

***HOPE ACADEMY CHARTER SCHOOL***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2016***

***HOPE ACADEMY CHARTER SCHOOL***

***Hope Academy Charter School  
Board of Trustees  
Asbury Park, New Jersey***

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

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
HOPE ACADEMY CHARTER SCHOOL  
ASBURY PARK, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Prepared by***  
***Hope Academy Charter School***  
***Finance Department***

***And***  
***Barre & Company, CPAs***

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***INTRODUCTORY SECTION***





# HOPE ACADEMY CHARTER SCHOOL

*Transforming Our Community, one child at a time*

601 Grand Avenue, Asbury Park, New Jersey 07712

(732) 988-4227(main) • (732) 988-9125 (fax) • [www.hopeacademycs.org](http://www.hopeacademycs.org)

November 15, 2016

Honorable President and  
Members of the Board of Trustees  
Hope Academy Charter School  
601 Grand Avenue  
Asbury Park, New Jersey 07712

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Hope Academy Charter School (Charter School) for the fiscal year ended June 30, 2016. This CAFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

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 Charter School. This report will provide the taxpayers of the Hope Academy Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

**Charter School Organization**

An elected five-member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Chief School Administrator (CSA) is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The School Business Administrator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

**1. REPORTING ENTITY AND ITS SERVICES:** Hope Academy Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. The Charter School’s Board of Trustees, constitutes the Charter School’s reporting entity.

The Hope Academy Charter School provides a full range of educational services appropriate to grade levels Kindergarten through Grade 8. These services include regular, as well as special education, ELL and basic skills instruction. The Charter School completed the 2015-2016 school year with an enrollment of 206 students. The following details the student enrollment of the Charter School:

**Average Daily Enrollment**

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-2016	206.4	1.39%
2014-2015	203.53	-0.53%
2013-2014	204.6	-0.93%
2012-2013	206.5	5.47%
2011-2012	195.2	4.71%
2010-2011	186	4.41%
2009-2010	177.8	24.07%
2008-2009	135	0.00%
2007-2008	135	0.74%

**2. ECONOMIC CONDITION AND OUTLOOK:** Asbury Park continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is evident on the east side of town and with the planning grant received by the Asbury Park Housing Authority in 2016 will see similar growth on the west side as well. As expressed the expansion is expected to continue which suggests Asbury Park will continue to prosper. Additionally, Hope Academy Charter School started the process of purchasing the leased space occupied by the school at 601 Grand Avenue. It is the plan of the Hope Academy Charter School Board of Trustees to complete the building purchase process during the 2016-2017 school year.

**3. INTERNAL ACCOUNTING CONTROLS:** Management of the Board of Trustees is responsible for establishing and maintaining an internal control structure 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). The internal control structure 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 also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by the Charter School management.

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

**4. BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

**5. CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government 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.

6. **RISK MANAGEMENT:** The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents.

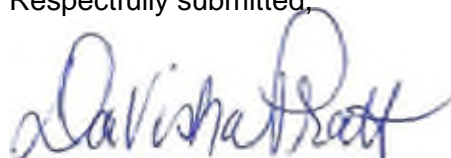
7. **OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPA's, was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, "*Audits of State, Local Governments and Non-Profits Organizations*" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

8. **ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act ("Act") requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2015-2016 training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

Respectfully submitted,

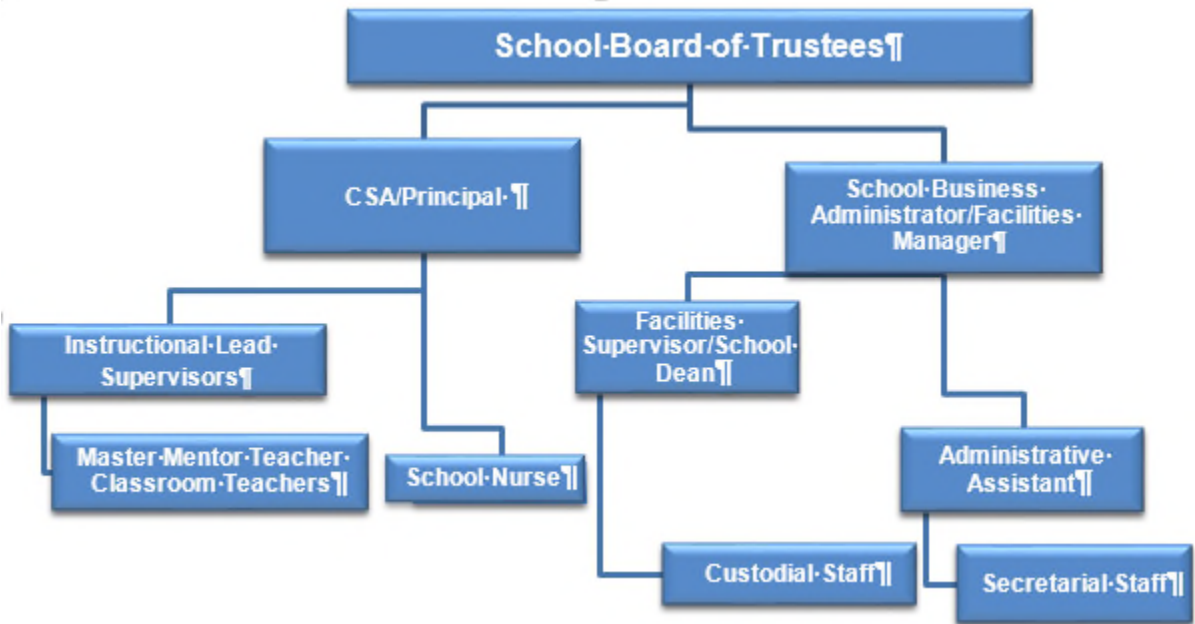


DaVisha T. Pratt  
Principal / CSA



Donna Torres  
Business Administrator/Board Secretary

# Organizational Chart



**ROSTER OF OFFICIALS  
JUNE 30, 2016**

**MEMBERS OF THE BOARD OF TRUSTEES**

Claudia Morgan, President

Frankie Winrow, Vice President

Sheree Jones, Trustee

Dennis Carroll, Trustee

Arlene Cabrera, Trustee

**OTHER OFFICIALS**

Donna Torres, Board Secretary/Business Administrator

DaVisha Pratt, Head Of School/CSA

## **CONSULTANTS AND ADVISORS**

### ***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, New Jersey 07083

### ***Attorney***

(until June 30, 2014)  
Richard Stanzione  
Hiering, Dupignac, Stanzione, Dunn & Beck, P.C.  
64 Washington Street  
Toms River, New Jersey 08753

(Current Attorney)  
Frederick Neimann, P.C.  
3499 Route 9 North  
Suite 1-F  
Freehold, New Jersey 07728

### ***Official Depository***

TD Bank  
2200 Highway 66  
Neptune, New Jersey 07753

***FINANCIAL SECTION***



**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Trustees  
Hope Academy Charter School  
County of Monmouth  
Asbury Park, New Jersey

***Report on the Financial Statements***

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hope Academy Charter School, in the County of Monmouth, State of New Jersey, as of June 30, 2016, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 14 and 66, respectively, 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 response 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.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the *New Jersey Circular 15-08 OMB State Aid/Grant Compliance Supplement* respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The introductory 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 it.

**Other Reporting Required by *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of the Hope Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.

  
Barre & Company, CPA's



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's  
Union, New Jersey

November 15, 2016

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**HOPE ACADEMY CHARTER SCHOOL  
ASBURY PARK, NEW JERSEY**

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

The discussion and analysis of Hope Academy Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance. Certain comparative information between the current year (2015 to 2016) and the prior year (2014 to 2015) is required to be presented in the MD & A.

### **Financial Highlights**

Key financial highlights for 2016 are as follows:

- ❖ General revenues accounted for \$3,641,414 in revenue or 94% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$228,444 or 6% percent of total revenues of \$3,869,858.
- ❖ The Charter School had 3,486,842 in expenses; only \$228,444 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,641,414 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had 3,354,433 in revenues and \$2,938,963 in expenditures. The General Fund's fund balance increased \$415,470 from 2015. This increase was anticipated by the Board of Trustees.

### **Using this Comprehensive Annual Financial Report (CAFR)**

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

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

**HOPE ACADEMY CHARTER SCHOOL  
ASBURY PARK, NEW JERSEY**

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

**Reporting the Charter School as a Whole**

**Statement of Net Position and the Statement of Activities**

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

**Statement of Net Position and the Statement of Activities**

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

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

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

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

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

**HOPE ACADEMY CHARTER SCHOOL  
ASBURY PARK, NEW JERSEY**

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

**Governmental Funds**

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

**Enterprise Fund**

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 35 of this report.

**The Charter School as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

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

The Charter School's combined net position were \$1,110,282 for 2016 and 727,266 for 2015.

**Governmental Activities**

The Charter School's total revenues were \$3,712,580 for 2016 and \$3,624,323 for 2015, this includes \$351,675 for 2016 and \$274,962 for 2015 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$3,340,169 for 2016 and \$3,435,695 for 2015. Instruction comprises 50% for 2016 and 49% for 2015 of Charter School expenditures.

**HOPE ACADEMY CHARTER SCHOOL  
ASBURY PARK, NEW JERSEY**

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

**Business-Type Activities**

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

- ❖ Food service revenues exceeded expenditures by \$10,605 for 2016 and \$12,257 for 2015.
- ❖ Charges for services represent \$2,494 for 2016 and \$3,302 for 2015 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, and state snack program were \$154,784 for 2016 and \$141,777 for 2015.

**Governmental Activities**

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

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

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

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

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$3,712,580 for 2016 and \$3,624,323 for 2015 and expenditures were \$3,297,110 for 2016 and \$3,381,035 for 2015. The net change in fund balance was most significant in the general fund, an increase of \$415,470 for 2016 and an increase of \$243,288 for 2015.



**HOPE ACADEMY CHARTER SCHOOL  
ASBURY PARK, NEW JERSEY**

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

**The Charter School's Funds (Continued)**

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

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2015</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 684,863	18.44%	\$ 68,051	11.03%
State Sources	2,790,436	75.16%	152,669	5.79%
Federal Sources	<u>237,281</u>	<u>6.40%</u>	<u>(132,463)</u>	-35.83%
Total	<u>\$ 3,712,580</u>	<u>100.00%</u>	<u>\$ 88,257</u>	

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

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2015</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 1,344,338	40.77%	\$ (14,581)	-1.07%
Administration	1,062,902	32.24%	51,474	5.09%
Support Services	865,571	26.25%	(91,409)	-9.55%
Capital Outlay	<u>24,299</u>	<u>0.74%</u>	<u>(29,409)</u>	45.24%
Total	<u>\$ 3,297,110</u>	<u>100.00%</u>	<u>\$ (83,925)</u>	

Changes in expenditures were the results of varying factors. Current expense decreased due to reductions in staff and medical costs.

**General Fund Budgeting Highlights**

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

**HOPE ACADEMY CHARTER SCHOOL  
ASBURY PARK, NEW JERSEY**

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

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

**Capital Assets (Net of Depreciation)**

At the end of the fiscal year 2016, the Charter School had \$161,671 invested in capital assets and \$180,690 for 2015.

**For the Future**

The Hope Academy Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, the Hope Academy Charter School has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact the School Business Administrator/Board Secretary at Hope Academy Charter School, 601 Grand Avenue, Asbury Park, New Jersey 07712.

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL–WIDE FINANCIAL STATEMENTS**

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

**HOPE ACADEMY CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,416,308	\$ 49,846	\$ 1,466,154
Interfund Receivables	189,941		189,941
Receivables	109,724	12,479	122,203
Prepaid Expenses and Other Assets	146,296		146,296
Capital Assets, Net	161,671		161,671
<b>Total Assets</b>	<b>2,023,940</b>	<b>62,325</b>	<b>2,086,265</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	98,538		98,538
<b>Deferred Outflows of Resources</b>	<b>98,538</b>	<b>-</b>	<b>98,538</b>
<b>LIABILITIES:</b>			
Interfund Payable	153,644		153,644
Payable to State Government	97,214		97,214
Accounts Payable	16,275		16,275
Deferred Revenue	26,340		26,340
Noncurrent Liabilities:			
Pensions	743,365		743,365
<b>Total Liabilities</b>	<b>1,036,838</b>	<b>-</b>	<b>1,036,838</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	37,683		37,683
<b>Deferred Inflows of Resources</b>	<b>37,683</b>	<b>-</b>	<b>37,683</b>
<b>NET POSITION:</b>			
Invested in Capital Assets, Net of Related Debt	161,671		161,671
Unassigned	886,286	62,325	948,611
<b>Total Net Position</b>	<b>\$ 1,047,957</b>	<b>\$ 62,325</b>	<b>\$ 1,110,282</b>

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

**HOPE ACADEMY CHARTER SCHOOL**  
 Statement of Activities  
 For The Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 1,344,338	\$ 324,174	\$ -	\$ 71,166	\$ -	\$ (1,597,346)	\$ -	\$ (1,597,346)
Administration	584,755	135,293				(720,048)		(720,048)
Support Services	865,571	42,720				(908,291)		(908,291)
Capital Outlay	24,299					(24,299)		(24,299)
Unallocated Depreciation	19,019					(19,019)		(19,019)
<b>Total Governmental Activities</b>	<b>2,837,982</b>	<b>502,187</b>	<b>-</b>	<b>71,166</b>	<b>-</b>	<b>(3,269,003)</b>	<b>-</b>	<b>(3,269,003)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	146,673		2,494	154,784			10,605	10,605
Total Business-Type Activities	146,673		2,494	154,784			10,605	10,605
Total Primary Government	\$ 2,984,655		\$ 2,494	\$ 225,950	\$ -	\$ (3,269,003)	\$ 10,605	\$ (3,258,398)
<b>GENERAL REVENUES</b>								
General Purposes			\$	\$ 539,439	\$	\$	\$ -	\$ 539,439
Federal and State Aid Not Restricted				3,059,255				3,059,255
Investment Earnings				1,153				1,153
Miscellaneous Income				41,567				41,567
Total General Revenues				3,641,414				3,641,414
Change in Net Position				372,411			10,605	383,016
Net Position - Beginning of Year				675,546			51,720	727,266
Net Position - Ending				1,047,957			62,325	1,110,282

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

**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***



**HOPE ACADEMY CHARTER SCHOOL**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2016

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,276,129	\$ 140,179	\$ 1,416,308
Interfund Receivables	189,941		189,941
Receivables From Other Governments	5,122	39,805	44,927
Other Receivables	35,691		35,691
Tax Levy Receivable	29,106		29,106
Prepaid Expenses	72,130		72,130
Other Assets	74,166		74,166
	<u>\$ 1,682,285</u>	<u>\$ 179,984</u>	<u>\$ 1,862,269</u>
<b>Total Assets</b>			
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Interfund Payables	\$ -	\$ 153,644	\$ 153,644
Payable to State Government	97,214		97,214
Accounts Payable	16,275		16,275
Deferred Revenue		26,340	26,340
	<u>113,489</u>	<u>179,984</u>	<u>293,473</u>
<b>Total Liabilities</b>			
Fund Balances:			
Unassigned:			
General Fund	1,568,796		1,568,796
	<u>1,568,796</u>	<u>-</u>	<u>1,568,796</u>
<b>Total Fund Balances</b>			
	<u>\$ 1,682,285</u>	<u>\$ 179,984</u>	
<b>Total Liabilities and Fund Balances</b>			
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$380,390 and the accumulated depreciation is \$218,719.			161,671
Net pension liability of \$743,365 ,deferred inflows of resources of \$37,683 less deferred outflows of resources of \$98,538 related to pensions are not reported in the governmental funds			<u>(682,510)</u>
<b>Net Position of Governmental Activities</b>			<u>\$ 1,047,957</u>

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

**HOPE ACADEMY CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For The Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 539,439	\$ -	\$ 539,439
Interest on Investments	1,153		1,153
Miscellaneous	23,405	120,866	144,271
Total Local Sources	563,997	120,866	684,863
State Sources	2,790,436		2,790,436
Federal Sources		237,281	237,281
Total Revenues	3,354,433	358,147	3,712,580
EXPENDITURES:			
Instruction	1,058,358	285,980	1,344,338
Administration	1,062,902		1,062,902
Support Services	793,404	72,167	865,571
Capital Outlay	24,299		24,299
Total Expenditures	2,938,963	358,147	3,297,110
NET CHANGE IN FUND BALANCES	415,470	-	415,470
FUND BALANCE, JULY 1	1,153,326	-	1,153,326
FUND BALANCE, JUNE 30	\$ 1,568,796	\$ -	\$ 1,568,796

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

**HOPE ACADEMY CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For The Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental fund (from B-2)	\$ 415,470
<p>Amounts reported for governmental activities in the statement  of activities (A-2) are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures.  However, on the statement of activities, the cost of those assets, if capitalized is  allocated over their estimated useful lives as depreciation expense. This is the  amount by which depreciation exceeded capital outlays in the current fiscal year.</p>	
Depreciation Expense	(19,019)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds  as expenditures in the year the school pension contribution is paid. However, on the statement  of activities, the net difference between the current and prior year net pension liability is  recognized.</p>	
	<u>(24,040)</u>
Change in net position of governmental activities	<u>\$ 372,411</u>

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

***PROPRIETARY FUNDS***

**HOPE ACADEMY CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Net Position  
 June 30, 2016

	Business-Type Activities
	Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 49,846
Intergovernmental Accounts Receivable:	
Federal	12,345
State	134
Total Current Assets	62,325
Total Assets	\$ 62,325
<b>LIABILITIES AND NET POSITION:</b>	
Liabilities:	\$ -
Total Liabilities	-
Net Position:	
Unassigned	62,325
Total Liabilities and Net Position	\$ 62,325

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

**HOPE ACADEMY CHARTER SCHOOL**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities
	Food Service
<b>OPERATING REVENUES:</b>	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 2,494
Total Operating Revenues	2,494
<b>OPERATING EXPENSES:</b>	
Salaries	10,542
Rent Expense	10,000
Cost of Sales	126,131
Total Operating Expenses	146,673
<b>OPERATING LOSS</b>	<b>(144,179)</b>
<b>NONOPERATING REVENUES:</b>	
State Source:	
State School Lunch Program	1,909
Federal Source:	
National School Breakfast Program	46,069
National School Lunch Program	103,785
National School Snack Program	3,021
Total Nonoperating Revenues	154,784
<b>CHANGE IN NET POSITION</b>	10,605
<b>TOTAL NET POSITION, JULY 1</b>	<b>51,720</b>
<b>TOTAL NET POSITION, JUNE 30</b>	<b>\$ 62,325</b>

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

**HOPE ACADEMY CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Cash Flows  
 For the Fiscal Year Ended June 30, 2016

	Business-Type Activities
	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 2,494
Cash Payments to Suppliers and Employees	(153,353)
Net Cash Used In Operating Activities	(150,859)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received From State And Federal Reimbursements	154,784
Net Cash Provided By Noncapital Financing Activities	154,784
Net Increase In Cash And Cash Equivalents	3,925
Cash And Cash Equivalents, Beginning Of Year	45,921
Cash And Cash Equivalents, End Of Year	\$ 49,846
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating Loss Used in Operating Activities	\$ (144,179)
Change In Assets And Liabilities:	
Increase In Intergovernmental Accounts Receivable	(1,739)
Decrease In Interfund Payable	(4,941)
Net Cash Used In Operating Activities	\$ (150,859)

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

***FIDUCIARY FUNDS***



**HOPE ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2016

	<u>Total Agency Fund</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 54,812
Total Assets	<u>\$ 54,812</u>
<b>LIABILITIES:</b>	
Interfund Accounts Payable	\$ 36,297
Payroll Deductions and Withholdings	15,461
Due to Student Groups	<u>3,054</u>
Total Liabilities	<u>\$ 54,812</u>

***NOTES TO THE FINANCIAL STATEMENTS***

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hope Academy Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

For fiscal year 2016, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure.

**A. Reporting Entity**

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The Hope Academy Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, Basis of Accounting**

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

*Charter school-wide Statements:* The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School. *Fund Financial Statements:* During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental, proprietary, and fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

The Charter School reports the following governmental funds:

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: Not applicable.

The Charter School reports the following proprietary fund:

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes Student Activities Fund, Payroll and Payroll Agency Funds.

Basis of Accounting

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

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

*Governmental Fund Financial Statements*: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 358,147	\$ 392,966
Adjustments:		
Less Encumbrances at June 30,2016	-	-
Plus Encumbrances at June 30,2015	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 358,147	\$ 392,966

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Encumbrances Accounting**

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

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

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

**E. Assets, Liabilities, and Equity**

**Interfund Transactions:**

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

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

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

**Allowance for Uncollectible Accounts:**

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.



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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

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

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

Deferred Revenue:

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

Accrued Liabilities and Long-term Obligations:

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Net Position:

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

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. There is no fund balance reserve for the current year.

Revenues — Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

Accrued Salaries and Wages:

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Pensions**

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

**B. Impact of Recently Issued Accounting Principles**

**Adopted Accounting Pronouncements**

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

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

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Principles (Continued)**

Recently Issued and Adopted Accounting Pronouncements

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

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

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

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

Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68,

*Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the Charter School's financial statements.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Principles (Continued)**

Recently Issued and Adopted Accounting Pronouncements (Continued)

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

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018.

Management does not expect this Statement to impact the Charter School's financial statements.

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

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

**Deposits**

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

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

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

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase

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

**NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)**

**Investments (Continued)**

c. Bonds or other obligations of the charter school.

The Charter School had no investments as of June 30, 2016. Cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 1,276,129	\$ 140,179	\$ 49,846	\$ 54,812	\$ 1,520,966

The carrying amount of the Board's cash and cash equivalents at June 30, 2016 was \$1,520,966 and the bank balance was \$1,692,884. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Risk Category**

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

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

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

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

As of June 30, 2016, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**New Jersey Cash Management Fund**

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a



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

**NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)**

**Risk Category (Continued)**

**New Jersey Cash Management Fund (Continued)**

securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

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

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2016 consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 74,033	\$ 74,167
Federal Aid	-	12,345
Other	35,691	35,691
Total Receivables, Net	\$ 109,724	\$ 122,203

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 189,941	\$ -
Special Revenue Fund		153,644
Fiduciary Fund		36,297
Total	\$ 189,941	\$ 189,941

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

**NOTE 5: CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 380,390	\$ -	\$ -	\$ 380,390
Totals at Historical Cost	<u>380,390</u>	<u>-</u>	<u>-</u>	<u>380,390</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	199,700	19,019	-	218,719
Total Accumulated Depreciation	<u>199,700</u>	<u>19,019</u>	<u>-</u>	<u>218,719</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	180,690	(19,019)	-	161,671
Government Activity Capital Assets, Net	<u>\$ 180,690</u>	<u>\$ (19,019)</u>	<u>\$ -</u>	<u>\$ 161,671</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense of \$19,019 was charged to an unallocated function.

**NOTE 6: RENTAL LEASES**

In April 2008, the school entered into a lease for five (5) years requiring a minimum base rent plus a portion of the operating costs of the building commencing on July 1, 2008 and ending June 30, 2013. In July 2011, the school entered into a new lease after the building was sold. The lease is for ten (10) years commencing on November 1, 2012 and ending October 31, 2021. The base rent is \$34,583 per month (\$415,000 annual). In year six (6) rent is increased to \$435,750 per year until the end of the lease. The new lease requires a security deposit of \$74,166 and tenant has the option to purchase the building in the future upon \$50,000 option payment made during the first year of the initial lease term. The purchase price for the building shall be reasonably determined by landlord and subject to tenant's acceptance and board approval. Total rental payments amounted to \$431,000 for this year.

**NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASES**

The Charter School is leasing three (3) copiers for a period of 48 months with monthly payments in the amount of \$569 commencing May 2013 and expiring April 2017. The following is a schedule of the future minimum lease payments under the capital leases at June 30, 2016:

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

**NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASES (CONTINUED)**

Year	Amount
2017	\$ 5,690
Total minimum lease payments	\$ 5,690

**NOTE 8: PENSION PLANS**

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

**A. Public Employees' Retirement System (PERS)**

**Plan Description**

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

**Benefits Provided**

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

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (CONTINUED)**

**Benefits Provided (Continued)**

25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 15A and required contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 26,819 for fiscal year 2015.

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

At June 30, 2016, the Charter School reported a liability of \$ 743,365 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 which was rolled forward to June 30, 2015. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the Charter School's proportion was 0.00331150%, which was a decrease of 0.00016200% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2015, the Charter School recognized pension expense of \$ 26,819 . At June 30, 2015, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

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

**NOTE 8: PENSION PLANS (CONTINUED)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 79,831	\$ -
Difference Between Expected and Actual Experience	17,734	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	37,683
	\$ 97,565	\$ 37,683

Amounts reported as deferred outflows of resources and deferred inflows resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2016	\$ 15,586
2017	15,586
2018	15,586
2019	24,823
2020	14,032
	\$ 85,614

**Actuarial Assumptions**

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

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%

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2015 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 pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate-Term Bonds	10.00%	1.79%
Mortgage	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%

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

**NOTE 8: PENSION PLANS (CONTINUED)**

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

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

Fiscal Year Ended June 30, 2015			
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the Net Pension Liability	\$ 923,912	\$ 743,365	\$ 591,996

Fiscal Year Ended June 30, 2014			
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the Net Pension Liability	\$ 818,142	\$ 650,333	\$ 509,417

**Pension Plan Fiduciary Net Position**

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

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**A. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

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

**Benefit Provided**

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier.

Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.



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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Contributions**

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

**Special Funding Situation**

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2016, the State of New Jersey contributed \$ 13,009 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 70,185 .

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

As June 30, 2016, the State's proportionate share of the net pension liability associated with the Charter School was \$ 8,254,111 . 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 June 30, 2014 which was rolled forward to June 30, 2015.

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, Charter School's proportion was 0.0130594%, which was a decrease of 0.0004247% from its proportion measured as of June 30, 2014

Charter School's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with the Charter School		8,254,111
Total	\$	8,254,111

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

**NOTE 8: PENSION PLANS (CONTINUED)**

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

For the fiscal year ended June 30, 2015, the State recognized pension expense on behalf of the Charter School in the amount of \$ 70,185 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 7,200,153,386	\$ -
Difference Between Expected and Actual Experience	321,224,871	19,039,817
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	_____	535,359,188
	\$ 7,521,378,257	\$ 554,399,005

The \$ 7,521,378,257 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 554,399,005 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	2,196,835,040
	\$ 6,966,979,252

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 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 Tables 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 200 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan 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:

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
U.S. Equity Markets	27.25%	5.63%
Foreign Developed Equity	12.00%	6.22%
Emerging Market Equities	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 – TPAF**

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, 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 employers' 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.

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

**NOTE 8: PENSION PLANS (CONTINUED)**

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

The following presents the net pension liability of the State as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2014			
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Charter School's proportionate share of the Net Pension Liability	\$ 9,867,686	\$ 8,254,111	\$ 6,954,743

Fiscal Year Ended June 30, 2013			
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Charter School's proportionate share of the Net Pension Liability	\$ 8,727,323	\$ 7,256,217	\$ 6,032,642

**Pension Plan Fiduciary Net Position – TPAF**

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

**C. Defined Contribution Retirement Program (DCRP)**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

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

**NOTE 8: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (DCRP) (Continued)**

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School recognized \$428 of pension expense or the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$785 for the fiscal year ended June 30, 2016.

**NOTE 9: 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 free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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

**NOTE 10: RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**NOTE 11: FUND BALANCE APPROPRIATED**

General Fund

The General Fund fund balance in the fund financial statements at June 30, 2016, in the amount of \$1,568,796, is unassigned and undesignated.

**NOTE 12: SUBSEQUENT EVENTS**

Purchase of Building

On August 17, 2016, the school entered into a contract to purchase the building at 601 Grand Avenue, Asbury Park, New Jersey, in the amount of \$4,312,500. The date of closing is schedule on or before December 31, 2016.

Subsequent events have been evaluated through November 15, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***



***SECTION C – BUDGETARY COMPARISON SCHEDULES***

**HOPE ACADEMY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For The Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 539,439	\$ -	\$ 539,439	\$ 539,439	\$ -
Total Local Sources	539,439	-	539,439	539,439	-
Categorical Aid:					
Equalization Aid	2,101,606		2,101,606	2,101,606	-
Security Aid	97,224		97,224	97,224	-
State Adjustment	160,786	-	160,786	160,786	-
Non-Public Aid	7,979		7,979	7,979	-
Special Education Categorical Aid	71,166		71,166	71,166	-
Total Categorical Aid	2,438,761	-	2,438,761	2,438,761	-
Other Sources:					
Interest Income				1,153	1,153
Miscellaneous Revenue				23,405	23,405
On-Behalf TPAF Pension Contributions (Non-Budgeted)				253,086	253,086
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				98,589	98,589
Total Other Sources	-	-	-	376,233	376,233
Total Revenues	2,978,200	-	2,978,200	3,354,433	376,233
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	651,000	28,684	679,684	679,634	50
Other Salaries for Instruction	280,500	(5,757)	274,743	274,743	-
Other Purchased Services	86,000		86,000	61,884	24,116
General Supplies	20,000	(1,000)	19,000	16,645	2,355
Textbooks	26,000	(6,134)	19,866	15,503	4,363
Miscellaneous	4,000	6,500	10,500	9,949	551
Total Instruction	1,067,500	22,293	1,089,793	1,058,358	31,435
Administration:					
Salaries - General Administration	134,350	9,173	143,523	143,523	-
Salaries of Principals	111,650	8,352	120,002	120,002	-
Salaries of Secretarial/Clerical Assistants	135,500	(718)	134,782	134,782	-
Total Benefits Cost	389,000	(35,308)	353,692	150,512	203,180
Purchases Prof/Tech Services	23,000		23,000	17,177	5,823
Other Purchased Professional Services	93,000		93,000	76,217	16,783
Other Purchased Services	30,500		30,500	24,038	6,462
Communications/Telephone	16,972	18,000	34,972	11,438	23,534
Supplies and Materials	25,000	(9,380)	15,620	15,620	-
Miscellaneous Expenses	14,000	6,380	20,380	17,918	2,462
Total Administration	972,972	(3,501)	969,471	711,227	258,244

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**HOPE ACADEMY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For The Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued From Prior Page)					
Support Services:					
Salaries	\$ 142,000	\$ (5,292)	\$ 136,708	\$ 125,770	\$ 10,938
Purchased Prof/Ed Services	80,000	(17,000)	63,000	56,526	6,474
Cleaning, Repair, and Maintenance Services	68,000		68,000	58,266	9,734
Rental of Land and Buildings	435,000		435,000	431,000	4,000
Transportation-Other Than To/From School	5,000		5,000	3,811	1,189
Insurance for Property, Liability and Fidelity	60,000		60,000	59,167	833
Supplies and Materials	25,000	3,500	28,500	21,259	7,241
Energy Costs (Heat and Electricity)	53,000		53,000	37,605	15,395
<b>Total Support Services</b>	<b>868,000</b>	<b>(18,792)</b>	<b>849,208</b>	<b>793,404</b>	<b>55,804</b>
Capital Outlay:					
Instructional Equipment	7,000		7,000	6,649	351
Non-Instructional Equipment	71,000		71,000	17,650	53,350
<b>Total Capital Outlay</b>	<b>78,000</b>	<b>-</b>	<b>78,000</b>	<b>24,299</b>	<b>53,701</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				253,086	(253,086)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				98,589	(98,589)
<b>Total Expenditures</b>	<b>2,986,472</b>	<b>-</b>	<b>2,986,472</b>	<b>2,938,963</b>	<b>47,509</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,272)		(8,272)	415,470	423,742
<b>FUND BALANCE, JULY 1</b>	<b>1,153,326</b>	<b>-</b>	<b>1,153,326</b>	<b>1,153,326</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,145,054</b>	<b>\$ -</b>	<b>\$ 1,145,054</b>	<b>\$ 1,568,796</b>	<b>\$ 423,742</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Budgeted Fund Balance	\$ 1,145,054	\$ -	\$ 1,145,054	\$ 1,568,796	\$ 423,742
<b>Total</b>	<b>\$ 1,145,054</b>	<b>\$ -</b>	<b>\$ 1,145,054</b>	<b>\$ 1,568,796</b>	<b>\$ 423,742</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**HOPE ACADEMY CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Local	\$ 120,866	\$ -	\$ 120,866	\$ 120,866	\$ -
Federal	237,281		237,281	237,281	-
<b>Total Revenue</b>	<b>358,147</b>	<b>-</b>	<b>358,147</b>	<b>358,147</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	259,442		259,442	259,442	-
Purchased Prof/Tech Services	3,981		3,981	3,981	-
Other Purchased Services	4,386		4,386	4,386	-
General Supplies	15,744		15,744	15,744	-
Other Objects	2,427		2,427	2,427	-
<b>Total Instruction</b>	<b>285,980</b>	<b>-</b>	<b>285,980</b>	<b>285,980</b>	<b>-</b>
Support Services:					
Salaries					
Personal Services - Employee Benefits	57,404		57,404	57,404	-
Purchased Professional Services	10,300		10,300	10,300	-
Supplies and Materials	463		463	463	-
Miscellaneous Expenditures	4,000		4,000	4,000	-
<b>Total Support Services</b>	<b>72,167</b>	<b>-</b>	<b>72,167</b>	<b>72,167</b>	<b>-</b>
<b>Total Expenditures</b>	<b>358,147</b>	<b>-</b>	<b>358,147</b>	<b>358,147</b>	<b>-</b>
<b>Total Outflows</b>	<b>358,147</b>	<b>-</b>	<b>358,147</b>	<b>358,147</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

**HOPE ACADEMY CHARTER SCHOOL**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Note to RSI  
 Fiscal Year Ended June 30, 2016

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

		General Fund		Special Revenue Fund
<b>Sources/Inflows of Resources</b>				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b>	\$ 3,354,433	<b>[C-2]</b>	\$ 358,147
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 reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b>	\$ 3,354,433	<b>[B-2]</b>	\$ 358,147
<b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b>	\$ 2,938,963	<b>[C-2]</b>	\$ 358,147
Differences - Budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b>	\$ 2,938,963	<b>[B-2]</b>	\$ 358,147

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***

**SCHEDULE L - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)**



**HOPE ACADEMY CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,		
	2014	2015	2016
Charter School's proportion of the net pension liability	0.00339992%	0.003473496%	0.003311498%
Charter School's proportionate share of the net pension liability	\$ 649,648	\$ 650,333	\$ 743,365
Charter School's covered employees payroll	405,142	342,584	265,696
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	160%	190%	280%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**HOPE ACADEMY CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED**

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	\$ 25,612	\$ 26,819	\$ 27,023
Contributions in relation to the contractually required contribution	<u>(33,244)</u>	<u>(26,819)</u>	<u>(27,023)</u>
Contribution deficiency/(excess)	<u>\$ (7,632)</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 405,142	\$ 342,584	\$ 265,696
Contributions as a percentage of covered employee payroll	6.32%	7.83%	10.17%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**HOPE ACADEMY CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**LAST THREE FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable of the Charter School	0.0128942%	0.0134841%	0.01305942%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,516,614	\$ 7,206,822	\$ 8,254,111
Charter School's covered employees payroll	898,449	991,299	1,333,934
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	725.32%	727.01%	618.78%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III***

**HOPE ACADEMY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2016**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

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

**HOPE ACADEMY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2016**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

*The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.*



**HOPE ACADEMY CHARTER SCHOOL**  
Special Revenue Fund  
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2016

	NCLB Title I	NCLB Title III	I.D.E.A. Basic	Title II Part A	Local Grants	Grand Total
<b>REVENUE SOURCES:</b>						
Local	-	-	-	-	120,866	\$ 120,866
Federal	170,917	860	55,204	10,300		237,281
<b>Total Revenues</b>	<b>170,917</b>	<b>860</b>	<b>55,204</b>	<b>10,300</b>	<b>120,866</b>	<b>358,147</b>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries	133,043		43,813		82,586	259,442
Purchased Prof/Tech Services					3,981	3,981
Other Purchased Services					4,386	4,386
General Supplies	5,826	860			9,058	15,744
Other Objects					2,427	2,427
<b>Total Instruction</b>	<b>138,869</b>	<b>860</b>	<b>43,813</b>	<b>-</b>	<b>102,438</b>	<b>285,980</b>
Support Services:						
Personal Services - Employee Benefits	32,048		11,391		13,965	57,404
Purchased Professional Services				10,300		10,300
Supplies and Materials					463	463
Miscellaneous Expenditures					4,000	4,000
<b>Total Support Services</b>	<b>32,048</b>	<b>-</b>	<b>11,391</b>	<b>10,300</b>	<b>18,428</b>	<b>72,167</b>
<b>Total Expenditures</b>	<b>170,917</b>	<b>860</b>	<b>55,204</b>	<b>10,300</b>	<b>120,866</b>	<b>358,147</b>
<b>Total Outflows</b>	<b>170,917</b>	<b>860</b>	<b>55,204</b>	<b>10,300</b>	<b>120,866</b>	<b>358,147</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

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

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

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND  
B-6.**

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENTS**

*Fiduciary Funds are used to account for funds received by the school for a specific purpose.*

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

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

**HOPE ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2016

	Agency			Total Agency Funds
	Payroll Agency	Net Payroll	Student Activities	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 50,053	\$ 1,705	\$ 3,054	\$ 54,812
<b>Total Assets</b>	<u>\$ 50,053</u>	<u>\$ 1,705</u>	<u>\$ 3,054</u>	<u>\$ 54,812</u>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 34,592	\$ 1,705	\$ -	\$ 36,297
Payroll Deductions and Withholdings	15,461			15,461
Due to Student Groups			3,054	3,054
<b>Total Liabilities</b>	<u>\$ 50,053</u>	<u>\$ 1,705</u>	<u>\$ 3,054</u>	<u>\$ 54,812</u>

**HOPE ACADEMY CHARTER SCHOOL**  
 Fiduciary Fund  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2016</u>
Student Groups	\$ 2,726	\$ 7,178	\$ 6,850	\$ 3,054
Total	<u>\$ 2,726</u>	<u>\$ 7,178</u>	<u>\$ 6,850</u>	<u>\$ 3,054</u>

**HOPE ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For The Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
<b>ASSETS:</b>				
Cash	\$ 126,433	\$ 698,191	\$ 774,571	\$ 50,053
Total Assets	\$ 126,433	\$ 698,191	\$ 774,571	\$ 50,053
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 112,950	\$ 685,007	\$ 763,365	\$ 34,592
Payroll Deductions and Withholdings	13,483	15,461	13,483	15,461
Total Liabilities	\$ 126,433	\$ 700,468	\$ 776,848	\$ 50,053

**STATISTICAL SECTION  
(UNAUDITED)**

***GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.***

## Contents

### **Financial Trends**

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

### **Revenue Capacity (Not Applicable To Charter School)**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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



***FINANCIAL TRENDS***

**HOPE ACADEMY CHARTER SCHOOL**

Net Assets/Position by Component  
Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental Activities</b>										
Invested in capital assets, net of related debt	\$ 161,671	\$ 180,690	\$ 199,709	\$ 218,728	\$ 237,747	\$ 256,766	\$ 275,785	\$ 294,804	\$ 313,823	\$ 332,842
Restricted										
Unassigned	886,286	494,856	910,038	724,420	556,629	460,529	500,973	204,868	147,204	122,092
<b>Total Governmental Activities Net Assets/Position</b>	<b>\$ 1,047,957</b>	<b>\$ 675,546</b>	<b>\$ 1,109,747</b>	<b>\$ 943,148</b>	<b>\$ 794,376</b>	<b>\$ 717,295</b>	<b>\$ 776,758</b>	<b>\$ 499,672</b>	<b>\$ 461,027</b>	<b>\$ 454,934</b>
<b>Business-Type Activities</b>										
Unassigned	\$ 62,325	\$ 51,720	\$ 39,463	\$ 36,411	\$ 22,458	\$ 20,673	\$ 18,741	\$ 17,617	\$ 19,755	\$ 18,529
<b>Total Business-Type Activities Net Assets/Position</b>	<b>\$ 62,325</b>	<b>\$ 51,720</b>	<b>\$ 39,463</b>	<b>\$ 36,411</b>	<b>\$ 22,458</b>	<b>\$ 20,673</b>	<b>\$ 18,741</b>	<b>\$ 17,617</b>	<b>\$ 19,755</b>	<b>\$ 18,529</b>
<b>Charter School-wide</b>										
Invested in capital assets, net of related debt	\$ 161,671	\$ 180,690	\$ 199,709	\$ 218,728	\$ 237,747	\$ 256,766	\$ 275,785	\$ 294,804	\$ 313,823	\$ 332,842
Restricted										
Unassigned	948,611	546,576	949,501	760,831	579,087	481,202	519,714	222,485	166,959	140,621
<b>Total Charter School-wide Net Assets/Position</b>	<b>\$ 1,110,282</b>	<b>\$ 727,266</b>	<b>\$ 1,149,210</b>	<b>\$ 979,559</b>	<b>\$ 816,834</b>	<b>\$ 737,968</b>	<b>\$ 795,499</b>	<b>\$ 517,289</b>	<b>\$ 480,782</b>	<b>\$ 473,463</b>

**HOPE ACADEMY CHARTER SCHOOL**  
 Changes in Net Assets/Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 1,668,512	\$ 1,695,594	\$ 1,695,261	\$ 1,703,768	\$ 1,781,206	\$ 1,647,919	\$ 1,688,085	\$ 1,226,422	\$ 1,313,265	\$ 1,068,450
Administration	720,048	649,632	715,776	699,182	678,559	709,133	408,142	376,961	438,530	432,795
Support Services	906,291	1,017,742	1,316,623	1,407,137	1,192,613	1,140,525	758,776	573,750	555,417	420,082
Capital Outlay	24,299	53,708			2,599					
Unallocated Depreciation	19,019	19,019	19,019	19,019	19,019	19,019	19,019	19,019	19,019	19,019
Total Governmental Activities Expenses	\$ 3,340,169	\$ 3,435,695	\$ 3,746,679	\$ 3,829,106	\$ 3,673,996	\$ 3,516,596	\$ 2,874,022	\$ 2,196,152	\$ 2,326,231	\$ 1,940,346
Business-Type Activities:										
Food Service	146,673	132,874	143,122	122,817	95,369	87,515	86,477	64,670	65,337	57,455
Total Business-Type Activities Expenses	\$ 146,673	\$ 132,874	\$ 143,122	\$ 122,817	\$ 95,369	\$ 87,515	\$ 86,477	\$ 64,670	\$ 65,337	\$ 57,455
Total Charter School Expenses	\$ 3,486,842	\$ 3,568,569	\$ 3,889,801	\$ 3,951,923	\$ 3,769,365	\$ 3,604,111	\$ 2,960,499	\$ 2,260,822	\$ 2,391,568	\$ 1,997,801
<b>Program Revenues</b>										
Governmental Activities:										
Operating Grants and Contributions	\$ 71,166	\$ 78,028	\$ 71,401	\$ 74,893	\$ 60,465	\$ 45,047	\$ 19,477	\$ 20,318	\$ 31,048	\$ 33,492
Total Governmental Activities Expenses	\$ 71,166	\$ 78,028	\$ 71,401	\$ 74,893	\$ 60,465	\$ 45,047	\$ 19,477	\$ 20,318	\$ 31,048	\$ 33,492
Business-Type Activities:										
Charges for Services	2,494	3,302	3,696	4,859	6,045	9,815	7,027	6,352	5,576	5,002
Operating Grants and Contributions	154,784	141,777	142,440	131,871	91,068	79,570	80,505	56,073	60,368	56,909
Total Business-Type Activities Expenses	\$ 157,278	\$ 145,079	\$ 146,136	\$ 136,730	\$ 97,113	\$ 89,385	\$ 87,532	\$ 62,425	\$ 65,944	\$ 61,911
Total Charter School Program Revenues	\$ 228,444	\$ 223,107	\$ 217,537	\$ 211,623	\$ 157,578	\$ 134,432	\$ 107,009	\$ 82,743	\$ 96,992	\$ 95,403
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (3,269,003)	\$ (3,357,667)	\$ (3,675,278)	\$ (3,754,213)	\$ (3,613,531)	\$ (3,471,549)	\$ (2,854,545)	\$ (2,175,834)	\$ (2,295,183)	\$ (1,906,854)
Business-Type Activities	10,605	12,205	3,014	13,913	1,744	1,870	1,055	(2,245)	607	4,456
Total Charter School-wide Net Expense	\$ (3,258,398)	\$ (3,345,462)	\$ (3,672,264)	\$ (3,740,300)	\$ (3,611,787)	\$ (3,469,679)	\$ (2,853,490)	\$ (2,178,079)	\$ (2,294,576)	\$ (1,902,398)
<b>General Revenues and Other Changes in Net Assets/Position</b>										
Governmental Activities:										
General Purposes	\$ 539,439	\$ 574,921	\$ 590,882	\$ 563,194	\$ 548,462	\$ 503,303	\$ 462,972	\$ 324,798	\$ 396,749	\$ 311,099
Federal and State Aid Not Restricted	3,059,255	2,936,983	3,207,009	3,276,761	3,129,914	2,880,121	2,626,269	1,883,359	1,780,246	1,488,870
Miscellaneous Income	42,720	34,391	43,986	63,030	12,236	28,662	42,390	6,322	124,281	5,042
Total Governmental Activities	\$ 3,641,414	\$ 3,546,295	\$ 3,841,877	\$ 3,902,985	\$ 3,690,612	\$ 3,412,086	\$ 3,131,631	\$ 2,214,479	\$ 2,301,276	\$ 1,805,011
Business-Type Activities:										
Investment Earnings	-	52	38	40	41	62	69	107	619	995
Total Business-Type Activities	-	52	38	40	41	62	69	107	619	995
Total Charter School-wide	\$ 3,641,414	\$ 3,546,347	\$ 3,841,915	\$ 3,903,025	\$ 3,690,653	\$ 3,412,148	\$ 3,131,700	\$ 2,214,586	\$ 2,301,895	\$ 1,806,006
<b>Change in Net Assets/Position</b>										
Governmental Activities	\$ 372,411	\$ 188,628	\$ 166,599	\$ 148,772	\$ 77,081	\$ (59,463)	\$ 277,086	\$ 38,645	\$ 6,093	\$ (101,843)
Business-Type Activities	10,605	12,257	3,052	13,953	1,785	1,932	1,124	(2,138)	1,226	5,451
Total Charter School	\$ 383,016	\$ 200,885	\$ 169,651	\$ 162,725	\$ 78,866	\$ (57,531)	\$ 278,210	\$ 36,507	\$ 7,319	\$ (96,392)

**HOPE ACADEMY CHARTER SCHOOL**  
 Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund Reserved Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1,568,796	1,153,326	910,038	724,420	556,629	460,529	500,973	204,868	147,204	122,092
Total General Fund	<u>\$ 1,568,796</u>	<u>\$ 1,153,326</u>	<u>\$ 910,038</u>	<u>\$ 724,420</u>	<u>\$ 556,629</u>	<u>\$ 460,529</u>	<u>\$ 500,973</u>	<u>\$ 204,868</u>	<u>\$ 147,204</u>	<u>\$ 122,092</u>

**HOPE ACADEMY CHARTER SCHOOL**  
 Changes in Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

Fiscal Year Ending June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues:</b>										
Local Sources:										
Local Tax Levy	\$ 539,439	\$ 574,921	\$ 590,882	\$ 563,194	\$ 548,462	\$ 527,443	\$ 462,972	\$ 324,798	\$ 396,749	\$ 311,099
Interest In Investments	1,153	744								
Miscellaneous	144,271	41,147	46,802	63,030	12,236	4,522	66,530	6,322	124,281	5,042
State Sources	2,790,436	2,637,767	2,603,485	2,699,332	2,543,673	2,197,274	2,047,343	1,702,719	1,629,410	1,365,609
Federal Sources	237,281	369,744	672,109	652,322	646,706	727,894	574,263	200,958	181,884	156,753
Total Revenues	3,712,580	3,624,323	3,913,278	3,977,878	3,751,077	3,457,133	3,151,108	2,234,797	2,332,324	1,838,503
<b>Expenditures:</b>										
Instruction	1,344,338	1,358,919	1,347,742	1,342,266	1,418,329	1,380,032	1,315,608	1,005,787	1,099,278	886,607
Administration	1,062,902	1,011,428	1,151,952	1,164,775	1,115,352	1,030,218	737,094	637,044	688,080	628,520
Support Services	865,571	956,980	1,227,966	1,303,046	1,118,697	1,087,327	802,301	534,302	519,854	406,200
Capital Outlay	24,299	53,708			2,599					
Total Expenditures	3,297,110	3,381,035	3,727,660	3,810,087	3,654,977	3,497,577	2,855,003	2,177,133	2,307,212	1,921,327
Net Change in Fund Balance	\$ 415,470	\$ 243,288	\$ 185,618	\$ 167,791	\$ 96,100	\$ (40,444)	\$ 296,105	\$ 57,664	\$ 25,112	\$ (82,824)

Source: Charter School records

**HOPE ACADEMY CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	Donations	Miscellaneous Revenue	Annual Total
2016	\$ -	\$ 23,405	\$ 23,405
2015		17,925	17,925
2014	4,969	10,380	15,349
2013	3,812	33,662	37,474
2012		5,075	5,075
2011	-	1,378	1,378
2010	12,240	30,150	42,390
2009		6,322	6,322
2008	12,500	84,581	97,081
2007		5,042	5,042

Source: Charter School records

***DEMOGRAPHIC AND ECONOMIC INFORMATION***

**HOPE ACADEMY CHARTER SCHOOL**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2016	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A
2014	16,116	26,370	13,516	7.4
2013	N/A	N/A	N/A	N/A
2012	16,132	N/A	N/A	N/A
2011	16,116	N/A	20,368	N/A
2010	16,862	N/A	N/A	9.8
2009	16,894	N/A	N/A	10.7
2008	16,923	N/A	N/A	10.5
2007	16,903	N/A	N/A	11.2

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2010 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development



**HOPE ACADEMY CHARTER SCHOOL**  
Principal Employers  
Last Year and Fifteen Years Ago

Employer	2012			1997		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Asbury Park School District	732	1	7.91%	500	1	6.14%
Townco Consultants, Inc.	400	2	4.32%	0		0.00%
City of Asbury Park	280	3	3.03%	292	2	3.58%
Keystone Laundries	100	4	1.08%	100	3	1.23%
Asbury Park Post Office	85	5	0.92%	89	4	1.09%
Jersey Central Power & Light	0		0.00%	81	5	0.99%
Jersey Shore Addiction Services	55	6	0.59%	67	6	0.82%
Malo & Weste Corp	0		0.00%	53	7	0.65%
Asbury Park Housing Authority	52	7	0.56%	52	8	0.64%
Monmouth County Probation Dept.	50	8	0.54%	0		0.00%
Grand Union	0		0.00%	50	9	0.61%
Interfaith Neighbors	39	9	0.42%	50	10	0.61%
Our Lady of Mount Carmel School	21	10	0.23%	0		0.00%
	<u>1,814</u>		<u>19.60%</u>	<u>1,334</u>		<u>16.36%</u>

***OPERATING INFORMATION***

**HOPE ACADEMY CHARTER SCHOOL**  
 Full-Time Equivalent Charter School Employees by Function  
 Last Ten Fiscal Years

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction	22	18	19	20.7	21	21	22	18	22	21
Administrative	6	6	3.8	4.8	4.5	4	4	3	3	4
Support Services	4	7.5	1.7	8.6	4.5	10.5	3.5	4.5	4	1
Food Service				0.5	0.5	0.5	0.5	0.5		
<b>Total</b>	<b>32.0</b>	<b>31.5</b>	<b>24.5</b>	<b>34.6</b>	<b>30.5</b>	<b>36.0</b>	<b>30.0</b>	<b>26.0</b>	<b>29.0</b>	<b>26.0</b>

**Source:** Charter School Personnel Records

**HOPE ACADEMY CHARTER SCHOOL**

Operating Statistics  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary/Middle	School				
2016	207	3,272,811	15,811	-3.06%	22	9.4:1	206.4	197.2	1.39%	95.94%	
2015	204	3,327,327	16,310	-8.55%	18	11:1	203.53	195.27	-0.53%	95.16%	
2014	209	3,727,660	17,836	-3.57%	19	11:1	204.6	194.7	-0.93%	94.87%	
2013	206	3,810,087	18,496	0.77%	21	10:1	206.5	195.9	5.47%	96.52%	
2012	199	3,652,378	18,354	-2.40%	20	9:1	195.2	188.4	4.71%	98.06%	
2011	186	3,497,577	18,804	16.58%	21	8:1	186	182.4	4.41%	95.39%	
2010	177	2,855,003	16,130	0.02%	22	8:1	177.8	169.6	24.07%	94.81%	
2009	135	2,177,133	16,127	-5.64%	18	7:1	135	128	0.00%	94.81%	
2008	135	2,307,212	17,090	28.81%	22	7:1	135	128	0.74%	93.28%	
2007	133	1,764,574	13,267	12.99%	21	7:1	134	125	0.00%	94.78%	

**Sources:** Charter School records

**Note:** Enrollment based on annual final Charter School count.

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

**HOPE ACADEMY CHARTER SCHOOL**  
 School Building Information  
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b><u>Charter School Building</u></b>										
601 Grand Avenue										
Square Feet	25000	25,000	25,000	25,000	25,000	19,500	19,500			
Capacity (students)										
Enrollment	207	206	209	206	199	186	177			
<b><u>Lower School</u></b>										
700 Grand Avenue										
Square Feet								13,087	13,087	13,087
Capacity (students)										
Enrollment								90	90	89
<b><u>Middle School</u></b>										
610 Asbury Avenue										
Square Feet										
Capacity (students)										
Enrollment										
503 Asbury Avenue										
Square Feet								13,776	13,776	13,776
Capacity (students)										
Enrollment								45	43	45
Number of Schools at June 30, 2016	1									

**Source:** Charter School Facilities Office

**Note:** Increases in square footage and capacity are the result of and additions.  
 Enrollment is based on the annual October Charter School count.

# Commercial General Liability Coverage

Named Insured: Hope Academy Charter School

Policy Term: 7/1/2015 to 7/1/2016

## Coverage Form Used

Occurrence Form

Claims Made Form

Retroactive Date:

## Limits of Liability

General Liability	
Per Occurrence Limit	5,000,000
Fund Aggregate	50,000,000
Employee Benefits Liability Limit	5,000,000
Deductible	1,000
School Leaders Professional Liability	5,000,000
Per Occurrence	5,000,000
Aggregate	5,000,000
Deductible	5,000

# COMMERCIAL GENERAL LIABILITY SCHEDULE OF HAZARDS

(S) GROSS SALES - PER \$1,000/SALES (A) AREA - PER 1,000/SQ. FT. (M) ADMISSIONS - PER 1,000/ADM  
(P) PAYROLL - PER \$1,000 PAYROLL (C) TOTAL COST - PER \$1,000/COST (U) UNIT - PER UNIT (T) OTHER

Loc#	Classification		Basis/Exposure
1	Charter School		207 Students

# Commercial Automobile Coverage

<u>Auto Liability</u>	
<u>Per Occurrence Limit</u>	5,000,000
<u>Fund Aggregate</u>	50,000,000
<u>Comprehensive/Collision Deductible</u>	1,000



# Commercial Property Coverage

Subject of Insurance	Limits	Causes of Loss	Deduct	Co-Ins %	Val	Blkt	Infl %
Building Coverage	\$ 4,000,000	Special including theft	\$ 2,500		RC	Y	
Business Personal Property	\$ 350,000	Special including theft	\$ 2,500		RC	Y	
Business Income	\$ 446,000		\$				
	\$		\$				
	\$		\$				

### ABBREVIATIONS DEFINED

Co-Ins % = Coinsurance Percentage	AV = Agreed Value Valuation	Blkt = Blanket Coverage
Val = Valuation	RC = Replacement Cost Valuation	Deduct = Deductible
ALS = Actual Loss Sustained	Infl % = Inflation Guard Percentage	ACV = Actual Cash Value

"BLANKET" Property Limit      \$250,000,000

Boiler Machinery                \$100,000,000

### Property

Limit of Liability	\$250,000,000 Per Occurrence
Member Deductible	\$2,500 Per Occurrence
Perils Included	Coverage written on an "All Risk" basis including flood and earthquake

### Property Included in the Coverage Limits/Sub-Limits:

Building, Contents, Valuable Papers	\$250,000,000
Extra Expense	\$50,000,000
Builders Risk (New Construction)	\$25,000,000
Property In Transit	\$25,000,000
Automobile Physical Damage	Included \$1,000 Deductible Applies
Unnamed Locations	\$25,000,000
Demolition & Increased Cost of Construction	\$25,000,000
Earthquake	\$25,000,000 Per Occurrence \$25,000,000 Annual Aggregate
Flood (Excluding Zones A&V)	\$10,000,000 Per Occurrence \$10,000,000 Annual Aggregate
Flood (Zone's A&V) *	\$25,000,000 Per Occurrence \$25,000,000 Annual Aggregate

### Boiler & Machinery

Limit of Liability	\$100,000,000 Per Occurrence
Member Deductible	\$2,500 Per Occurrence

### Crime and Fidelity

Money & Securities – Inside Premises	\$50,000 each loss
Money & Securities – Outside Premises	\$50,000 each loss
Blanket Dishonesty Bond (including faithful performance for elected officials) *	\$500,000 per loss
Member Deductible	\$1,000 each loss

\* Statutory bond positions are excluded.

**Comprehensive General Liability, Auto Liability and Employee Benefits Liability**

Limit of Liability	\$5,000,000 Per Occurrence \$50,000,000 Fund Aggregate
Member Deductible	None
Sub-Limit applicable to Sexual Molestation Coverage	\$5,000,000 Per Occurrence/Aggregate Per Member

**Workers Compensation**

Limit of Liability	Statutory benefits as required by the State of New Jersey
Employers Liability	\$5,000,000 Per Occurrence/Aggregate
Member Deductible	NIL

**Supplemental Indemnity**

Limit of Liability	Statutory benefits as required by the State of New Jersey
Member Deductible	NIL

**Environmental Impairment Liability**

Limit of Liability	\$1,000,000 Per Incident \$25,000,000 Fund Annual Aggregate
Member Deductible	\$10,000 Per Incident
Insuring Agreement	Provides coverage for on site clean-up costs and third party claims for bodily injury, property damage and clean-up costs resulting from environmental impairment conditions

**School Leaders Professional Liability**

Limit of Liability	\$5,000,000 Per Claim / Aggregate Per Member Claims Made Form, Full Prior Acts
Member Deductible	\$5,000 per claim

**Excess Liability**

Limit of Liability	\$15,000,000 per occurrence/aggregate per member
SAIF Self Insured Retention	NIL
Member Retention Maintenance of	\$5,000,000 Auto & General Liability \$5,000,000 per claim/annual aggregate school leaders professional liability

# Workers Compensation Coverage

Employers Liability Limit	5,000,000

# Workers Compensation Rating Basis

Loc #	Code	Classification	Estimated Annual Payroll
1	8868	Schools Professional	1,900,000
1	9106	Schools Non Professional	90,000

# Commercial Umbrella/Excess Coverage

## Policy Coverage Limits

### Umbrella/Excess Coverage

\$ 15,000,000

Each Occurrence

\$

Excess over Auto Liability, General Liability, School Leaders Professional Liability

Insurance Carrier: National Union Fire Company of Pittsburg, PA

Covered Persons: All Enrolled Full-Time Students of the school (Grades K-8)

Benefit	Limits
Accidental Death	15,000
Incurable Period	365 Days
Heart and Circulatory	Included
Accidental Dismemberment	30,000
Incurable Period	365 Days
Accident Medical Expense (Full Excess)	1,000,000
Benefit Period	52 weeks
Incurable Period	90 Days
Coinsurance	100%
Deferred Dental Treatment Benefit	1,000

0

**HOPE ACADEMY CHARTER SCHOOL**  
 Charter School Performance Framework Financial Indicators  
 Fiscal Ratios  
 Last Three Fiscal Years

	2014	2015	2016	Source
	Audit	Audit	Audit	
Cash	\$ 734,442	\$ 785,298	\$ 1,466,154	Audit: Exhibit A-1
<b>Current Assets (includes CASH)</b>	1,250,850	1,529,835	1,924,594	Audit: Exhibit A-1
Total Assets	1,450,559	1,710,525	2,086,265	Audit: Exhibit A-1
Current Liabilities	301,349	324,789	293,473	Audit: Exhibit A-1
Total Liabilities	301,349	975,122	1,036,838	Audit: Exhibit A-1
Net Assets	1,149,210	727,266	1,110,282	Audit: Exhibit A-1
Total Revenue	4,059,452	3,769,454	3,869,858	Audit: Exhibit A-2
Total Expenses	3,889,801	3,568,569	3,486,842	Audit: Exhibit A-2
Change in Net Assets	169,651	200,885	383,016	Audit: Exhibit A-2
Depreciation Expense	19,019	19,019	19,019	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	188.40	195.90	194.70	DOE Enrollment Reports
March 30th Budgeted Enrollment	0	0	0	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2014	2015	2016	3 YR CUM	Target
1a. Current Ratio	4.15	4.71	6.56		> 1.1
1b. Unrestricted Days Cash	68.92	80.32	153.48		30-60
1c. Enrollment Variance	0%	0%	0%		>95%
1d.* Default	N/A	N/A	N/A		not in default
<b>Sustainability Indicators</b>					
2a. Total Margin	4%	5%	10%		positive
2b. Debt to Asset	0.21	0.57	0.50		<.9
2c.** Cash Flow	347,950	50,856	680,856	1,079,662	3 yr cum positive
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		>1.10

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

Refer questions to [charterfinance@doe.state.nj.us](mailto:charterfinance@doe.state.nj.us)



***SINGLE AUDIT SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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

Honorable President and  
Members of the Board of Trustees  
Hope Academy Charter School  
County of Monmouth  
Asbury Park, New Jersey

We have audited, in accordance with the 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 in compliance with 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, each major fund, and the aggregate remaining fund information of Hope Academy Charter School (Charter School), in the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 15, 2016.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We also noted other matters that we reported to the Board of Trustees of the Hope Academy Charter School in a separate report entitled, Auditor's Management Report on Administrative Findings dated November 15, 2016.

### **Purpose of this Report**

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

  
Barre & Company, CPA's  
Union, New Jersey

  
Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

November 15, 2016

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
UNIFORM GUIDANCE AND NEW JERSEY CIRCULAR 15-08-OMB**

Honorable President and  
Members of the Board of Trustees  
Hope Academy Charter School  
County of Monmouth  
Asbury Park, New Jersey

***Report on Compliance for Each Major State Program***

We have audited the Hope Academy Charter School's compliance with the types of compliance requirements described in the New Jersey Compliance Manual "State Grant Compliance Supplement" that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016. The Hope Academy Charter School's major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits as prescribed by the *Office of School Finance, Department of Education, State of New Jersey*, New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Circular 15-08-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major State Program***

In our opinion, the Hope Academy Charter School, in the County of Monmouth, State of New Jersey, 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 Hope Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 Uniform Guidance and New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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


### ***Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey Circular 15-08-OMB***


We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hope Academy Charter School, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial

statements. We issued our report thereon dated November 15, 2016, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey Circular 15-08- OMB are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and relates directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures and schedule of relation to the basic financial statements as a whole.

***Purpose of this Report***

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 that the testing based on the requirements of NJ Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

  
Barre & Company, CPA's  
Union, New Jersey

  
Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

November 15, 2016

**HOPE ACADEMY CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2015	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2016 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind Cluster:													
Title I Part A	84.010A	NCLB - 6740 - 16	\$ 170,917	7/1/15 6/30/16	\$ -	\$ -	170,917	(170,917)	\$ -	\$ -	\$ -	\$ -	\$ -
Title I Part A	84.369A	NCLB - 6740 - 16	3,257	9/1/15 6/30/16	(302)	-	860	(860)	-	-	-	-	-
Title III Carryover	84.369A	NCLB - 6740 - 16	9,395	9/1/14 6/30/16	(302)	-	9,400	(10,300)	-	-	(900)	-	-
Title II Part A	84.367A	NCLB - 6740 - 16	10,300	7/1/15 6/30/16	(302)	-	181,479	(182,077)	-	-	(900)	-	-
Total No Child Left Behind Cluster													
Individuals with Disabilities Cluster:													
IDEA, Part B Basic	84.027	IDEA - 6740 - 16	55,204	7/1/15 6/30/16	-	-	33,013	(55,204)	-	-	(22,191)	-	-
Total Individuals with Disabilities Cluster													
Total Special Revenue Fund					(302)	-	214,492	(237,281)	-	-	(23,091)	-	-
<b>U.S. Department of Agriculture</b>													
Passed-through State Department of Agriculture													
Enterprise Fund:													
School Breakfast Program	10.553	N/A	46,069	7/1/15 6/30/16	-	-	41,282	(46,069)	-	-	(4,787)	-	-
School Breakfast Program	10.553	N/A	40,002	7/1/14 6/30/15	(3,257)	-	3,257	-	-	-	-	-	-
National School Lunch Program	10.555	N/A	103,785	7/1/15 6/30/16	-	-	96,227	(103,785)	-	-	(7,558)	-	-
National School Lunch Program	10.555	N/A	93,729	7/1/14 6/30/15	(7,347)	-	7,347	-	-	-	-	-	-
National Snack Program	10.556	N/A	3,021	7/1/15 6/30/16	-	-	3,021	(3,021)	-	-	-	-	-
Total Enterprise Fund					(10,604)	-	151,134	(152,875)	-	-	(12,345)	-	-
Sub-Total Federal Financial Awards					(10,906)	\$ -	\$ 385,626	\$ (390,156)	\$ -	\$ -	\$ (35,436)	\$ -	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**HOPE ACADEMY CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2016

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015			Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2016		Cumulative Total Expenditures
			From	To	(Accounts Receivable)	Due to Grantor	Carryover/(Walkover) Amount				(Accounts Receivable)	Deferred Revenue/ Interfund Payable	
<b>State Department of Education</b>													
State Aid Public Cluster:													
Special Education	16-495-034-5120-078	2,101,606	7/1/15	6/30/16			2,072,500	(2,101,606)			(28,106)		2,101,606
Special Education Categorical Aid	16-495-034-5120-089	71,166	7/1/15	6/30/16			71,166	(71,166)					71,166
Security Aid	16-495-034-5120-084	97,224	7/1/15	6/30/16			97,224	(97,224)					97,224
Adjustment Aid	16-495-034-5120-085	160,786	7/1/15	6/30/16			160,786	(160,786)					160,786
Total State Aid Public Cluster:													2,430,782
Nonpublic Aid	16-100-034-5095-042	7,979	7/1/15	6/30/16			7,979	(7,979)					7,979
On-Behalf TPAF Pension Contributions	16-495-034-5095-006	253,086	7/1/15	6/30/16			253,086	(253,086)					253,086
Reimbursed TPAF - Social Security	16-495-034-5095-002	86,589	7/1/15	6/30/16	(4,428)		93,467	(96,589)			(5,122)		86,589
Reimbursed TPAF - Social Security	16-495-034-5095-002	32,277	7/1/14	6/30/15	(4,428)		4,428						
Total General Fund													2,790,436
<b>State Department of Agriculture</b>													
Enterprise Fund:													
National School Lunch Program (State Share)	16-100-010-3350-023	1,909	7/1/15	6/30/16			1,775	(1,909)			(134)		1,909
National School Lunch Program (State Share)	15-100-010-3350-023	1,727	7/1/14	6/30/15	(136)		136						
Total Enterprise Fund													1,909
<b>Total All Funds</b>													2,792,345
<b>State Financial Assistance Not Subject To Major Program Determination:</b>													
General Funds:													
On-Behalf TPAF Pension Contributions	16-495-034-5095-006	253,086	7/1/15	6/30/16			(253,086)	253,086					(253,086)
Total General Fund													253,086
Total State Financial Assistance													2,539,259

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.



**HOPE ACADEMY CHARTER SCHOOL**  
Notes to Schedules of Expenditures of Awards and Financial Assistance  
June 30, 2016

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**NOTE 1. GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Hope Academy Charter School. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies 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 awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 (CFR) Part 200 -Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

**HOPE ACADEMY CHARTER SCHOOL**  
Notes to Schedules of Expenditures of Awards and Financial Assistance  
June 30, 2016

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,790,436	\$ 2,790,436
Special Revenue Fund	237,281	-	237,281
Food Service Fund	152,875	1,909	154,784
Total Awards & Financial Assistance	<u>\$ 390,156</u>	<u>\$ 2,792,345</u>	<u>\$ 3,182,501</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING**

Hope Academy Charter School has no loan balances outstanding at June 30, 2016.

**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions 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.

**NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf Sate Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

**HOPE ACADEMY CHARTER SCHOOL**  
Notes to Schedules of Expenditures of Awards and Financial Assistance  
June 30, 2016

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**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in Uniform Guidance; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. There are no funds by program included in schoolwide programs in the charter school.

HOPE ACADEMY CHARTER SCHOOL  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified?  Yes  No

2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to basic financial statements noted?  Yes  No

**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 deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ Circular 15-08-OMB?  Yes  No

Identification of major state programs:

GMIS Number(s)	Name of State Program
<u>16-495-034-5120-071</u>	<u>STATE AID-PUBLIC CLUSTER</u>
<u>16-495-034-5120-089</u>	<u>EQUALIZATION AID</u>
<u>16-495-034-5120-084</u>	<u>SPECIAL EDUCATION CATEGORICAL AID</u>
	<u>SECURITY AID</u>

**HOPE ACADEMY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

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***Section II –Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a NJ Circular 15-08-OMB. See paragraphs 13.15 and 13.35.

**Finding**

There were no matters reported.

**HOPE ACADEMY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2016

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

This section identifies audit findings required to be reported by NJ Circular 15-08-OMB.

**STATE AWARDS**

**Findings**

There were no matters reported.

**HOPE ACADEMY CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs As Prepared by Management  
For the Fiscal Year Ended June 30, 2016

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**STATUS OF PRIOR YEAR FINDINGS**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, NJ Circular 04-04-OMB or 15-08-OMB as applicable.

**Findings**

There were no matters reported.