-	-	-	-	-	-
Mandate Emergency Aid	1,062,068	1,192,544	-	-	-	-	-	-	-	-
Abbot Kindergarten Aid	154,581	160,128	-	-	-	-	-	-	-	-
Technology Aid	10,428	10,651	-	-	-	-	-	-	-	-
Thorough and Efficient Aid	58,943	34,465	-	-	-	-	-	-	-	-
Security Aid	-	-	61,736	60,088	51,425	56,660	54,631	53,907	55,122	60,477
Special Education Aid	-	-	134,967	142,770	139,613	125,565	124,551	152,051	132,617	154,259
State Adjustment Aid	-	-	963,976	766,922	971,043	925,091	853,547	838,782	849,040	938,594
State Non-Public Aid	-	-	-	-	-	8,729	54,086	-	-	-
FICA Reimbursement	115,239	113,296	124,843	127,386	129,389	122,429	137,238	121,828	139,249	155,636
TPAF Pension (on behalf)	-	-	-	-	-	-	-	-	391,513	555,060
TPAF Post Retirement Medical Benefits (on behalf)	-	-	-	-	-	-	-	-	152,432	155,223
Interest	42,555	36,923	9,539	1,207	18	15	9	457	-	-
Summer Program	-	-	-	-	-	24,653	-	-	-	-
Contributions	-	-	397	-	1,439	63,477	758	270	101,654	100,722
<b>Total Governmental Activities</b>	<b>4,049,257</b>	<b>4,335,717</b>	<b>4,364,778</b>	<b>4,358,592</b>	<b>4,360,845</b>	<b>4,483,268</b>	<b>4,491,712</b>	<b>4,523,957</b>	<b>5,314,868</b>	<b>5,690,671</b>
Business-Type Activity										
Enrichment Program	-	-	-	52,543	56,561	87,697	69,236	128,747	175,182	206,568
<b>Total Business-Type Activity Revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,543</b>	<b>56,561</b>	<b>87,697</b>	<b>69,236</b>	<b>128,747</b>	<b>175,182</b>	<b>206,568</b>
	<u>\$ 4,049,257</u>	<u>\$ 4,335,717</u>	<u>\$ 4,364,778</u>	<u>\$ 4,411,135</u>	<u>\$ 4,417,406</u>	<u>\$ 4,570,965</u>	<u>\$ 4,560,948</u>	<u>\$ 4,652,704</u>	<u>\$ 5,490,050</u>	<u>\$ 5,897,239</u>
<b>Change in Net Position</b>										
Business Type Activity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Governmental Activities	\$ (40,644)	\$ (5,585)	\$ 15,621	\$ 40,223	\$ (210,092)	\$ 119,283	\$ 120,954	\$ (36,691)	\$ 370,473	\$ 259,817

The School Implemented GASB 68 in 6/30/15

**Hoboken Charter School  
Fund Balances - Governmental Funds  
Last Ten Fiscal Years**

Exhibit J-3

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved	<u>\$ 419,325</u>	<u>\$ 413,740</u>	<u>\$ 429,361</u>	<u>\$ 469,584</u>	<u>\$ 259,492</u>	<u>\$ 378,775</u>	<u>\$ 499,729</u>	<u>\$ 463,038</u>	<u>\$ 801,138</u>	<u>\$ 1,077,314</u>
Total General Fund	<u>\$ 419,325</u>	<u>\$ 413,740</u>	<u>\$ 429,361</u>	<u>\$ 469,584</u>	<u>\$ 259,492</u>	<u>\$ 378,775</u>	<u>\$ 499,729</u>	<u>\$ 463,038</u>	<u>\$ 801,138</u>	<u>\$ 1,077,314</u>
All Other Governmental Funds										
Special revenue fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The School Implemented GASB 34 in 6/30/04

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

Exhibit J-4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Local Tax Levy and State Aid	\$ 3,891,463	\$ 4,185,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Equalization Aid	-	-	3,069,320	3,260,219	3,067,918	3,156,649	3,266,892	3,356,662	3,493,241	3,570,650
Security Aid	-	-	61,736	60,088	51,425	56,660	54,631	53,907	55,122	60,477
Special Education Categorical Aid	-	-	134,967	142,770	139,613	125,565	124,551	152,051	132,617	154,259
State Adjustment Aid	-	-	963,976	766,922	971,043	925,091	853,547	838,782	849,040	938,594
State Non-Public Aid	-	-	-	-	-	8,729	54,086	-	-	-
FICA Reimbursement	115,239	113,296	124,843	127,386	129,389	122,429	137,238	121,828	139,249	155,636
Interest earnings	42,555	36,923	9,539	1,207	18	15	9	457	-	-
Programs	-	-	46,045	6,543	-	24,653	-	-	-	-
Contributions	40,291	62,347	7,273	7,206	207,169	71,277	47,958	5,270	104,081	103,356
State sources	-	-	-	-	-	-	-	-	-	-
Federal sources	125,434	109,766	133,440	233,883	119,739	120,998	122,420	118,152	119,182	156,634
<b>Total revenue</b>	<b>4,214,982</b>	<b>4,507,830</b>	<b>4,551,139</b>	<b>4,606,224</b>	<b>4,686,314</b>	<b>4,612,066</b>	<b>4,661,332</b>	<b>4,647,109</b>	<b>4,892,532</b>	<b>5,139,606</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Salaries	1,712,728	1,892,079	1,885,306	1,882,567	1,768,640	1,705,780	1,735,195	1,649,652	1,709,937	1,853,266
Materials and Supplies	149,151	140,588	115,037	96,620	262,661	93,711	93,661	86,685	95,439	133,607
Textbooks	30,906	13,574	22,915	15,823	7,179	8,441	15,972	19,177	6,601	10,246
Business and Other Support Services	1,525	15,113	2,516	92	222	7,488	3,653	849	276	-
Purchased Professional and Technical Services	140,854	161,717	146,865	117,056	79,784	66,654	110,347	71,615	76,604	56,625
<b>Support</b>										
Salaries	132,186	140,607	145,967	123,699	144,381	150,108	168,902	149,798	296,672	374,927
Materials and Supplies	73,538	69,114	60,091	65,530	89,603	84,946	147,808	216,149	91,178	62,030
Rent	135,444	178,556	197,475	226,688	372,990	543,368	401,975	456,092	525,129	534,452
Purchased Professional and Technical Services	146,364	277,223	243,161	312,520	470,809	162,266	243,604	361,752	254,867	273,784
Payroll Taxes and Employee Benefits	-	-	4,945	-	4,470	4,380	4,055	-	6,541	7,156
Travel	12,007	8,499	18,804	7,453	8,002	14,132	14,265	28,713	32,504	18,415
Business and Other Support Services	224,334	160,698	35,285	9,443	39,069	44,658	37,182	71,471	93,337	43,306
Property and Liability Insurance	110,935	67,005	70,285	18,535	41,660	25,855	19,074	80,584	64,286	61,812
<b>Administration</b>										
Salaries	517,389	538,946	575,238	602,214	607,654	594,506	608,674	594,495	565,696	632,723
Payroll Taxes and Employee Benefits	597,450	696,184	730,227	759,433	803,952	771,368	630,252	652,580	516,438	625,105
Purchased Professional and Technical Services	188,768	93,391	262,456	296,985	166,511	162,132	276,081	177,190	145,650	110,950
Communication and Telephone	22,269	15,918	11,128	5,462	27,971	50,337	28,760	64,362	73,277	65,026
Travel	-	-	-	12,189	-	-	-	-	-	-
Materials and Supplies	14,203	11,630	6,917	13,692	848	2,653	918	2,636	-	-
<b>Facilities Acquisition and Construction Services</b>										
Instructional Equipment	12,765	-	-	-	-	-	-	-	-	-
Non-Instructional Equipment	32,810	32,573	900	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,255,626</b>	<b>4,513,415</b>	<b>4,535,518</b>	<b>4,566,001</b>	<b>4,896,406</b>	<b>4,492,783</b>	<b>4,540,378</b>	<b>4,683,800</b>	<b>4,554,432</b>	<b>4,863,430</b>
<b>Excess of Revenues</b>										
Over (Under) Expenditures	(40,644)	(5,585)	15,621	40,223	(210,092)	119,283	120,954	(36,691)	338,100	276,176
<b>Other Financing Uses</b>										
Net change in fund balances	(40,644)	(5,585)	15,621	40,223	(210,092)	119,283	120,954	(36,691)	338,100	276,176

Source: School Records

## **Demographic and Economic Information**

**Hoboken Charter School  
Demographic and Economic Statistics**

Exhibit J-14

<u>Sending District</u>	<u>Population<sup>a</sup></u>	<u>Personal Income<sup>b</sup></u>	<u>Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
Bayonne	66,311	\$ 2,010,350,587	\$ 30,317	5.90%
Guttenberg	11,665	428,140,495	36,703	4.80%
Hoboken	53,635	3,780,033,895	70,477	2.70%
Jersey City	264,290	8,533,659,810	32,289	5.30%
North Bergen	62,993	1,630,258,840	25,880	5.70%
Union City	69,156	1,342,179,648	19,408	6.40%
Weehawken	14,040	668,219,760	47,594	3.80%
Paramus	26,974	1,154,622,070	42,805	4.50%
West New York	53,366	1,325,558,074	24,839	5.40%

**Source:**

<sup>a</sup> Regional Economic Information System, Bureau of Economic Analysis

<sup>b</sup> Personal income is based upon the population and per capita personal income presented

<sup>c</sup> Per capita personal income information by sending district provided by Sperling's Best Places website

<sup>d</sup> NJ Dept of Labor and Workforce Development

This information is presented for school year 2015/2016

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

**Hoboken Charter School  
Principal Employers**

**Exhibit J-15**

<u>Employer</u>	<u>2016</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
St Mary's Hospital	N/A	N/A
Steven Institute of Technology	N/A	N/A
John Wiley & Company	N/A	N/A
Marsh McClellan	N/A	N/A
City of Hoboken	N/A	N/A

N/A - Employees and Percentage of Total Municipal Employment not available

**The Accompanying Notes to Financial Statements are an Integral Part of This Statement**

## Operating Information



**Hoboken Charter School**  
**Full-Time Equivalent District Employees by Function/Program**  
**Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
Instruction	51	45	44	45	42	39	39	36	35	34
Support Services (office and lunch):	12	3	3	3	3	4	3	4	6	7
Administration	<u>4</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>11</u>	<u>9</u>	<u>9</u>
Total	<u>67</u>	<u>60</u>	<u>59</u>	<u>60</u>	<u>57</u>	<u>55</u>	<u>54</u>	<u>51</u>	<u>50</u>	<u>50</u>

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School  
Operating Statistics  
Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment as of 10/15	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	K-12	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2006-2007	254.0	4,255,626	16,754		38	6.7	260.7	245.0		94.0%
2007-2008	274.0	4,513,415	16,472	-1.68%	38	7.2	266.3	250.1	2.1%	93.9%
2008-2009	277.0	4,535,518	16,374	-0.60%	38	7.3	265.6	245.9	-0.3%	92.6%
2009-2010	271.0	4,566,001	16,849	2.90%	39	6.9	273.3	271.0	2.9%	99.2%
2010-2011	274.0	4,896,406	17,870	6.06%	38	7.2	273.3	258.7	0.0%	94.7%
2011-2012	271.0	4,492,783	16,579	-7.23%	39	6.9	269.0	267.6	-1.6%	99.5%
2012-2013	281.0	4,540,378	16,158	-2.54%	39	7.2	274.1	249.2	1.9%	90.9%
2013-2014	279.0	4,812,547	17,249	6.75%	36	7.8	277.1	270.3	1.1%	97.5%
2014-2015	279.0	4,729,614	16,952	-1.72%	35	8.0	285.2	281.1	2.9%	98.6%
2015-2016	298.0	5,069,999	17,013	0.36%	34	8.8	297.4	292.7	4.3%	98.4%

Sources: School Records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).  
The ADA in lower than normal due to the K-8 closing in September 2012 due to the fire and the High School was closed in October due to Hurricane Sandy

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School  
Insurance Schedule  
June 30, 2016  
(unaudited)

Annual  
Premium

Coverage

Property Coverages

Chubb Insurance Company of America  
July 31, 2015 – July 1, 2016

Premises #1 – 713 Washington Street  
Hoboken, NJ 07030

Personal Property  
Business Income with Extra Expense

\$ 3,000,000 Limit of Insurance  
\$ 500,000 Limit of Insurance  
24 hour waiting period

Premises #2 – 4<sup>th</sup> & Garden, 4<sup>th</sup> Floor  
Hoboken, NJ 07030

Personal Property  
Business Income with Extra Expense

\$ 1,250,000 Limit of Insurance  
\$ 500,000 Limit of Insurance  
24 hour waiting period

Property Coverages (All Locations)

Accounts Receivable  
Building Components  
Electronic Data Processing  
Fine Arts  
Personal Property  
Research and Development Property  
Valuable Papers

\$ 25,000  
\$ 25,000  
\$ 75,000  
\$ 25,000  
\$ 25,000  
\$ 25,000  
\$ 25,000

Debris Removal  
Premises shown in Declaration  
Any Other Location  
In Transit

\$ 500,000  
\$ 50,000  
\$ 50,000

Deferred Payments

\$ 50,000

Hoboken Charter School  
Insurance Schedule  
June 30, 2016  
(unaudited)  
(continued)

Annual  
Premium

	Coverage	Annual Premium
Exhibition, Fair or Trade Shows		
Electronic Data Processing Property	\$ 25,000	
Fine Arts	\$ 25,000	
Personal Property	\$ 25,000	
Extra Expense	\$ 250,000	
Fungus Clean-up or Removal	\$ \$50,000	
Impairment of Computer Services – Malicious Programs		
Inside Attack	\$ 100,000	
Outside Attack – Per Occurrence	\$ 10,000	
Outside Attack – Annual Aggregate	\$ 50,000	
Installation		
Any Job Site	\$ 50,000	
In Transit	\$ 50,000	
In Transit		
Accounts Receivable	\$ 25,000	
Building Components	\$ 25,000	
Electronic Data Processing Property	\$ 50,000	
Fine Art	\$ 25,000	
Personal Property	\$ 25,000	
Valuable Papers	\$ 25,000	
Loss of Master Key	\$ 25,000	
Loss Prevention Expense	\$ 15,000	
Mobile Communication Property	\$ 10,000	
Money and Securities		
On Premises	\$ 25,000	
Off Premises	\$ 15,000	
Pollutant Clean Up or Removal	\$ 50,000	
Processing Water	\$ 25,000	
Preparation of Loss	\$ 25,000	

\$ 14,467

Hoboken Charter School  
Insurance Schedule  
June 30, 2016  
(unaudited)  
(continued)

Annual  
Premium

Coverage

Workers Compensation and Employers Liability

School Alliance Insurance Fund  
July 31, 2015– July 1, 2016

Statutory

Bodily Injury by Accident  
Bodily Injury by Disease

\$ 100,000 Each Accident  
\$ 100,000 Each Employee

\$ 35,040

Supplementary Indemnity

School Alliance Insurance Fund  
July 31, 2015– July 1, 2016

Workers' Compensation

Statutory (7 Day Waiting Period)

\$ 7,560

School Leaders Professional Liability

School Alliance Insurance Fund  
July 31, 2015 – July 1, 2016

Limit of Liability  
Annual Aggregate Limit

\$ 15,000,000 Each Loss  
\$ 15,000,000 Each Policy Year

\$ 4,560

Surety Bond

Brown \$ Brown Metro, Inc.  
November 6, 2015 – November 6, 2016

Treasurer – School Funds

\$ 468

**Hoboken Charter School**  
**Financial Performance - Financial Ratios**  
**June 30, 2016**

**Exhibit J-21**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>3 Year Cumulative</b>
Cash	\$ 704,245	\$ 892,458	\$ 856,365	
Current Assets	816,393	1,177,178	1,374,842	
Total Assets	816,393	1,177,178	1,374,842	
Current Liabilities	353,355	376,040	297,528	
Total Liabilities	353,355	376,040	297,528	
Net Position	\$ 463,038	\$ 801,138	\$ 1,077,314	
Total Revenues	\$ 4,523,957	\$ 4,770,923	\$ 4,980,388	
Total Expenses	4,560,648	4,432,823	4,704,212	
Change in Net Position	\$ (36,691)	\$ 338,100	\$ 276,176	
Final Average Daily Enrollment	277.10	285.20	294.40	
March 30th Budgeted Enrollment	279	285	288	
Near Term Indicators:	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>3 Year Cumulative</b>
Current Ratio	2.31	3.13	4.62	3.28
Unrestricted Days Cash	56.36	73.49	66.45	65.37
Enrollment Variance	99.32%	100.07%	102.22%	100.00%
Default	No	No	No	
Sustainability Indicators:				
Total Margin	-0.81%	7.09%	5.55%	4.05%
Debt to Asset	0.43	0.32	0.22	0.30
Cash Flow	76,758	188,213	(36,093)	264,971
Debt Service Coverage Ratio	N/A	N/A	N/A	

## **SINGLE AUDIT SECTION**

**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***

**Independent Auditors' Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hoboken Charter School, in the County of Hudson, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hoboken Charter School's basic financial statements, and have issued our report thereon dated November 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hoboken 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 Hoboken Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hoboken 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.





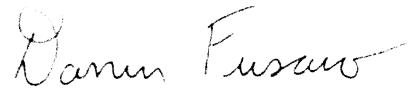
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hoboken 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 that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

### Purpose of this Report

The purpose of this report is solely to describe the scope of 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, internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**November 16, 2016**



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Darren J. Fusaro, CPA  
Licensed Public School Accountant  
No. CS 00237100  
McIntee Fusaro Del Corral, LLC  
Fairfield, New Jersey



**Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and State Financial Assistance Required by New Jersey OMB 15-08**

**Independent Auditors' Report**

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

We have audited the Hoboken Charter School's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Hoboken Charter School's major state programs for the year ended June 30, 2016. The Hoboken Charter School's major 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 federal and state statutes, regulations, and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hoboken 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the New Jersey State Aid/Grant Compliance Supplement, the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and New Jersey OMB Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards the Uniform Guidance and New Jersey OMB 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 Hoboken 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 Hoboken Charter School's compliance.



## Opinion on Each Major State Program

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

## Report on Internal Control Over Compliance

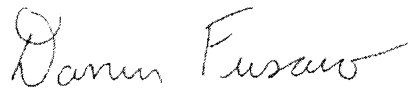
Management of the Hoboken Charter School is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hoboken Charter School's internal control 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 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 Hoboken Charter School's internal control over compliance.

*A deficiency in internal control over compliance* 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 noncompliance with a type of compliance requirement of a federal 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 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 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 significant deficiencies or material weaknesses. 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 Circular 15-08. Accordingly, this report is not suitable for any other purpose.

**November 16, 2016**



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Darren J. Fusaro, CPA  
Licensed Public School Accountant  
No. CS 00237100  
McIntee Fusaro Del Corral, LLC  
Fairfield, New Jersey



Hoboken Charter School  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2016

K-3

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	FAIN Number	Project Number	Award Amount	Grant Period From To	at June 30, 2015	Cash Received	Budgetary Expenditures	Adjustments	Accounts Receivable	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>												
<b>Passed-through State Department of Education</b>												
Special Revenue Fund:												
Title I, Part A Improving Basic Programs	84.010	S010A150030	NCLB-8140-15	88,909	7/1/15 6/30/16	-	88,909	(88,909)	-	-	-	-
Title II, Part A Improving Teacher Quality	84.367	S367A150029	NCLB-8140-15	7,887	7/1/15 6/30/16	-	7,887	(7,887)	-	-	-	-
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	IDEA-8140-15	59,838	7/1/15 6/30/16	-	59,838	(59,838)	-	-	-	-
Total Special Revenue Fund						-	156,634	(156,634)	-	-	-	-
<b>Total Federal Financial Awards</b>						-	<b>156,634</b>	<b>(156,634)</b>	-	-	-	-

The Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an Integral Part of This Schedule

Hoboken Charter School  
 Schedule of Expenditures of State Financial Assistance  
 For the Fiscal Year Ended Jun 30, 2016

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	From	To	Balance at June 30, 2015				Balance at June 30, 2016				MEMO	
					Deferred Revenue	Budgetary (Accounts Receivable)	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Budgetary/GAAP (Accounts Receivable)	Deferred Revenue		Due to Grantor
<b>State Department of Education</b>														
<b>General Fund:</b>														
Equalization Aid	15-495-034-5120-078	3,493,241	7/1/14	6/30/15	88,574	(72,043)	72,043	-	(7,690)	-	-	-	-	-
Equalization Aid	16-495-034-5120-078	3,570,650	7/1/15	6/30/16	-	-	3,462,842	(3,570,650)	-	-	(59,926)	33,002	-	(3,570,650)
Special Education Categorical Aid	16-495-034-5120-089	154,259	7/1/15	6/30/16	-	-	154,259	(154,259)	-	-	-	-	-	154,259
Security Aid	16-495-034-5120-084	60,477	7/1/15	6/30/16	-	-	60,477	(60,477)	-	-	-	-	-	60,477
Adjustment Aid	15-495-034-5120-085	849,040	7/1/14	6/30/15	-	(49,936)	49,936	-	-	-	-	-	-	-
Adjustment Aid	16-495-034-5120-085	938,594	7/1/15	6/30/16	-	-	927,973	(938,594)	-	-	(10,621)	-	-	938,594
Social Security Tax	16-495-034-5094-003	155,636	7/1/15	6/30/16	-	-	-	(155,636)	-	-	-	-	-	155,636
On Behalf TPAF Post Retirement Medical	16-495-034-5095-001	155,223	7/1/15	6/30/16	-	-	-	(155,223)	-	-	-	-	-	155,223
On Behalf TPAF Pension Contributions	16-495-034-5095-006	130,360	7/1/15	6/30/16	-	-	-	(130,360)	-	-	-	-	-	130,360
<b>Total General Fund</b>					88,574	(121,979)	4,727,530	(5,165,199)	(7,690)	-	(70,547)	33,002	-	(1,976,101)
<b>Total State Financial Assistance</b>					88,574	(121,979)	4,727,530	(5,165,199)	(7,690)	-	(70,547)	33,002	-	(1,976,101)
Less: On-Behalf TPAF Post Retirement Medical								155,223						
Less: On-Behalf TPAF Pension Contribution								130,360						
<b>Total for State Financial Assistance-Major Program Determination</b>								<b>(4,879,616)</b>						

The Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an Integral Part of This Schedule

**Hoboken Charter School**  
**Notes to Schedules of Expenditures of**  
**Federal Awards and State Financial Assistance**  
**June 30, 2016**

**Note 1: General**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state award activity of the Hoboken Charter School. The School is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**Note 2: Basis of Accounting**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the School's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Circular OMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. This does not apply to Charter Schools as districts are not permitted to defer June payments to Charter Schools.

**Note 3: Relationship to Basic Financial Statements**

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

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

There was no adjustment necessary to reconcile the budgetary basis to GAAP basis. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ -0-	\$ 4,879,616	\$ 4,879,616
Special Revenue Fund	<u>156,634</u>	<u>-0-</u>	<u>156,634</u>
Total Awards and Financial Assistance	<u>\$ 156,634</u>	<u>\$ 4,879,616</u>	<u>\$ 5,036,250</u>

**Note 4: Relationship to Federal and State Financial Report**

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

**Note 5: Other**

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

**Hoboken Charter School  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016**

*Section I – Summary of Auditor’s Results*

**Financial Statement Section**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ yes   x   no

2) Significant deficiency(ies) identified that are  
not considered to be material weaknesses? \_\_\_\_\_yes   x   none reported

Noncompliance material to general-purpose financial  
statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards Section**

**Not Applicable**



Hoboken Charter School  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016  
(continued)

Section I – Summary of Auditor’s Results (cont’d.)

State Awards

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

Auditee qualified as low-risk auditee?  yes  no

Internal Control over major programs:

1) Material weakness(es) identified?  yes  no

2) Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable?  yes  no

Identification of major programs:

State Grant/Project Number

Name of State Program

16-495-034-5120-078

Equalization Aid

**Hoboken Charter School  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016  
(continued)**

*Section II – Financial Statement Findings*

**No Matters Were Reported**

**Hoboken Charter School  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016  
(continued)**

*Section III – Federal Awards and State Financial Assistance Findings and  
Questioned Costs*

**STATE AWARDS**

**No Matters Were Reported**

**Hoboken Charter School  
Summary Schedule of Prior Year Audit Findings and  
Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2016**

**Status of Prior Year Findings:**

**No Matters Were Reported**