

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
NEW HORIZONS COMMUNITY
CHARTER SCHOOL
OF NEWARK, NEW JERSEY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

NEW HORIZON COMMUNITY CHARTER SCHOOL
JUNE 30, 2016
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October 15, 2016

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

Dear Commissioner:

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** New Horizons Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

New Horizons Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

The New Horizons Community Charter School currently serves 480 students from the cities of Newark, East Orange, Elizabeth, and Irvington. The main facility, a three story newly constructed brick building, houses main academic classes, including Computers, Spanish, and Basic Skills. The second facility, NCC Recreational Center is located directly across the street from the school and is used to conduct classes in Art, Music and Physical Education. The third property houses the Business Office.

The New Horizons Community Charter School is a community-based school focusing on the overall growth and development of each child and the school community. The school is affiliated with the New Community Corporation of Newark, UMDNJ, Liberty Science Center, Franklin Institute, Girl Scouts of New Jersey, Kids Camp, North Fork Bank, Scholastic Books, Newark Police Department, Newark Fire Department, Newark Service Bureau and Loyola University.

- 2) **ENROLLMENT OUTLOOK:** The school’s charter authorized a maximum enrollment of 504 students in grades kindergarten through five. At the beginning of the 2015-2016 school year, the enrollment was 458 students. At the end of the year the enrollment was 432 students. Class size is approximately 21 students per class.

Fiscal Year – June 30, 2016	
Grade	Student Enrollment (June 2016)
K	73
1	71
2	81
3	81
4	79
5	47

- 3) **MAJOR ACCOMPLISHMENTS** – New Horizons Community Charter School provided a challenging core curriculum for all students that is well aligned to the Common Core standards. Under the NHCCS administration the school continues to improve student performance, character development and life skills. The following are some of the accomplishments:

Academic Progress and Achievement –

Students at New Horizons Community Charter School made strides in terms of absolute progress on the 2015-2016 Partnership for Assessment of Readiness for College and Careers (PARCC) exam.

In grades 3-5, there was a school-wide gain of 6.8% in the area of English Language Arts (ELA). In grades 3-5 there was a school-wide gain of 3.2% in Math.

The overall passing rates were as follows:

Grade 3- ELA- 28.8%	Grade 3- Math- 37.5%
Grade 4- ELA- 39.5%	Grade 4- Math- 32.9%
Grade 5- ELA- 45.8%	Grade 5- Math- 43.8%

Data from the 2014-2015 school year in comparison to the 2015-2016 school year in relationship to passing rates, is as follows:

2014-2015:

Grade 3- ELA- 18%	Grade 3- Math- 32.%
Grade 4- ELA- 43%	Grade 4- Math- 39%
Grade 5- ELA -29%	Grade 5- Math- 34%

2015-2016:

Grade 3- ELA- 28.8%	Grade 3- Math- 37.5%
Grade 4- ELA- 39.5%	Grade 4- Math- 32.9%
Grade 5- ELA- 45.8%	Grade 5- Math- 43.8%

Additional Accomplishments include:

- Continued implementation of the parent/student Handbook & Code of Civility
- Continued Partnership with Teachers College Reading and Writing Project
- Implementation of Singapore Math: Math in Focus- grade Kindergarten
- Continued Use of data to drive instruction from both TerraNova and NJASK and Link It!
- Continued implementation of the Wilson Reading Program
- One to one laptop program for s in grades 2-5.
- Evening workshops for Mathematics and Language Arts were provided for students and families

Special Board Accomplishments:

- Purchase of student chairs for the entire student population
- Hiring of a Math Supervisor
- One to one laptop program for scholars in grades 2-5.

The New Horizons Community Charter School at the end of June 30, 2015, has an unrestricted fund balance of \$ 4,050,361. The school anticipates utilizing \$3,000,000 for the expansion of its school at Hayes Street, Newark, N.J. The project is scheduled to start in the 2015-2016 school year.

- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the 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 recognized that: (1) the cost of a control

should not exceed the benefits like 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 School also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School management.

As part of the 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 School has complied with applicable laws and regulations.

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and the State of New Jersey. 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 balances at June 30, 2016.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2016.

Revenue	Amount	Percent of Total
Local	\$ 898,213	11%
State	6,303,001	78%
Federal	567,777	7%
Enterprise Fund	277,446	3%
Misc Revenue	<u>75,510</u>	<u>1%</u>
Total	<u>\$8,121,947</u>	<u>100%</u>

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

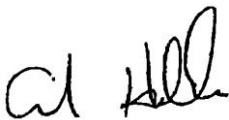
Expenditures	Amount	Percent of Total
General Current	\$6,351,199	53%
Capital Outlay	4,761,652	40%
Special Revenue	567,777	4%
Food Service	<u>280,655</u>	<u>5%</u>
Total	<u>\$11,961,283</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.
- 10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School.

In addition to meeting the requirements set forth in the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, *"Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Respectfully submitted,



Andre Hollis
Director, New Horizons Community Charter School

NEW HORIZONS COMMUNITY CHARTER SCHOOL

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2016**

BOARD OF TRUSTEES

Mr. Edgar Nemorin, President

Mr. Gregory Kornegay, Vice President

Mr. James Anderson, Member

Dr. Obiefuna Okafor, Member

Ms. Cecilia Faulks, Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

Scott J. Loeffler, CPA
12 Merry Lane
East Hanover, NJ 07936

ATTORNEYS

Mr. Melvin C. Randall
Love and Randall
Attorneys At Law
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East Orange, NJ 07107

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Chase Bank
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FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANT
12 MERRY LANE
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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

Report on the Financial Statements

I 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 Board of Trustees of the New Horizons Community Charter School, County of Essex, 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 New Horizons Community Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my 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 New Horizons Community Charter School as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity 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* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My 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 which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

The combining and individual fund financial statement information, and the schedules of expenditures of federal awards and state financial assistance required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are the responsibility of management and such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 my opinion, the information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 15, 2016 on my consideration of the New Horizons Community Charter School's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Horizons Community Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J. Loeffler, CPA

October 15, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

This section of New Horizons Community Charter School annual financial report presents its discussion and analysis of the New Horizons Community Charter School's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the New Horizons Community Charter School's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year include the following:

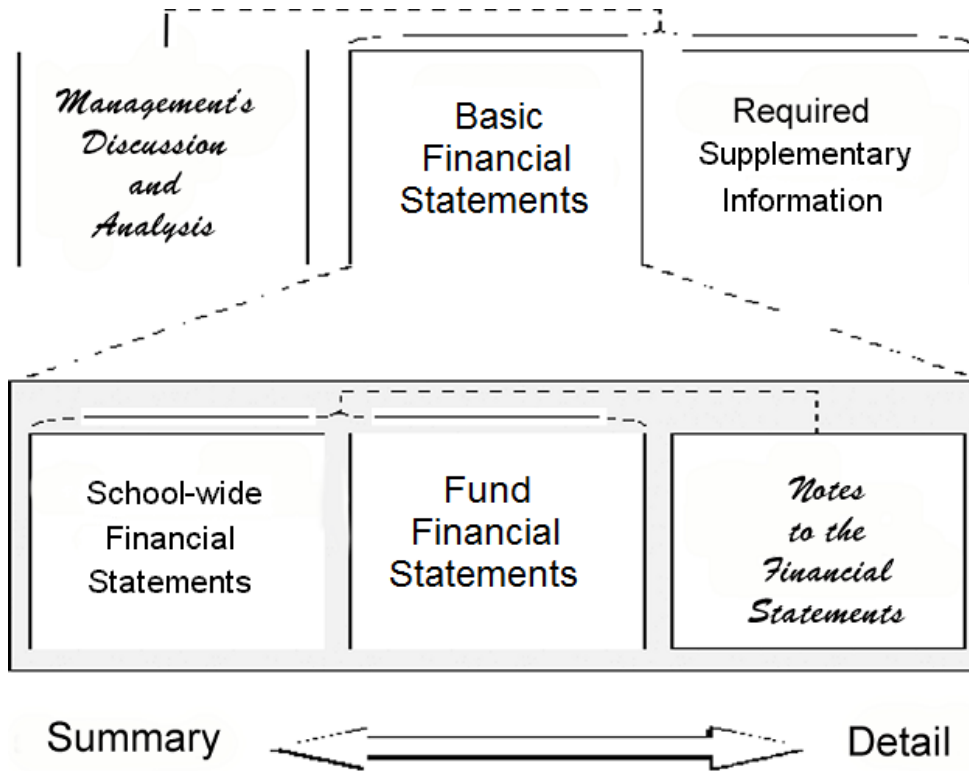
- Total Net Position was \$10,228,161, before pension adjustment of (\$459,492) Note 15.
- Total Net Position increased by \$595,813 from July 1, 2015 to June 30, 2016.
- The General Fund balance at June 30, 2016 is \$214,234, a decrease of (\$3,836,127) when compared with the beginning balance at July 1, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the New Horizons Community Charter School.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the New Horizons Community Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the New Horizons Community Charter School, reporting the New Horizons Community Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the New Horizons Community Charter School operates like businesses.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the New Horizons Community Charter School's financial statements, including the portion of the New Horizons Community Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire school (except fiduciary funds)	The activities of the New Horizons Community Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the New Horizons Community Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

School-wide Statements

The school-wide statements report information about the New Horizons Community Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the New Horizons Community Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the New Horizons Community Charter School's net position and how they have changed. Net position – the difference between the New Horizons Community Charter School's position and liabilities – are one way to measure the New Horizons Community Charter School's financial health or position.

In the school-wide financial statements, the New Horizons Community Charter School's activities are shown in two categories:

- *Governmental activities*- Most of the New Horizons Community Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The New Horizons Community Charter School's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the New Horizons Community Charter School's funds – focusing on its most significant or “major” funds – not the New Horizons Community Charter School as a whole.

Funds are accounting devices the New Horizons Community Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

The New Horizons Community Charter School use other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The New Horizons Community Charter School has three kinds of funds:

- **Governmental funds-** Most of the New Horizons Community Charter School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the New Horizons Community Charter School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the New Horizons Community Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The New Horizons Community Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The New Horizons Community Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the New Horizons Community Charter School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. I exclude these activities from the New Horizons Community Charter School's government-wide financial statements because the New Horizons Community Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE NEW HORIZONS COMMUNITY CHARTER SCHOOL AS A WHOLE

Net position. The New Horizons Community Charter School's net position is \$9,768,669 on June 30, 2016. (See Table A-1).

Governmental	<u>\$9,768,669</u>
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The Statement of Net Position reflects \$10,013,927 in total capital assets of \$10,513,696 net of assumed depreciation from inception and a mortgage balance of \$499,769.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

The New Horizons Community Charter School's financial position during the school year 2015-2016 is the product of these factors:

- Total revenues were \$8,121,947.
- Total expenditures were \$11,961,283.

Table A-1
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	<u>Total</u>
Current and Other Assets	\$943,084
Pension Deferred Outflows	\$0
Capital Assets (Including Business Activities)	10,513,696
Total Assets	<u>\$11,456,780</u>
Liabilities Current	677,398
Mortgage Payable	499,769
Net Pension Liability	0
Pension Deferred Inflows	0
Total Liabilities	<u>499,769</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	10,013,927
Restricted	
Unrestricted	214,234
Total Net Position	<u><u>\$10,228,161</u></u>
Fund Balance 06/30/16	\$214,234
Invested In Capital Assets, Net of Related Debt	10,013,927
Net Position before Pension Adjustment	10,228,161
Less: Pension Adjustment (Note 16)	<u>(459,492)</u>
Net Position	<u><u>\$9,768,669</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$9,768,669 on June 30, 2016.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

Table A-2
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2016

Revenues	Total
Program revenues	
Charges for services	\$ 339
General revenues	
Local Share	898,213
State Aid-Unrestricted	5,344,439
State Aid	958,562
Federal Aid	567,777
Food Service	277,107
Other	75,510
Increase in Net Capital Outlay net of Related Debt	3,368,422
Total revenues	<u>\$ 11,490,369</u>
Expenses	
Regular Instruction	2,842,529
General Administrative	2,296,492
School Administrative	1,173,468
On-behalf TPAF Social Security and Pension	606,487
Capital Outlay	4,761,652
Food Service	280,655
Total expenses	<u>\$ 11,961,283</u>
(Increase) in net position	(470,914)
Net Position, Beginning July 1,	8,224,308
Net Position Before Pension Adjustment	<u>\$ 7,753,394</u>
Less Pension Adjustment Net (Note 16)	2,015,275
Total Net Position	<u>9,768,669</u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

Total revenues of the general fund and special revenue and enterprise fund were less than expenditures, decreasing net position (\$470,914) from the beginning balance at July 1, 2015.

Table A-3 (See Exhibit A-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 2,842,529	\$ 2,842,529
Support Services			
General Administrative Services	B-2	2,296,492	2,296,492
School Administrative Services	B-2	1,173,468	1,173,468
On-behalf TPAF Social Security	B-2	606,487	606,487
Capital Outlay	B-2	4,761,652	4,761,652
Food Service	B-5	280,655	280,655
Total Governmental Activities		\$ 11,961,283	\$ 11,961,283

FINANCIAL ANALYSIS OF THE NEW HORIZON COMMUNITY CHARTER SCHOOL FUNDS

The financial performance of the New Horizons Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the New Horizons Community Charter School completed the year, its general funds reported a combined fund balance of \$214,234.

Revenues for the New Horizons Community Charter School's school-wide funds were \$8,121,947 while total expenses were \$11,961,283. (Table A-2) (Exhibit A-2)

GENERAL FUND

The General Fund includes the primary operations of the New Horizons Community Charter School in providing educational services to students from grade K through grade 5.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

The following schedule presents a summary of Government Revenues. The summary reflects the dollar increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Years Ended June 30

General Fund Revenues	Year Ended 06/30/2016	Year Ended 06/30/2015	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 898,213	\$ 996,301	\$ (98,088)
Other Local Revenue	75,510	1,888	73,622
Total Local Sources	\$ 973,723	\$ 998,189	\$ (24,466)
Intergovernmental			
State Sources	6,303,001	6,993,290	(690,289)
Federal Sources	567,777	569,852	(2,075)
Food Service	277,446	291,754	(14,308)
Total Intergovernmental Sources	\$ 7,148,224	\$ 7,854,896	\$ (706,672)
Total Revenue	\$ 8,121,947	\$ 8,853,085	\$ (731,138)

The following schedule presents a summary of Governmental expenditures. The summary reflects the dollar increase (decrease) from the prior year.

Table A-5 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Years Ended June 30

General Fund Expenditures	Year Ended 06/30/2016	Year Ended 06/30/2015	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 2,842,529	\$ 2,906,637	\$ (64,108)
General Administrative Services	2,296,492	2,766,163	(469,671)
School Administration	1,173,468	1,262,165	(88,697)
On-behalf TPAF Social Security	606,487	562,763	43,724
Capital outlay	4,761,652	787,192	3,974,460
Food Service	280,655	257,825	22,830
Total Expenditures	\$ 11,961,283	\$ 8,542,745	\$ 3,418,538

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the General Fund unreserved-undesignated fund balance.

Table A-6
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Fund Balance- School Wide
For the Fiscal Years Ended June 30

General Fund	2016	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unreserved-Undesignated						
Fund Balance	214,234	4,050,361	3,791,474	2,708,531	1,520,377	3,648,320
Expenditures	11,961,283	8,542,745	7,457,901	7,281,241	7,116,050	7,283,967
Percentages	1%	47%	51%	37%	22%	50%

The New Horizons Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, in the General Fund, the New Horizons Community Charter School had invested \$12,254,751 in a broad range of capital assets, including building and improvements, computers, audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expense for the year ended June 30, 2016 was \$202,499.

Table A-7
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2016

Land	\$1,302,060
Building and Improvements	9,417,367
Equipment	1,535,324
Total - General Fund	<u>\$12,254,751</u>
Less: Accumulated Depreciation	(1,741,055)
Total - Net Capital Assets General Fund	<u><u>\$10,513,696</u></u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2016
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the New Horizons Community Charter School was aware of these existing circumstances that could significantly affect its financial health in the future:

- The State of New Jersey passed legislation which imposes a 2% cap on the underlying school District's tax levy.
- Future State Aid may be reduced due to the State's new criteria utilized in calculating allocations of State Aid.

**CONTACTING THE NEW HORIZON COMMUNITY CHARTER SCHOOL'S
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the New Horizons Community Charter School's finances and to demonstrate the New Horizons Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, New Horizons Community Charter School, 45-59A Hayes Street, Newark, New Jersey 07103.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the New Horizons Community Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2016.

SCHOOL-WIDE FINANCIAL STATEMENTS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 720,392	\$ 24,316	\$ 744,708
Receivables, net	171,240	41,208	212,448
Rental Deposit	-		-
Restricted assets:			-
Cash and cash equivalents			
Capital reserve account - cash			
Capital assets, net	10,513,696		10,513,696
Total Assets	<u>11,405,328</u>	<u>65,524</u>	<u>11,470,852</u>
Deferred outflows of resources			
Pension deferred outflows	1,465,842		1,465,842
Total assets and deferred outflows of resources	<u>\$ 12,871,170</u>	<u>\$ 65,524</u>	<u>\$ 12,936,694</u>
LIABILITIES			
Accounts payable	526,958	17,281	544,239
Due to Districts	150,440		150,440
Deposits payable			
Payable to federal government	-		-
Payable to state government	-		-
Deferred revenue	-		-
Mortgage Payable (Note 14):			
Due within one year	499,769		499,769
Due beyond one year	-		-
Net pension liability	1,744,988		1,744,988
Total liabilities	<u>1,177,167</u>	<u>17,281</u>	<u>2,939,436</u>
Deferred inflows of resources			
Pension deferred inflows	180,346	-	180,346
NET POSITION			
Invested in capital assets, net of related debt	10,013,927		10,013,927
Restricted for:			
Debt service			
Capital Reserve	-		-
Other purposes			
Unrestricted	(245,258)	48,243	(197,015)
Total net position	<u>\$ 9,768,669</u>	<u>\$ 48,243</u>	<u>\$ 9,816,912</u>
Fund Balance June 30, 2016 - B-1	\$214,234		
Cost of capital assets net accumulated depreciation	10,013,927		
Net position before pension adjustments	10,228,161		
Less pension adjustments net (Note 16) (Deficit)	(459,492)		
Total net position	<u>\$9,768,669</u>		

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

NEW HORIZON COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	\$ (2,842,529)		\$ (543,707)		\$ (2,298,822)	\$ (2,298,822)
Support services:	0					
General administration	(2,296,492)		(24,070)		(2,272,422)	(2,272,422)
School administrative services/ operations plant serv.	(1,173,468)				(1,173,468)	(1,173,468)
On - behalf TPAF Social Security/Pension	(606,487)				(606,487)	(606,487)
Capital Outlay	(4,761,652)				(4,761,652)	(4,761,652)
Total governmental activities	<u>(11,680,628)</u>		<u>(567,777)</u>		<u>(11,112,851)</u>	<u>(11,112,851)</u>
Business-type activities:						
Food Service and Enrichment		(280,655)			(280,655)	(280,655)
Total business-type activities					<u>(280,655)</u>	<u>(280,655)</u>
Total primary government	<u>(11,680,628)</u>	<u>\$ (280,655)</u>	<u>\$ (567,777)</u>		<u>\$ (11,112,851)</u>	<u>\$ (280,655)</u>
General revenues:						
				898,213		898,213
				5,344,439	-	5,344,439
				958,562	3,810	962,372
				-	273,297	273,297
				75,510	339	75,849
				<u>7,276,724</u>	<u>277,446</u>	<u>7,554,170</u>
				(3,836,127)	(3,209)	(3,839,336)
				3,868,191	--	3,868,191
				32,064	(3,209)	28,855
				<u>9,736,605</u>	<u>51,452</u>	<u>9,788,057</u>
				<u>\$ 9,768,669</u>	<u>48,243</u>	<u>\$ 9,816,912</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 758,172	\$ (37,780)	\$ -	\$ -	\$ 720,392
Investments					
Receivables, net	124,333	46,907	-		171,240
Rental Deposit	-				-
Total assets	<u>\$ 882,505</u>	<u>\$ 9,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 891,632</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft					
Accounts payable	517,831	9,127			526,958
Due to Districts	150,440				150,440
Payable to federal government		-			0
Payable to state government	-	-			0
Deferred revenue		-			0
Total liabilities	<u>668,271</u>	<u>9,127</u>	<u>-</u>	<u>-</u>	<u>677,398</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	214,234		-		214,234
Capital projects fund	-		-		
Permanent fund					
Total Fund balances	<u>214,234</u>		<u>-</u>		
Total liabilities and fund balances	<u>\$ 882,505</u>	<u>\$ 9,127</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Long-term liability mortgage payable (499,769)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,184,061 and the accumulated depreciation is (\$1,537,556) 10,513,696

Net position before pension adjustments 10,228,161

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 6) 1,465,842

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 6) (180,346)

Long-term liabilities - net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 6) (1,744,988)
Net position of governmental activities \$ 9,768,669

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local Share	\$ 898,213				\$ 898,213
State Share	5,344,439				5,344,439
Other Restricted Miscellaneous Revenues					
Miscellaneous	75,510				75,510
Total - Local Sources	6,318,162				6,318,162
State Sources	958,562	-			958,562
Federal Sources		567,777			567,777
Total Revenues	7,276,724	567,777			7,844,501
EXPENDITURES					
Current:					
Regular instruction	2,298,822	543,707			2,842,529
Support services- General Administrative	2,272,422	24,070			2,296,492
Support Services- School Admin/ operations plant ser	1,173,468				1,173,468
On-behalf TPAF Social Security,Pension and Med	606,487				606,487
Capital outlay	4,761,652				4,761,652
Total Expenditures	11,112,851	567,777			11,680,628
Excess (Deficiency) of Revenues over Expenditures	(3,836,127)				(3,836,127)
OTHER FINANCING SOURCES (USES)					
Transfers in					-
Transfers out					-
Total other financing sources and uses					-
Net change in fund balances	(3,836,127)				(3,836,127)
Fund balance - July 1, 2015	4,050,361				4,050,361
Fund balance - June 30, 2016	\$ 214,234				\$ 214,234

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

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

	General Fund	Enterprise Fund	Total																
Total net change in fund balances - governmental funds (from B-2)	\$ (3,836,127)	\$ (3,209)	\$ (3,839,336)																
<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, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: right;">Depreciation expense</td> <td style="text-align: right;">\$ (202,499)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">Capital outlays</td> <td style="text-align: right;"><u>4,070,690</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">\$ 3,868,191</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 3,868,191</td> </tr> </table> <p>Decrease of Mortgage principal is an reduction in the Net asset value but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">646,546</td> <td style="text-align: right;">0</td> <td style="text-align: right;">646,546</td> </tr> </table> <p>Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.</p>				Depreciation expense	\$ (202,499)			Capital outlays	<u>4,070,690</u>				\$ 3,868,191	\$ -	\$ 3,868,191		646,546	0	646,546
Depreciation expense	\$ (202,499)																		
Capital outlays	<u>4,070,690</u>																		
	\$ 3,868,191	\$ -	\$ 3,868,191																
	646,546	0	646,546																
Change in net position of governmental activities	<u>\$ 678,610</u>	<u>\$ (3,209)</u>	<u>\$ 675,401</u>																

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

PROPRIETARY FUNDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
As of June 30, 2016

			Business-type Activities
			Enterprise funds
			Food Service
<hr/>			
ASSETS			
Current assets:			
Cash and cash equivalents	\$	24,317	
Investments			
Accounts receivable		41,047	
Other receivables		160	
Inventories			
Total current assets			<hr/> <hr/> 65,524
Noncurrent assets:			
Restricted cash and cash equivalents			
Furniture, machinery & equipment			
Less accumulated depreciation			
Total noncurrent assets			<hr/> <hr/>
Total assets			<hr/> <hr/> 65,524
LIABILITIES			
Current liabilities:			
Cash overdraft			-
Accounts payable		17,281	
Compensated absences			
Total current liabilities			<hr/> <hr/> 17,281
Total liabilities			<hr/> <hr/> 17,281
NET POSITION			
Invested in capital assets net of related debt			
Restricted for:			
Capital projects			
Unrestricted			48,243
Total net position	\$		<hr/> <hr/> 48,243

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

Exhibit B-5

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

		Business-type Activities Enterprise Fund Food Service
Operating revenues:		
Charges for services:		
Daily sales - Reimbursable programs and Special Lunch Program	\$	362
After School Revenue		-
Total operating revenues		<u>362</u>
 Operating expenses:		
Cost of sales		
Salaries and Benefits		
Supplies, Materials and Other Expenses		(257,825)
Total Operating Expenses		<u>(257,825)</u>
Operating income (loss)		<u>(257,463)</u>
 Nonoperating revenues (expenses):		
State sources:		
State school lunch program		4,226
Federal sources:		
National school breakfast program		65,818
National school lunch program		221,348
Total nonoperating revenues (expenses)		<u>291,392</u>
Income (loss) before contributions & transfers		
Capital contributions		-
Transfers in (out)		
Change in net assets		<u>33,929</u>
Total net position - beginning		17,524
Total net position - ending	\$	<u>51,453</u>

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

Exhibit B-6

		Business-type Activities Enterprise Funds
		Food Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	339
Payments to employees and benefits		
Payments to suppliers		(263,374)
Net cash provided by (used for) operating activities		<u>(263,035)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Federal Sources		292,363
Operating subsidies and transfers to other funds		0
Net cash provided by (used for) non-capital financing activities		<u>292,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase In Fixed Assets		
Proceeds from sale/maturities of investments		
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents		29,328
Cash Balances—beginning of year		(5,011)
Cash Balances—end of year	\$	<u>24,317</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	(3,209)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		15,256
(Increase) decrease in inventories		
(Increase) decrease in USDA Communities		
Increase (decrease) in accounts payable		17,281
Increase (decrease) in accrued compensated absences		
Total adjustments		<u>32,537</u>
Net cash provided by (used for) operating activities	\$	<u>29,328</u>

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

FIDUCIARY FUNDS

Exhibit B-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2016**

NOT APPLICABLE

Exhibit B-8

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

New Horizons Community Charter School (the “Charter School”) was incorporated in the State of New Jersey in 2002 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. The New Horizons Community Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of New Horizons Community Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the New Horizons Community Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the school over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

A. Basis of Presentation

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

Charter School Government-wide Financial 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 Charter School, except for fiduciary funds.

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Charter School Government-wide Financial Statements (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

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. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds (continued)

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

As required by the New Jersey Department of Education, the Charter School included 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 ground, 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 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). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2016 there was no Capital Projects Fund.

Proprietary Funds

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds (continued)

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

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

C Measurement Focus and Basis of Accounting

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total position) is classified as net position.

Basis of Accounting

In the government wide statement of net position and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i. e the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determine and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E Cash, Cash Equivalent and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investment with a maturity of three months or less at the time of purchases and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchases are stated at cost. All other investments are stated at fair value.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools.

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N.J.S.A. 17:9-41 et. seq. established the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposit of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Position.

G Inventories and Prepaid Expenses

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

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H Capital Assets (continued)

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Building and Building improvements	40
Equipment	10

I Compensated Absences

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

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

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-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. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

Deferred Revenue represents funds which have been received but not yet earned.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K Deferred Revenue (continued)

There is no deferred revenue in the general fund and special revenue fund.

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

M Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N On-Behalf Payments

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

O Net Position

A deferred outflow of resources is a consumption of net position by the New Horizons Community Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the New Horizons Community Charter School that is applicable to a future reporting period. The New Horizons Community Charter School did not have any deferred inflows or outflows of resources at June 30, 2016.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

P New Accounting Standards

During the prior fiscal year 2015, the Charter School adopted the following GASB statements:

GASB 68, Accounting and Financial Reporting for Pensions The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P New Accounting Standards (continued)

GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68, should be applied simultaneously with the provisions of Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

3 DEPOSITS AND INVESTMENTS

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that 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 (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected 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.

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2016, the Charter School's carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Total</u>
Operating A/C	\$758,172	(\$37,780)	(\$24,316)	\$696,076

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2016, the Charter School's bank balance was \$696,076.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3 DEPOSITS AND INVESTMENTS (continued)

Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2016 were secured by federal deposit insurance and \$494,708 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School'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 Charter School's name.

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. 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.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2016, the Charter School did not hold any investments.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

4 CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2016:

	Beginning Balance <u>July 1, 2015</u>	Net Additions (Deletions)	Ending Balance <u>June 30, 2016</u>
Governmental Activities			
Capital assets, being depreciated:			
Land	\$1,302,060	---	\$1,302,060
Building and Building improvements	5,460,813	395,654	9,417,367
Equipment	1,421,188	114,136	1,535,384
Total capital assets being depreciated	<u>\$8,184,061</u>	<u>\$4,070,690</u>	<u>\$12,254,811</u>
Less accumulated depreciation for:			
Building and Building improvements	\$574,914	\$141,430	\$716,844
Equipment	963,642	61,069	1,024,711
Total accumulated depreciation	<u>\$1,538,556</u>	<u>\$202,499</u>	<u>\$1,741,555</u>
Total capital assets net	<u><u>\$6,645,505</u></u>	<u><u>\$3,868,191</u></u>	<u><u>\$10,513,256</u></u>

5. LONG-TERM LEASES

The school leases certain of its offices under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2016 amounted to \$66,947.

6 PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

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

The employer contributions for the Charter Schools are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was measured on June 30, 2015 was \$15,742,892 and \$10,531,353 as measured on June 30, 2014.

For the year ended June 30, 2016, the Charter School recognized pension expense of \$944,759 and revenue of \$944,759 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

In accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the New Horizons Community Charter School is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the New Horizons Community Charter School. Accordingly, the New Horizons Community Charter School proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the New Horizons Community Charter School for TPAF. Therefore; in addition, the New Horizons Community Charter School does not recognize any portion of the TPAF.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.019704%	.024481%

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

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class

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Notes to the Basic Financial Statements
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6 PENSION PLANS (continued)

included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

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

Discount rate - The discount rate used to measure the State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.8% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit pay.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate. Since the Charter School has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

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

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

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

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

At June 30, 2016, the Charter School a liability of \$1,744,988 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At June 30, 2015, the Charter School's proportion was .007773%, which was a decrease of (.0001%) from its proportion measured as of June 30, 2014.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

For the year ended June 30, 2016, the Charter School recognized pension expense of \$131,566. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:		
Changes of assumptions	\$187,398	\$---
Net difference between projected and actual earnings on pension plan investments	41,629	28,056
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	1,169,784	152,290
Charter School contributions subsequent to the measurement date.	66,831	---
Total	\$1,465,642	\$180,346

\$66,831 reported as deferred outflows of resources related to pensions resulting from the Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2016	\$66,931
2017	\$66,931
2018	\$66,932
2019	\$100,471
2020	\$56,784
Thereafter	\$0
Total:	\$358,049

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

	6/30/14	6/30/15
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	\$1,479,224,662	\$993,410,455
Collective net pension liability (Non State- Local Group)	\$18,722,735,003	\$22,447,996,119
Charter schools proportion of net pension liability	1,634,907	1,744,988
Charter School proportion percentage	.008732%	.007773%

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

Inflation	3.04%
Salary Increases:	
2012-2012	2.12%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment Rate of Return	7.90%

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

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

Discount rate. The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.8% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate. The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2015 and 2014, calculated using the discount rate of 4.9% and 5.39%, 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 (4.39%) or 1-percentage-point higher (5.9%) than the current rate:

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the net pension liability	\$2,093,986	\$1,744,988	\$1,395,990

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

The sensitivity analysis was based on the proportionate share of the Charter School's net pension liability at June 30, 2015. A sensitivity analysis specific to the Charter School's net pension liability was not provided by the pension system.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.38, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43: 15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

6 PENSION PLANS (continued)

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$406,584 to the TPAF for post-retirement benefits on behalf of the Charter School. Also, in accordance with NJ.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$199,303 during the year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the Charter School's financial statements in accordance with GASB Statement No. 68.

7 POST RETIREMENT BENEFITS

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

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

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides employer paid health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education 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 2014.

8 COMPENSATED ABSENCES

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and carry forward the full amount to subsequent years.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

8 **COMPENSATED ABSENCES (continued)**

Upon termination or upon retirement, employees are currently paid for accrued vacation but not unused sick and personal days.

The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

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

9 **DEFERRED COMPENSATION**

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan permits participants to defer a portion of their salaries until future years.

10 **ECONOMIC DEPENDENCY**

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

11 **CONTINGENT LIABILITIES**

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government.

As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School's financial position.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

12 RECEIVABLES

Receivables as of 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 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$124,333</u>	<u>\$46,907</u>	<u>\$41,208</u>	<u>\$212,448</u>
Gross Receivables	<u>\$124,333</u>	<u>\$46,907</u>	<u>\$41,208</u>	<u>\$212,448</u>

13. PURCHASE OF BUILDING AND NOTES PAYABLE

In March 2012, the school purchased land and building located at 45-49 Hayes Street, Newark, New Jersey for use as its school location commencing for the 2011-2012 school year. The purchase price amounted to \$6,100,000, plus closing costs. The terms of the note are summarized below. The proceeds of the note were used to purchase the land and building, along with providing for improvements to be made to the property. The collateral for the note are a first priority mortgage on the property and a first security interest in all assets of the school.

14. LONG TERM DEBT

The amount and terms of the mortgage note are as follows:

Mortgage Note payable - J.P. Morgan Chase Bank NA for \$3,100,000 at a fixed rate of 3.4% per annum payable over 5 years. Monthly payments of \$56,333. The balance due on the loan at June 30, 2016 is \$499,769

During the 2015-2016 school year, \$646,546 in principal payments were made and interest expense of \$29,450 was incurred.

The future principal payments are as follows:

2017	499,769
	<u>\$499,769</u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

15. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring in the Independent Auditors Report of October 15, 2016, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

On August 24, 2015, the school entered into an agreement with JP Morgan Chase to borrow up to \$3,295,000 in order to construct an addition to its building. Commencing August 24, 2014 and until September 21, 2016 the school may request advances under the note. Interest at the libor rate plus 2.45% payable monthly. Principal payments are due, commencing October 21, 2016. Final payment under the note will be on June 21, 2019. The collateral for the loan is an interest of the property and other various improvements, fixtures and leases.

16. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds.

The reconciliation is as follows:

Fund balance per B-1	\$214,234
Cost of capital assets net accumulated depreciation net of mortgage payable	10,013,927
Pension deferred outflows	1,465,842
Pension deferred inflows	(180,346)
Deferred pension liability as of June 30, 2016	(1,744,988)
Net position (per A-1) as of June 30, 2016	<u>\$9,768,669</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 898,213	\$ -	\$ 898,213	\$ 898,213	\$ -
State Share	5,344,439	0	5,344,439	5,344,439	\$ -
Other Restricted Miscellaneous Revenues Miscellaneous	75,110	-	75,110	75,510	\$ (400)
Total - Local Sources	<u>6,317,762</u>	<u>-</u>	<u>6,317,762</u>	<u>6,318,162</u>	<u>(400)</u>
Consolidated Aid	246,679	-	246,679	246,679	-
Special Education	105,396	-	105,396	105,396	0
TPAF Medical (On-Behalf - Non-Budgeted)	-	-	-	220,991	210,108
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	185,593	132,352
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	199,903	220,303
Total State Sources	<u>352,075</u>	<u>-</u>	<u>352,075</u>	<u>958,562</u>	<u>562,763</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>6,669,837</u>	<u>-</u>	<u>6,669,837</u>	<u>7,276,724</u>	<u>562,363</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 2,122,951	-	2,122,951	1,813,574	\$ 309,377
Other Salaries	215,763	-	215,763	215,601	162
Prof/Tech Services	120,423	-	120,423	95,167	25,256
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	95,000	-	95,000	89,935	5,065
Textbooks	100,000	-	100,000	75,535	24,465
Other Objects	22,842	-	22,842	9,010	13,832
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>2,676,979</u>	<u>-</u>	<u>2,676,979</u>	<u>2,298,822</u>	<u>378,157</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2016
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	884,855	-	884,855	881,416	3,439
Salaries of Secretarial and Clerical Assistants	86,197	-	86,197	86,196	1
Cost of Benefits	809,467	-	809,467	782,985	26,482
Purchased Professional and Technical Services	230,856	115,566	346,422	346,422	-
Other Purchased Services (400-500 series)	100,039	-	100,039	97,158	2,881
Communications/Telephone	35,064	-	35,064	26,967	8,097
Tuition	-	-	-	-	-
Supplies and Materials	28,696	-	28,696	19,895	8,801
Other Objects	31,500	-	31,500	31,383	117
	<u>2,206,674</u>	<u>115,566</u>	<u>2,322,240</u>	<u>2,272,422</u>	<u>49,818</u>
Support Services - School Admin/Operation Plant Services					
Salaries	308,610	-	308,610	143,821	164,789
Purchased Professional and Technical Services	300,059	-	300,059	261,797	38,262
Other Purchased Services	386,131	-	386,131	367,700	18,431
Rental of Land and Building- other than Lease Purchase Agreements	68,996	-	68,996	66,747	2,249
Insurance	96,983	-	96,983	96,982	1
General Supplies	120,862	(90,000)	30,862	27,901	2,961
Transportation- Trips	15,000	-	15,000	8,140	6,860
Energy (Energy and Electricity)	104,299	90,000	194,299	188,574	5,725
Other Objects	26,271	-	26,271	11,806	14,465
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,427,211</u>	<u>-</u>	<u>1,427,211</u>	<u>1,173,468</u>	<u>253,743</u>
Food Service					
Other Purchased Services	-	-	-	-	-
Total Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On-behalf TPAF Medical Contributions (non-budgeted)				220,991	(210,108)
On-behalf TPAF Pension Contributions (non-budgeted)				185,593	(132,352)
Reimbursed TPAF Social Security Contributions (non-budgeted)				199,903	(220,303)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>606,487</u>	<u>(562,763)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>3,633,885</u>	<u>115,566</u>	<u>3,749,451</u>	<u>4,052,377</u>	<u>(259,202)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>6,310,864</u>	<u>115,566</u>	<u>6,426,430</u>	<u>6,351,199</u>	<u>118,955</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	102,000	-	102,000	99,450	2,550
Land Improvements	50,000		50,000	14,964	35,036
Mortgage Principal	667,096	-	667,096	646,546	20,550
Mortgage Interest	29,451	-	29,451	29,450	1
Capital Reserve	-	3,956,554	3,956,554	3,956,554	-
Non-Instructional Equipment	19,293	-	19,293	14,688	4,605
Miscellaneous	3,500	-	3,500	-	3,500
Total Equipment	<u>871,340</u>	<u>3,956,554</u>	<u>4,827,894</u>	<u>4,761,652</u>	<u>66,242</u>
TOTAL EXPENDITURES- GENERAL FUND	7,182,204	4,072,120	11,254,324	11,112,851	185,197
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(512,367)</u>	<u>(4,072,120)</u>	<u>(4,584,487)</u>	<u>(3,836,127)</u>	<u>377,166</u>
Other Financing Sources:					
Operating Transfer In:	938,767	640,004	1,578,771		729,656
Total Other Financing Sources:	<u>938,767</u>	<u>640,004</u>	<u>1,578,771</u>		<u>729,656</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	426,400	(3,432,116)	(3,005,716)	(3,836,127)	276,411
Fund Balance, July 1, 2015	-	-	4,050,361	4,050,361	
Fund Balance, June 30, 2016	<u>\$ 426,400</u>	<u>\$ (3,432,116)</u>	<u>\$ 1,044,645</u>	<u>\$ 214,234</u>	<u>\$ 276,411</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Exhibit C-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources					
State Sources					
Federal Sources	567,777		567,777	567,777	
Total Revenues	<u>567,777</u>		<u>567,777</u>	<u>567,777</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	403,884		403,884	403,884	
Other Salaries for Instruction					
Other Purchased Services	4,500		4,500	4,500	
Purchased Professional and Technical Services	38,395		38,395	38,395	
Travel					
Other Purchased Services (400-500 series)					
General Supplies	5,000		5,000	5,000	
Personal Services- Employee Benefits	91,928		91,928	91,928	
Textbooks					
Other Objects					
Total Instruction	<u>543,707</u>		<u>543,707</u>	<u>543,707</u>	
Support Services					
Salaries of Supervisor of Instruction	24,070		24,070	24,070	
Salaries of Nurse					
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits					
Purchased Professional - Educational Services					
Trips and Teachers Development					
Purchased Technical Services					
Supplies and Materials					
Internet Wiring					
Electrical wiring					
Travel					
Other purchased Services (400-500 series)					
Supplies & Materials					
Total Support Services	<u>24,070</u>		<u>24,070</u>	<u>24,070</u>	

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	567,777		567,777	567,777	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)	0.007773%	0.0072936%	0.0087322%
Charter School Proportionate share of the net pension liability (asset)	<u>1,744,988</u>	<u>1,393,957</u>	<u>1,634,907</u>
Charter School Covered employee payroll	\$5,548,658		
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	317.9%		
Plan fiduciary net position as a percentage of the total pension liability			

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30***

Public Employees' Retirement System (PERS)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$66,831	\$43,579	\$43,579
Contributions in relation to the contractually required contribution	<u>(66,831)</u>	<u>(43,579)</u>	<u>(43,579)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
Charter School Covered employee payroll	\$456,104		
Contributions as a percentage of covered employee payroll	14.65%		

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30**

Teachers' Pension and Annuity Fund (TPAF)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)**	0%	0%	0%
Charter School Proportionate share of the net pension liability (asset)**			
State's proportionate share of the net pension liability	0	0	0
(asset) associated with the Charter School	<u>\$15,742,892</u>	<u>\$10,531,353</u>	<u>\$13,997,873</u>
Total	<u>\$15,742,892</u>	<u>\$10,531,353</u>	<u>\$13,997,873</u>
Charter School Covered employee payroll	\$5,548,658		
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.2%		
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A

**NOTE: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the charter school (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the charter school.

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Public Employees' Retirement System (PERS)

Changes of benefit terms. 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.

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

SPECIAL REVENUE FUND

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	TOTAL	IDEA PART		
		B-Basic	TITLE	
		Reg. Prog.	I	II
REVENUES				
Intergovernmental				
Federal	\$567,777	\$125,135	\$404,247	\$38,395
Other Sources				
Miscellaneous				
Total Revenues	<u>567,777</u>	<u>125,135</u>	<u>404,247</u>	<u>38,395</u>
EXPENDITURES				
Instruction				
Salaries	403,884	99,805	304,079	
Salaries Teachers Assts				
Transportation				
Other Purchased Services	4,500		4,500	
Purchased Prof. and Tech. Services	38,395			38,395
General Supplies	5,000		5,000	
Textbooks				
Personal Services - Employee Benefits	91,928	25,330	66,598	
Other Objects				
Equipment Instructional				
Total Instruction	<u>543,707</u>	<u>125,135</u>	<u>380,177</u>	<u>38,395</u>
Support Services				
Salaries of Supervisors of Instruction	24,070		24,070	
Salaries of Program Directors				
Salaries of Other Prof. Staff				
Salaries of Secretarial and Clerical Ass't				
Personal Services - Employee Benefits				
Supplies and Materials				
Other Purchased Services				
Purchased Professional/Educational Services				
Class- room Improvements				
Building Improvements				
Other Objects				
Total Support Services	<u>24,070</u>		<u>24,070</u>	<u>0</u>
TOTAL EXPENDITURES	<u>\$567,777</u>	<u>\$125,135</u>	<u>\$404,247</u>	<u>\$38,395</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2016

	Business-Type Activities
	Enterprise Fund Food Services
ASSETS	
Current Assets	
Cash	\$24,317
Accounts Receivable-other	\$160
Accounts Receivable Federal	40,476
Accounts Receivable State	571
Total Current Assets	<u>65,524</u>
Total Assets	<u><u>\$65,524</u></u>
LIABILITIES	
Cash Overdraft	
Accounts Payable	<u>17,281</u>
Total Current Liabilities	<u>17,281</u>
Net Position	
Unrestricted	48,243
Invested in capital assets net of related debt	0
Total Net Position	<u><u>\$48,243</u></u>

Exhibit G-2

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For The Fiscal Year Ended June 30, 2016

	<u>Business-Type Activities</u>
	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	
Special Lunch and Breakfast Program	\$0
Special Functions	339
Total Operating Revenues	339
 OPERATING EXPENSES	
Salaries, wages and employee benefits	(16,813)
Supplies, Materials & Other	(263,842)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	(280,655)
 Income (Loss) From Operations	 (280,316)
 Nonoperating Revenues	
State Sources	
State Sources	3,810
Federal Sources	
School Breakfast Program	60,141
National School Lunch Program	213,156
U.S. D.A. Commodities	
Board Subsidy	
Total Nonoperating Revenues	277,107
 Net Income (Loss)	 (3,209)
 Total Net Position - Beginning of Year	 51,452
 Total Net Position - End of Year	 \$48,243

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities	
Cash Received from Customers	339
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(263,374)
Net Cash (Used) by Operating Activities	<u>(\$263,035)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	292,363
Net Cash Provided by Noncapital Financing Activities	<u>292,363</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	29,328
Cash and Cash Equivalents, Beginning of Year	(5,011)
Cash and Cash Equivalents, End of Year	<u><u>\$24,317</u></u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	(\$3,209)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	15,256
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	17,281
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>32,537</u>
 Net Cash Used by Operating Activities	<u><u>\$29,328</u></u>

FIDUCIARY FUNDS

Exhibit H-1

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Agency Fund Net Position
As of June 30, 2016**

NOT APPLICABLE

Exhibit H-2

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2016**

NOT APPLICABLE

Exhibit H-3

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Cash and Cash Equivalents		\$4,044,815	\$4,044,815	
Total Liabilities		4,044,815	4,044,815	
LIABILITIES				
Payroll Deductions and Withholdings		1,747,151	1,747,151	
Accrued Salaries and Wages		2,297,664	2,297,664	
Total Liabilities		\$4,044,815	\$4,044,815	

Exhibit H-5

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016**

NOT APPLICABLE

FINANCIAL TRENDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 10,513,696	\$ 5,499,190	\$ 4,954,688	\$ 3,905,605	\$ 3,974,064	\$ 787,393
Restricted						
Unrestricted	214,234	4,050,361	3,773,950	2,708,531	1,518,099	3,648,320
Total governmental activities net position	<u>\$ 10,727,930</u>	<u>\$ 9,549,551</u>	<u>\$ 8,728,638</u>	<u>\$ 6,614,136</u>	<u>\$ 5,492,163</u>	<u>\$ 4,435,713</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted	48,243	51,453	17,524	5,470	2,278	514
Unrestricted	<u>\$ 48,243</u>	<u>\$ 51,453</u>	<u>\$ 17,524</u>	<u>\$ 5,470</u>	<u>\$ 2,278</u>	<u>\$ 514</u>
Total business-type activities net position						
School-wide						
Invested in capital assets, net of related debt	10,513,696	5,499,190	4,954,688	3,905,605	3,974,064	787,393
Restricted						
Unrestricted	262,477	4,101,814	3,791,474	2,714,001	1,520,377	3,648,834
Total school net position	<u>\$ 10,776,173</u>	<u>\$ 9,601,004</u>	<u>\$ 8,746,162</u>	<u>\$ 6,619,606</u>	<u>\$ 5,494,441</u>	<u>\$ 4,436,227</u>

Source: School Financial Statements

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses						
Governmental activities						
Instruction						
Regular	2,842,529	2,906,637	2,770,330	2,566,977	2,501,206	2,960,798
Support Services:						
General administration	2,296,492	2,766,163	2,156,520	2,162,329	1,885,512	1,527,562
School Administrative Services	1,173,468	1,262,165	959,933	895,512	1,766,777	2,031,501
On-behalf TPAF Social Security and Pension	606,487	220,303	426,371	635,258	461,198	362,790
Capital outlay	4,761,652	787,192	883,691	756,913	3,332,777	137,118
Unallocated depreciation	202,499	191,430	252,388	237,498	145,031	100,040
Total governmental activities expenses	<u>11,883,127</u>	<u>8,133,890</u>	<u>7,449,233</u>	<u>7,254,487</u>	<u>10,092,501</u>	<u>7,119,809</u>
Business-type activities:						
Food service	280,655	257,825	261,056	264,252	233,766	264,198
Child Care						
Total business-type activities expense	<u>280,655</u>	<u>257,825</u>	<u>261,056</u>	<u>264,252</u>	<u>233,766</u>	<u>264,198</u>
Total school expenses	<u>12,163,782</u>	<u>8,391,715</u>	<u>7,710,289</u>	<u>7,518,739</u>	<u>10,326,267</u>	<u>7,384,007</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Daily Sales - National Lunch Program	0	0	0	0	0	0
Pupil transportation	0	0	0	0	0	0
Central and other support services						
Operating grants and contributions	277,446	291,754	270,832	269,722	235,530	230,350
Capital grants and contributions	567,777	569,852	540,967	643,024	682,152	0
Total governmental activities program revenues	<u>845,223</u>	<u>861,606</u>	<u>811,799</u>	<u>912,746</u>	<u>917,682</u>	<u>230,350</u>
Business-type activities:						
Charges for services						
Food service	0	0	0	0	0	0
Child care						
Operating grants and contributions						
Capital grants and contributions						
Total business type activities program revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>845,223</u>	<u>861,606</u>	<u>811,799</u>	<u>912,746</u>	<u>917,682</u>	<u>230,350</u>
Net (Expense)/Revenue						
Governmental activities	(11,315,350)	(7,564,038)	(6,908,266)	(6,611,463)	(9,410,349)	(7,119,809)
Business-type activities	(3,209)	33,929	9,776	5,470	1,764	(33,848)
Total school-wide net expense	<u>(6,898,490)</u>	<u>(6,898,490)</u>	<u>(6,898,490)</u>	<u>(6,611,463)</u>	<u>(9,410,349)</u>	<u>(7,153,657)</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30
(Unaudited)

General Revenues and Other Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities:						
Local share	898,213	996,301	961,309	889,557	816,052	787,241
State Share	5,344,439	6,061,365	5,942,030	5,666,982	5,444,845	5,813,180
State and Federal aid	958,562	589,465	814,017	997,739	746,877	1,052,791
Miscellaneous income	75,510	1,888	3,941	10,119	127,323	16,522
Increase in Net Capital Outlay	4,070,690	735,932	811,123	76,215	3,331,702	39,293
Transfers						
Total governmental activities	<u>11,347,414</u>	<u>8,384,951</u>	<u>8,532,420</u>	<u>7,640,612</u>	<u>10,466,799</u>	<u>7,709,027</u>
Business-type activities:						
Investment earnings						
Transfers						
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total district-wide	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position						
Governmental activities	32,064	820,913	1,624,154	1,029,149	1,056,450	589,218
Business-type activities	(3,209)	33,929	9,776	5,470	1,764	(33,848)
Total school	<u>28,855</u>	<u>854,842</u>	<u>1,633,930</u>	<u>1,034,619</u>	<u>1,058,214</u>	<u>555,370</u>

Source: School Financial Statements

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund						
Reserved						
Unreserved	\$ 214,234	\$ 4,050,361	\$ 3,773,950	\$ 2,708,531	\$ 1,518,099	\$ 3,648,320
Total General Fund	<u>\$ 214,234</u>	<u>\$ 4,050,361</u>	<u>\$ 3,773,950</u>	<u>\$ 2,708,531</u>	<u>\$ 1,518,099</u>	<u>\$ 3,648,320</u>
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Source: School Financial Statements

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues						
Local tax Levy	\$898,213	\$996,301	\$961,309	\$889,557	\$816,052	\$787,241
Other local revenue	75,849	2,014	4,357	11,004	129,414	20,522
State sources	6,306,811	6,997,516	6,760,063	6,668,699	6,195,692	5,816,903
Federal sources	841,074	857,018	807,367	907,883	911,621	1,275,418
Total revenue	<u>8,121,947</u>	<u>8,852,849</u>	<u>8,533,096</u>	<u>8,477,143</u>	<u>8,052,779</u>	<u>7,900,084</u>
Expenditures						
Instruction	2,298,822	2,358,107	2,240,613	2,140,483	1,900,054	2,064,404
Regular Instruction						
Support Services:						
General administration	2,272,422	2,744,841	2,145,270	1,945,799	1,804,512	1,371,165
School administrative services/Plant	1,173,468	1,262,165	959,933	895,512	1,766,777	2,031,501
TPAF Social Security	606,487	562,763	426,371	635,258	461,198	362,790
Food Service	280,655	257,825	261,056	264,252	233,766	264,198
Capital outlay	4,761,652	787,192	883,691	756,913	3,332,777	137,118
Debt service:						
Principal						
Interest and other charges						
Special Revenue	567,777	569,852	540,967	643,024	682,152	1,052,791
Total expenditures	<u>11,961,283</u>	<u>8,542,745</u>	<u>7,457,901</u>	<u>7,281,241</u>	<u>10,181,236</u>	<u>7,283,967</u>
Excess (Deficiency) of revenues over (under) expenditures						
Other Financing sources (uses)						
Proceeds from borrowing						
Capital leases (non-budgeted)						
Proceeds from refunding						
Payments to escrow agent						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>(\$3,839,336)</u>	<u>\$310,104</u>	<u>\$1,075,195</u>	<u>\$1,195,902</u>	<u>(\$2,128,457)</u>	<u>\$616,117</u>

Source: School Financial Statements

REVENUE CAPACITY

EXHIBIT J-5

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-6

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2016
(Unaudited)

NOT APPLICABLE

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
 Demographic and Economic Statistics
 For the Fiscal Years Ended June 30
 (Unaudited)**

Year	Population^a	Personal Income^b	County Per Capita Personal Income^c	Unemployment Rate^d
2010	277,140	3,605,314,260	13,009	15.00%
2011	277,140	3,605,314,260	13,009	15.00%
2012	277,140	3,605,314,260	13,009	15.00%
2014	277,140	3,605,314,260	13,009	15.00%
2015	277,140	3,605,314,260	13,009	15.00%
2016	277,140	3,605,314,260	13,009	15.00%

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

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Personal capital income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Instruction						
Regular	32	32	32	32	32	32
Special education	6	6	6	6	7	7
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	9	9	9	10	9	11
General administration	3	3	3	3	4	5
School administrative services	5	5	5	5	3	3
Other administrative services	4	4	4	4	4	4
Central services						
Administrative Information Technology	1	1	1	1	1	1
Plant operations and maintenance						
Pupil transportation						
Other support services						
Special Schools	4	4	4	8	9	9
Food Service	3	1	1	1		
Child Care						
Total	<u>67</u>	<u>65</u>	<u>65</u>	<u>70</u>	<u>69</u>	<u>72</u>

Source: School Personnel Records

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2011	459	6,294,903	13,714	1.12%	40	14	N/A	N/A			N/A	98.00%
2012	458	6,200,132	13,537	1.30%	39	14	N/A	N/A			N/A	98.00%
2013	450	6,693,055	14,873	9.87%	39	14	N/A	N/A			N/A	98.00%
2014	448	7,290,985	16,275	9.42%	39	14	N/A	N/A			N/A	98.00%
2015	474	7,426,828	15,662	-3.76%	39	14	N/A	N/A			N/A	98.00%
2016	432	6,594,727	15,266	-2.53%	38	14	N/A	N/A			N/A	98.00%

Sources: School records

NEW HORIZONS COMMUNITY CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>School Building</u>						
Building						
Square Feet	37,743	37,743	37,743	37,743	37,743	37,743
Capacity (students)	504	504	504	504	504	504
Enrollment	432	474.2	448	450	458	459
Number of Students at June 30						
Elementary = 474.2						
Middle School = 0						
Senior High School = 0						

Source: School Business Office

Exhibit J-19

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 1,280,000	1,000 - 7,500
Boiler and Machinery	1,000,000	1000
General Automobile Liability	1,000,000	N/A
School Board Legal Liability	1,000,000	1000
Umbrella	5,000,000	N/A
Workers' Compensation	2,000,000	N/A
 Surety Bonds		
School Board Legal Liability	1,000,000	N/A
Public Official Bond	200,000	N/A

Source: Charter School Records

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30**

Unaudited

**Charter School Performance Framework Financial Indicators
Sustainability Indicators**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	715,381	4,067,699	3,822,992	2,783,901	1,630,287
Current Assets	942,984	4,291,517	4,033,110	2,928,197	1,837,302
Capital Assets-Net	10,013,927	6,645,505	6,725,739	6,770,600	6,931,883
Total Assets	<u>10,956,911</u>	<u>10,937,022</u>	<u>10,758,849</u>	<u>9,698,797</u>	<u>8,769,185</u>
Current Liabilities	677,398	189,704	241,636	211,918	316,925
Long Term Liabilities	0	1,146,315	1,771,051	2,374,647	2,957,819
Total Liabilities	<u>677,398</u>	<u>1,336,019</u>	<u>2,012,687</u>	<u>2,586,565</u>	<u>3,274,744</u>
Net Position	<u>10,279,513</u>	<u>9,601,003</u>	<u>8,746,162</u>	<u>9,486,879</u>	<u>8,452,260</u>
Total Revenue	8,121,947	8,853,085	9,091,831	8,477,143	8,052,779
Total Expenses	<u>(11,961,283)</u>	<u>(8,542,745)</u>	<u>(7,457,901)</u>	<u>(7,281,241)</u>	<u>(10,181,236)</u>
Change in Net Position	<u>(3,839,336)</u>	<u>310,340</u>	<u>1,633,930</u>	<u>1,195,902</u>	<u>(2,128,457)</u>
Depreciation	202,499	191,430	252,388	237,498	145,031
Principal Payments	646,546	624,736	603,596	583,172	145,181
Interest payments	29,450	51,261	72,401	92,824	26,818
Final average daily enrollment	432	450	450	450	458
March 30th budgeted Enrollment	432	450	450	450	450
Near term indicators	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
CURRENT RATIO	1.05	7.68	5.3	2.38	2.92
Unrestricted days cash	21.82	192.31	125.14	67.17	57.97
Enrollment variance	0%	0%	0%	0%	0%
Default	N/A	N/A	N/A	N/A	N/A

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
Unaudited**

**Charter School Performance Framework Financial Indicators
Sustainability Indicators**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash	715,381	4,067,699	3,822,992	2,783,901	1,630,287
Current Assets	942,984	4,291,517	4,033,110	2,928,197	1,837,302
Capital Assets-Net	10,013,927	6,645,505	6,725,739	6,770,600	6,931,883
Total Assets	<u>10,956,911</u>	<u>10,937,022</u>	<u>10,758,849</u>	<u>9,698,797</u>	<u>8,769,185</u>
Current Liabilities	677,398	189,704	241,636	211,918	316,925
Long Term Liabilities	0	1,146,315	1,771,051	2,374,647	2,957,819
Total Liabilities	<u>677,398</u>	<u>1,336,019</u>	<u>2,012,687</u>	<u>2,586,565</u>	<u>3,274,744</u>
Net Position	<u>10,279,513</u>	<u>9,601,003</u>	<u>8,746,162</u>	<u>7,112,232</u>	<u>5,494,441</u>
Total Revenue	8,121,947	8,853,085	9,091,831	8,477,143	8,052,779
Total Expenses	<u>(11,961,283)</u>	<u>(8,542,745)</u>	<u>(7,457,901)</u>	<u>(7,281,241)</u>	<u>(10,181,236)</u>
Change in Net Position	<u>(3,839,336)</u>	<u>310,340</u>	<u>1,633,930</u>	<u>1,195,902</u>	<u>(2,128,457)</u>
Depreciation	202,499	191,430	252,388	237,498	145,031
Principal Payments	646,546	624,736	603,596	583,172	142,181
Interest payments	29,450	51,261	72,401	92,824	26,818
Final average daily enrollment	432	450	450	450	458
March 30th budgeted Enrollment	432	450	450	450	450
Sustainability Indicators	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total margin	-47%	20%	13%	7%	6%
Debt to Asset	N/A	N/A	N/A	N/A	N/A
cash flow	3,352,318	5,819,280	3,655,798	2,163,482	1,492,316
Debt Service Coverage ratio	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
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EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Horizons Community Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated October 15, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I do not express an opinion on the effectiveness of the Charter School's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Purpose of this Report

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J Loeffler, CPA
October 15, 2016

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EXHIBIT K-2

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

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

Compliance

I have audited the New Horizons Community Charter School, in the County of Essex, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2016. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey Department of the Treasury Circular Letter 15-08 *OMB Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, The Uniform Guidance and State of New Jersey Department of Treasury Circular 04-04-OMB require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I 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 federal and 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 federal and state program and to test and report on internal control over compliance in accordance with The Uniform Guidance and State of New Jersey Department of Treasury Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of The Uniform Guidance and State of New Jersey Department of Treasury Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a small "CPA" at the end.

Scott J. Loeffler, CPA
October 15, 2016

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

EXHIBIT K-3

<u>Federal/Grantor Program Title</u>	<u>CFDA/GRANT Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2015</u>	<u>Prior Carry over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustment</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2016</u>	<u>Due to Grantor at June 30, 2016</u>
Food Subsidy											
Federal School Lunch	10.555	07/01/15-06/30/16	221,023	(42,457)		218,228	\$213,156			(37,385)	
Federal Breakfast	10.553	07/01/15-06/30/16	65,818	(12,742)		64,492	60,141			(8,391)	
Total Food Subsidy				<u>(55,199)</u>		<u>282,720</u>	<u>273,297</u>			<u>(45,776)</u>	
NCLB											
Title I	84.010.A	07/01/15-06/30/16	404,247	(97,203)		455,975	404,247			(45,475)	
Title IIA	84.367.A	07/01/15-06/30/16	38,395	(19,516)		57,911	38,395			0	
IDEA	84.027	07/01/15-06/30/16	125,135	(48,588)		172,291	125,135			(1,432)	
Total Special Revenue				<u>(165,307)</u>		<u>686,177</u>	<u>567,777</u>			<u>(46,907)</u>	
GRAND TOTAL				<u>(220,506)</u>		<u>968,897</u>	<u>841,074</u>			<u>(\$92,683)</u>	

The notes to the Schedule of Federal Financial and State Assistance are an integral part of this schedule.

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2016

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2015</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjustments</u>	<u>(Accts Rec) June 30, 2016</u>
GENERAL FUND									
TPAF Social Security	16-495-034-5095-002	7/1/15-06/30/16	199,903		199,903	199,903			
Equalization Aid - Local	16-495-034-5120-078	7/1/15-06/30/16	898,213		898,213	898,213			
Equalization Aid - State	16-495-034-5120-078	7/1/15-06/30/16	5,344,439		5,344,439	5,344,439			
Special Education	16-495-034-5120-089	7/1/15-06/30/16	246,679		246,679	246,679			
Consolidated Aid	16-495-034-5120-084	7/1/15-06/30/16	105,396		105,396	105,396			
Total General Fund				--	6,794,630	6,794,630			
SPECIAL REVENUE FUND									
Total Special Revenue Fund				--	--	--			
ENTERPRISE FUND									
National School Lunch	16-100-010-3350-023	7/1/15-06/30/16	3,810	(901)	4,140	3,810			(571)
Total State Financial Aid Subject to OMB 04-04				(901)	\$6,798,770	\$6,798,440			(571)
On Behalf TPAF Pension/Medical	16-495-034-5095-050	7/1/15-06/30/16			\$406,584	\$406,584			
Total State Financial Assistance					\$7,205,354	\$7,205,024			

See accompanying notes to schedules of expenditures of Federal and State award programs.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the New Horizons Community Charter School of Newark. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state assistance 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 are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ ---	\$6,798,440	\$6,798,440
Special Revenue Fund	567,777		567,777
Food Service Fund	<u>273,297</u>	<u>3,810</u>	<u>277,107</u>
Total Awards and Financial Assistance	<u>\$841,074</u>	<u>\$6,802,250</u>	<u>\$7,643,324</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. OTHER INFORMATION

The amount reported as TPAF Pension and Medical Contributions, \$406,584 represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2016. TPAF Social Security Contributions of \$199,903 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions 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 schools basic financial statements and the amount subject to State single audit and major program determination.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?		X
Noncompliance material to financial statements noted?		X

Federal Awards

Internal control over compliance:			
Material weakness(es) identified?		X	
Significant deficiencies identified not considered to be material weakness(es)?		X	
Type of auditor’s report on compliance for major programs:	Unmodified		None Reported
Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A)?		X	

Identification of major programs:

<u>CDEA Number(s)</u>	<u>Name of Federal Program or Cluster</u>		
84.010.A	No Child Left Behind – Title I		
Dollar threshold used to distinguish between type A and type B programs (.520)		\$750,000	
Auditee qualified as low risk auditee:			X

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>	
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000		
Auditee qualified as low risk auditee:		X	
Type of auditor’s report issued:	Unmodified		
Internal control over major programs:			
Material weakness(es) identified:		X	
Significant deficiencies identified not considered to be material weakness(es)?		X	
Type of auditor’s report on compliance for major programs:	Unmodified		None Reported
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?		X	
Identification of major programs:			
<u>C DFA Number(s)</u>			<u>Name of State Program or Cluster</u>
16-495-034-5120-078			Equalization Aid Local and State - Cluster
16-495-034-5120-089			Special Education Cluster

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PART II – SCHEDULE OF 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 in accordance with Government Auditing Standards and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND
QUESTIONED COSTS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by The Uniform Guidance and New Jersey OMB's Circular 04-04.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of The Uniform Guidance or with NJOMB Circular 04-04.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Status of Prior Year Findings

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*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 04-04.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.