

# **Robert Treat Academy Charter School, Inc.**

**Robert Treat Academy Charter School, Inc.  
Board of Trustees  
Newark, New Jersey**

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

**Comprehensive Annual  
Financial Report  
of the**

**Robert Treat Academy  
Charter School, Inc.**

**Newark, New Jersey**

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

**Prepared by**

**Robert Treat Academy  
Charter School, Inc.  
Board of Trustees  
Business Department**

# TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b>	<b><u>Page</u></b>
Letter of Transmittal	1 - 6
Organizational Chart	7
Roster of Officials	8
Consultants and Advisors	9
 <b>FINANCIAL SECTION</b>	
 <b>Independent Auditor's Report</b>	 10 - 12
 <b>Required Supplementary Information - Part I</b> Management's Discussion and Analysis	 13 - 19
 <b>BASIC FINANCIAL STATEMENTS</b>	
A. Charter School-Wide Financial Statements:	
A-1 Statement of Net Position	20
A-2 Statement of Activities	21
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	22
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	23
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Funds:	
B-4 Statement of Net Position	25
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	26
B-6 Statement of Cash Flows	27
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	N/A
B-8 Statement of Changes in Fiduciary Net Position	N/A
 <b>Notes to Financial Statements</b>	 28 - 53

# TABLE OF CONTENTS (Continued)

<b>FINANCIAL SECTION (Continued)</b>	<b><u>Page</u></b>
<b>Required Supplementary Information - Part II</b>	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	54 - 56
C-2 Budgetary Comparison Schedule - Special Revenue Fund	57
<b>Notes to the Required Supplementary Information - Part II</b>	
C-3 Budget-to-GAAP Reconciliation	58
<b>Required Supplementary Information - Part III</b>	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68):	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS	59
L-2 Schedule of District Contributions - PERS	60
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	61
<b>Notes to the Required Supplementary Information - Part III</b>	62
<b>Other Supplementary Information</b>	
D. School Based Budget Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis	63
E-1a E.S.E.A. - Combining Schedule of Revenues and Expenditures - Budgetary Basis	64
E-2 Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	N/A
F-2(x) Schedule(s) of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	N/A

# TABLE OF CONTENTS (Continued)

<b>FINANCIAL SECTION (Continued)</b>	<b><u>Page</u></b>
G. Proprietary Funds:	
Enterprise Funds:	
G-1 Combining Schedule of Net Position	N/A
G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	N/A
G-3 Combining Schedule of Cash Flows	N/A
Internal Service Funds:	
G-4 Combining Schedule of Net Position	N/A
G-5 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6 Combining Schedule of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	N/A
H-2 Combining Statement of Changes in Fiduciary Net Position	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	N/A
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	N/A
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations Under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

## **STATISTICAL SECTION (UNAUDITED)**

### **Introduction to the Statistical Section**

#### **Financial Trends:**

J-1 Net Position by Component	65
J-2 Changes in Net Position	66 - 67
J-3 Fund Balances - Governmental Funds	68
J-4 Changes in Fund Balances - Governmental Funds	69
J-5 General Fund - Other Local Revenue by Source	N/A

#### **Revenue Capacity:**

J-6 to J-9	N/A
------------	-----

#### **Debt Capacity:**

J-10 to J-13	N/A
--------------	-----

# TABLE OF CONTENTS (Continued)

## STATISTICAL SECTION (UNAUDITED) (Continued)

	<u>Page</u>
<b>Demographic and Economic Information:</b>	
J-14 Demographic and Economic Statistics	N/A
J-15 Principal Employers	N/A
<b>Operating Information:</b>	
J-16 Full-Time Equivalent Charter School Employees by Function/Program	70
J-17 Operating Statistics	71 - 72
J-18 School Building Information	73
J-19 Schedule of Allowable Maintenance Expenditures by School Facility	74
J-20 Insurance Schedule	75
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios	76

## SINGLE AUDIT SECTION

K-1 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77 - 78
K-2 Independent Auditor's Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB's Circular 15-08	79 - 80
K-3 Schedule of Expenditures of Federal Awards Schedule A	81
K-4 Schedule of Expenditures of State Financial Assistance Schedule B	82
K-5 Notes to the Schedules of Federal Awards and State Financial Assistance	83 - 85
K-6 Schedule of Findings and Questioned Costs	86 - 89
K-7 Summary Schedule of Prior Year Audit Findings	90

## **INTRODUCTORY SECTION**



**Marcelino Trillo**  
Vice Principal

**ROBERT TREAT ACADEMY**  
CHARTER SCHOOL  
*A 2008 NCLB BLUE RIBBON SCHOOL*  
[www.RobertTreatAcademy.org](http://www.RobertTreatAcademy.org)

**Theresa Aduato**  
Principal



**Paul Parada**  
Vice Principal

November 30, 2016

Honorable President and  
Members of the Board of Trustees  
Robert Treat Academy Charter School, Inc.  
County of Essex  
Newark, New Jersey

Dear Board Members:

The comprehensive annual financial report of Robert Treat Academy Charter School, Inc. (the "School" or "Academy") 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 Robert Treat Academy Charter School, Inc. Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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, the School's organizational chart, roster of officials, and a list of consultants and advisors. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, 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 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 independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, is included in the single audit section of this report.



**NORTH CAMPUS: 443 Clifton Avenue, Newark, New Jersey 07104-1339 (973) 482-8811-Tel (973) 482-7681-Fax**  
**JACKIE ROBINSON CAMPUS: 180 William Street, Newark, New Jersey 07103-3004 (973) 286-1020-Tel (973) 286-1050-Fax**



1. **REPORTING ENTITY AND ITS SERVICES:** The School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds of the School are included in this report. The Board of Trustees and its two schools constitute the School's reporting entity.

The School provides a full range of educational services appropriate to grade levels K through eight. These include regular as well as special education for disabled youngsters. The School completed the 2015 - 2016 fiscal year with a final enrollment of 651 students.

2. **ECONOMIC CONDITION AND OUTLOOK:** The School area has remained constant. Business and residential areas are relatively the same as the prior year. The School's outlook remains good since its programs exceed those in surrounding areas.

3. **MAJOR INITIATIVES:**

Robert Treat Academy Charter School completed its nineteenth year of operation in June 2016 and is currently celebrating the 20<sup>th</sup> Anniversary of its opening.

One of the main concerns of both the Board of Trustees and the administrators of the Academy during the 2015-16 school year was the search for a site where we could continue the expansion of the Central Ward's Jackie Robinson Campus. However, the North Ward Center recently met that need by purchasing the facility they had been renting from St. Benedict's Prep and the Newark Abbey on our behalf. The next challenge will be raising the funds to enlarge the building and expand the number of classrooms available so that we can enroll additional students.

In August 2016, the current school year, we added grade eight at the Jackie Robinson Campus which completed the growth plan that was part of the addendum to our charter that began with the addition of the second campus in 1997.

This second Robert Treat Academy facility, known as The Jackie Robinson Campus, is located at 180 William Street in Newark's Central Ward. Both campuses are officially part of "one" charter which ended the previous year with a total combined enrollment of 651 students. This year's enrollment was 684 students as of October 15, 2016.

A second area of concern for our school leadership team was the change from the national *Common Core State Standards (NCCS)*, adopted by New Jersey in 2010, to the *New Jersey Student Learning Standards (NJSLS)* adopted in 2015. Student achievement for both sets of standards is measured by the *Partnership for Assessment of Readiness for College & Career* (the *PARCC*) test. Although there were no major differences between the standards, it was necessary to compare and align the new NJSLS to our curriculum.

Even more challenging was the fact the results of our first year of statewide PARCC testing, administered in the Spring of 2014-15, were not received until very late in 2015 making it extremely difficult to determine the changes needed to make our educational program (based on the students' achievement) effective.

At the time of this audit, we have also received results for the 2015-16 PARCC testing. Both this and the 2014-15 examination indicated significant academic achievement by Robert Treat Academy's students.

In 2015-16, third through eighth graders took the PARCC test for the second time. The results of the PARCC form the basis of New Jersey's School Performance Report which publishes the results of student testing each year. The PARCC results are reported using five levels of performance as opposed to the three levels used by the NJASK. Level 4 (Met Expectations) and Level 5 (Exceeded Expectations) are considered "Passing Scores" and are the equivalent of the NJASK Proficient and Advanced Proficient Scores. Level 1 (Did Not Meet Expectations), Level 2 (Partially Met Expectations) and Level 3 (Approached Expectations) are the equivalent of the NJASK Partially Proficient and Not Proficient categories and are not considered passing.

Since New Jersey has still not set targets for our students, we set as our goal scores that are 25% above the state average in each grade and subject area. We are happy to report that overall our students were successful in reaching this goal for the second consecutive year. In ELA students exceeded the state average with scores ranging from 19% to 34% above the state average. In Mathematics students' scores ranged from 30% to 42% above the state average. Our eighth graders who took Algebra I (a 9<sup>th</sup> grade course) achieved a score 64% higher than the state average.

Student growth results and disaggregated data of the PARCC scores have not been released yet, but we are confident we will meet all state and federal proficiency targets.

Both Robert Treat Academy campuses offer an eleven-month school year with a seven-hour instructional day and an eight-hour professional day. Early care beginning at 7:30 a.m. and an extended school day (until 5:30 p.m.) accommodate working parents and provide time for extracurricular activities. Our remedial services in English/Language Arts and Math as well as remedial and guided reading, tutoring and homework help, take place during the extended day insuring that students do not miss classroom instructional time because they are receiving additional instruction.

The extended day program offers extracurricular enrichment activities including a Robotics Club and recreation (boys' and girls' basketball, golf, swimming, tennis), and arts programs (Instrumental Music Instruction, Chorus, Step Dancing, Arts and Crafts, and Creative Writing) as well as activities to address character education.

Parent participation continues to be a key element of our focus as witnessed by the high levels of attendance we consistently record at monthly parent meetings. Parents serve on the Board of Trustees and are elected to the Parent Council Executive Committee. Parent representatives also volunteer in other areas (coaching recreational activities, chaperoning students on trips, attending and assisting at school-wide events, plays and performances).

In the nine subject areas including English/Language Arts and Mathematics, Science (this test remained in place as the NJ ASK for 4th and 8th grades), Social Studies, Technology, World Languages (Spanish), Visual and Fine Arts, Physical Education and Health, and 21st Century Life & Careers our curricula is aligned to the NJ Student Learning Standards.

Our focus for the past several years has been on increasing the number of students who score Advanced Proficient in language arts through the continuation of an intensive staff development program begun several years ago.

Professional development efforts centered around continued training for our teachers in the use of the curriculum and on utilizing data to drive instruction using interim assessments. Additionally we have partnered with the University of Chicago's STEP Program in an effort to elevate student reading levels across the board.

In all subject areas, staff development remains crucial to meeting the Academy's overall mission. Our training schedule included workshops in math, English/language arts, reading, science, and behavior management. In the area of technology, staff development was offered to help teachers become more effective users of technology in the classroom.

Efforts to prepare our students for the PARCC test were a main area of attention and will continue to be foremost on our list of goals and a focus of staff development activities and Saturday Academy.

In June 2016, our twelfth class of eighth grade students graduated from the Academy. Those students were prepared for the admissions process for secondary school by our High School Placement Program. The program is responsible for working with our students and their families to place graduates in the most appropriate setting for their secondary school education. Those graduates earned in excess of \$4 million dollars in financial aid and scholarships to attend some of the most prestigious private, independent schools in the nation.

Our first group of alumni to complete college graduated in 2013. We have maintained relationships with many of these students and will continue to maintain contact with them. Several graduates have joined the staff of the Academy as either instructional assistants/teachers or clerks and it is our hope that many of our former students will return to Newark as productive citizens of the community.

The Academy also continued its relationships with community-based organizations. These groups included the Academy's founding organization, The North Ward Center and Just One Soccer which made sports activities available, as well as the Johns Hopkins Center for Talented Youth which provided summer enrichment programs for students as well as online courses for more gifted students. The Academy also maintained its membership in the New Jersey Charter Schools Association and the New Jersey School Boards Association.

**4. INTERNAL ACCOUNTING CONTROLS:** Management of the School is responsible for establishing and maintaining a system of internal controls 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 accounting principles generally accepted in the United States of America ("GAAP"). The system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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 a vote of the Board of Trustees. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. Project-length budgets, if any, are approved for capital improvements accounted for in the Capital Projects 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 committed or assigned fund balance at June 30, 2016.
6. **ACCOUNTING SYSTEM AND REPORTS:** The School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the School is organized on the basis of funds. These funds are explained in the Notes to Financial Statements.
7. **DEBT ADMINISTRATION:** At June 30, 2016, the School had a net pension liability for the Public Employees' Retirement System but had no liability for compensated absences.
8. **CASH MANAGEMENT:** The investment policy of the School is guided in large part by State Statute as detailed in the Notes to Financial Statements, Note 1. The School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where 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, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in Exhibit J-20.
10. **OTHER INFORMATION: INDEPENDENT AUDIT** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Smolin, Lupin & Co, P.A. was selected by the School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08, as required. The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Robert Treat Academy Charter School, Inc.'s Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



---

Theresa Aduvato

Principal/Chief School  
Administrator

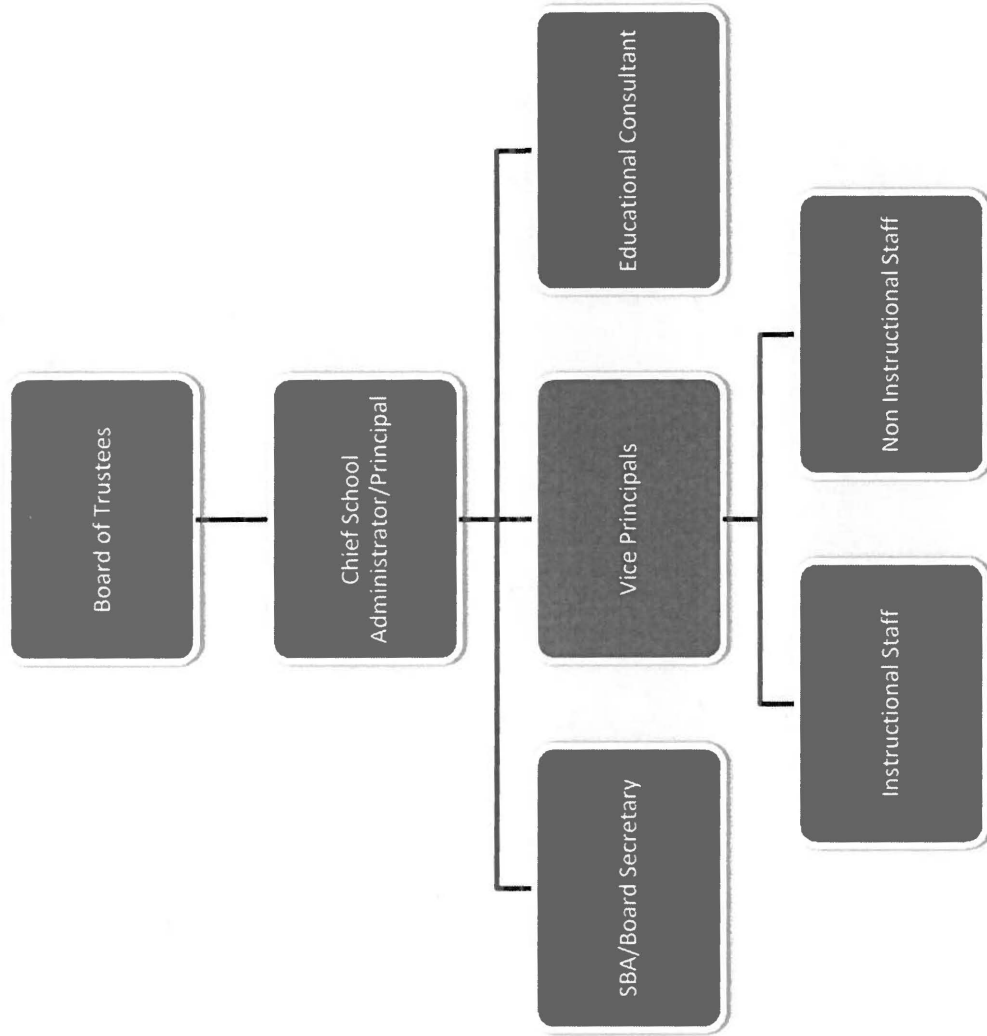


---

Sung Yi

Board Secretary/School  
Business Administrator

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
2015 - 2016 TABLE OF ORGANIZATION



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
ROSTER OF OFFICIALS  
JUNE 30, 2016**

<b>Members of the Board of Trustees</b>	<b>Term Expires</b>
Philip B. Alagia	June 2019
Robert R. Detore (President)	June 2019
Adrienne Davis (Vice President)	June 2019
Tahira Strand	June 2018
Karen Calderon	June 2018
Wilfredo Caraballo	June 2018
Emil Garruto	June 2017
Jesus Padilla	June 2017
Zarala Zabala de Kelly	June 2017

**Other Officials**

Theresa Adubato, Principal/Chief School Administrator  
Lucy Bernardo, Recording Secretary  
Sharon L. Brennan, Program Analyst  
Dr. James Caulfield, Educational Consultant  
Nicholas Grieco, Board Attorney  
Marcelino Trillo, Vice Principal  
Paul Parada, Vice Principal  
Sung Yi, Board Secretary/School Business Administrator

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
CONSULTANTS AND ADVISORS  
JUNE 30, 2016**

**Audit Firm**

Smolin, Lupin & Co., P.A.  
165 Passaic Avenue  
Fairfield, NJ 07004

**Attorney**

Nicholas Grieco  
Inglesino, Webster, Wyciskala & Taylor, LLC  
600 Parsippany Road # 204  
Parsippany, NJ 07054

**Fiscal Agent**

The North Ward Center, Inc.  
346 Mt. Prospect Avenue  
Newark, NJ 07104

**Lead Educational Consultant**

Dr. James Caulfield  
Caulfield Associates, Inc.  
367 Putnam Road  
Union, NJ 07083

**Official Depositories**

Wells Fargo Bank, NA  
684 Mt. Prospect Avenue  
Newark, NJ 07104

Valley National Bank  
167 Bloomfield Avenue  
Newark, NJ 07104



**FINANCIAL SECTION**

## Independent Auditor's Report

The Honorable President and  
Members of the Board of Trustees  
Robert Treat Academy Charter School, Inc.  
County of Essex  
Newark, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Robert Treat Academy Charter School, Inc. (the "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 School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinions**

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

### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of Robert Treat Academy Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Robert Treat Academy Charter School, Inc.'s internal control over financial reporting and compliance.



SMOLIN, LUPIN & CO., P.A.  
Certified Public Accountants



Susan T. White  
Public School Accountant  
License #20CS00119300

Fairfield, New Jersey  
December 2, 2016

**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

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

### **Financial Highlights**

Key financial highlights for 2016 are as follows:

- In total, net position of governmental activities decreased by \$172,392, which represents a 216.08% decrease from 2015. Net position of business-type activities increased by \$86,962.
- General revenues accounted for \$9,397,493 in revenue, or 78.44% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$2,582,460, or 21.56% of total revenues of \$11,979,953.
- Total assets of governmental activities increased by \$14,977, as cash increased by \$237,888, receivables decreased by \$82,648, net capital assets decreased by \$121,618 and other assets decreased by \$18,645.
- Among governmental funds, the General Fund had \$10,159,401 in revenues and \$10,123,584 in expenditures. The General Fund's fund balance increased \$35,817 over 2015.

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

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

The focus of governmental accounting differs from that of business enterprises. In government, the financial statement user is concerned with determining accountability for funds, evaluating operating results, and assessing the level of service that can be provided by the government along with its ability to meet obligations as they become due. In comparison, the primary emphasis in the private sector from both an operational and reporting perspective is on the maximization of profits.

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

## **Reporting the School as a Whole**

### **Statement of Net position and the Statement of Activities**

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

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

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

- **Governmental Activities** - The School's programs and services are reported here, including instruction, support services, operation and maintenance of plant facilities.
- **Business-Type Activities** - These are services provided on a fee basis to recover all the expenses of the goods or services provided. The Food Service and Before and After Care enterprise funds are reported as business-type activities.

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Reporting the School's Most Significant Funds (Continued)**

**Enterprise Fund**

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

**The School as a Whole**

The Statement of Net Position provides the perspective of the School as a whole. Net position may serve over time as a useful indicator of a school's financial position.

The School's financial position is the product of several types of financial transactions, including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the District's net position at June 30.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>		
<b>Assets:</b>								
Current and Other Assets	\$ 1,776,787	\$ 1,640,192	\$ 154,931	\$ 28,387	\$ 1,931,718	\$ 1,668,579	\$ 263,139	15.77%
Capital Assets	336,608	458,226	1,320	2,201	337,928	460,427	(122,499)	-26.61%
<b>Total Assets</b>	<u>2,113,395</u>	<u>2,098,418</u>	<u>156,251</u>	<u>30,588</u>	<u>2,269,646</u>	<u>2,129,006</u>	<u>140,640</u>	<u>6.61%</u>
<b>Deferred Outflows</b>	<u>564,058</u>	<u>176,525</u>			<u>564,058</u>	<u>176,525</u>	<u>387,533</u>	<u>100.00%</u>
<b>Liabilities:</b>								
Long-term Liabilities	2,775,020	2,233,868			2,775,020	2,233,868	541,152	100.00%
Other Liabilities	1,069,765	943,839	67,088	28,387	1,136,853	972,226	164,627	16.93%
<b>Total Liabilities</b>	<u>3,844,785</u>	<u>3,177,707</u>	<u>67,088</u>	<u>28,387</u>	<u>3,911,873</u>	<u>3,206,094</u>	<u>705,779</u>	<u>22.01%</u>
<b>Deferred Inflows</b>	<u>60,898</u>	<u>153,074</u>			<u>60,898</u>	<u>153,074</u>	<u>(92,176)</u>	<u>100.00%</u>
<b>Net Position:</b>								
Net Investment in Capital Assets	336,608	458,226	1,320	2,201	337,928	460,427	(122,499)	-26.61%
Restricted	75,000	75,000			75,000	75,000	0	0.00%
Unrestricted (deficit)	(1,639,838)	(1,589,064)	87,843		(1,551,995)	(1,589,064)	37,069	-2.33%
<b>Total Net Position</b>	<u>\$ (1,228,230)</u>	<u>\$ (1,055,838)</u>	<u>\$ 89,163</u>	<u>\$ 2,201</u>	<u>\$ (1,139,067)</u>	<u>\$ (1,053,637)</u>	<u>\$ (85,430)</u>	<u>8.11%</u>

The District's combined net position of \$(1,139,067) on June 30, 2016, results in a decrease of 8.11% from the prior year.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Reporting the School's Most Significant Funds (Continued)**

**The School as a Whole (continued)**

Table 2 shows changes in net position for fiscal years 2016 and 2015.

<b>TABLE 2 CHANGES IN NET POSITION</b>				
	<b>2016</b>	<b>2015</b>	<b>Amount Change</b>	<b>% Change</b>
Revenues:				
Program Revenues:				
Charges for Services	\$ 299,169	\$ 243,627	\$ 55,542	22.80%
Operating Grants and Contributions	2,283,291	1,778,337	504,954	28.39%
General Revenues:				
Property Taxes	1,273,255	1,241,491	31,764	2.56%
Grants and Entitlements	8,113,292	8,016,584	96,708	1.21%
Other	10,946	33,722	(22,776)	-67.54%
<b>Total Revenues</b>	<b>11,979,953</b>	<b>11,313,761</b>	<b>666,192</b>	<b>5.89%</b>
Program Expenses:				
Instruction	6,272,638	6,028,461	244,177	4.05%
Administrative	1,875,598	1,593,117	282,481	17.73%
Support Services	3,168,237	2,927,008	241,229	8.24%
Unallocated depreciation	152,017	149,989	2,028	
Enterprise Fund	596,893	467,562	129,331	27.66%
<b>Total Expenses</b>	<b>12,065,383</b>	<b>11,166,137</b>	<b>899,246</b>	<b>8.05%</b>
<b>Increase in Net Position</b>	<b>\$ (85,430)</b>	<b>\$ 147,624</b>	<b>\$ (233,054)</b>	<b>-157.87%</b>

**Governmental Activities**

Local tax levy made up 11.27% of revenues for governmental activities for the School for fiscal year 2016 and 11.45% for fiscal year 2015. Local tax levy revenues increased by \$31,764, which is a 2.56% increase over the prior year. The School's total governmental activity revenues were \$11,296,098 for the year ended June 30, 2016.

**Governmental Funds**

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Reporting the School's Most Significant Funds (Continued)**

**Governmental Funds (continued)**

**TABLE 3  
GENERAL AND SPECIAL REVENUE FUND REVENUES**

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2014-15</u>	<u>Percent of Increase (Decrease)</u>
Tax Levy - Local Share	\$ 1,273,255	11.81	\$ 31,764	2.56 %
Local Levy - State Share	7,676,316	71.19	52,862	0.69
Local Sources - Miscellaneous	10,946	0.10 %	(22,776)	(67.54)
State Sources	1,271,111	11.79	264,250	26.24
Federal Sources	<u>551,523</u>	<u>5.11</u>	<u>(7,692)</u>	<u>(1.38)</u>
<b>Total</b>	<b><u>\$ 10,783,151</u></b>	<b><u>100.00 %</u></b>	<b><u>\$ 318,408</u></b>	<b>3.04 %</b>

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

**TABLE 4  
GENERAL AND SPECIAL REVENUE FUND EXPENDITURES**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2014-15</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Instruction	\$ 3,885,161	36.15 %	\$ (222,142)	(5.41) %
Undistributed Expenditures	6,208,024	57.76	725,368	13.23
Capital Outlay	30,399	0.28	22,699	294.79
Special Revenue	<u>623,750</u>	<u>5.80</u>	<u>64,535</u>	<u>11.54</u>
<b>Total</b>	<b><u>\$ 10,747,334</u></b>	<b><u>100.00 %</u></b>	<b><u>\$ 590,460</u></b>	<b>5.81 %</b>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Reporting the School's Most Significant Funds (Continued)**

**Business-Type Activities**

Revenues for the School's business-type activities (Food Service Program and Before and After Care Program) were comprised of charges for services, and federal and state reimbursements.

- Food service revenues exceed expenses by \$86,962.
- Before and After Care revenues equaled expenses.
- Charges for services represent \$299,169 of revenues. This represents amounts paid by parents for sales and services.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, breakfasts, and snacks was \$384,686.

**Governmental Activities**

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administrative and support services include expenses associated with administrative and financial supervision of the School.

**The School's Funds**

All Governmental Funds (i.e., General Fund and Special Revenue Fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$10,783,151 and expenditures were \$10,747,334. The net increase in fund balance for the year is \$35,817.

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management.

Expenditures are up \$590,460 over the prior year mostly due to increases in salaries, purchased professional educational services and employee benefits. Revenues exceeded expenses during the fiscal year, resulting in an increase to fund balance. Miscellaneous revenues decreased due to a decrease in grants.

**General Fund Budgeting Highlights**

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

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED (CONTINUED)**

**Capital Assets**

At the end of the fiscal year 2016, the School had \$337,928, net of depreciation, invested in equipment and improvements, which is a decrease of \$121,618 in governmental activities and a decrease of \$881 in business-type activities from fiscal year 2015.

**Debt Administration**

At June 30, 2016, the School had a net pension liability of \$2,775,020 and no liability for compensated absences.

**For the Future**

- The School is presently in good financial condition.
- The School routinely monitors the rules and regulations of the No Child Left Behind federal legislation to assess and ensure financial compliance.

**Contacting the School's Financial Management**

This financial report is designed to provide the School's parents and supporters with a general overview of the School's finances and to show the School's accountability for the resources it receives. If you have questions about this report or need additional information, contact the School's Finance Department.

## **BASIC FINANCIAL STATEMENTS**

## **CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the School, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Statement of Net Position  
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 1,461,195	\$ 124,854	\$ 1,586,049
Receivables, net	225,803	30,077	255,880
Other assets	14,789		14,789
Restricted assets:			
Restricted cash	75,000		75,000
Capital assets, net			
Being depreciated	<u>336,608</u>	<u>1,320</u>	<u>337,928</u>
Total assets	<u>2,113,395</u>	<u>156,251</u>	<u>2,269,646</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	<u>564,058</u>		<u>564,058</u>
Total deferred outflows of resources	<u>564,058</u>		<u>564,058</u>
<b>LIABILITIES</b>			
Accounts payable	529,775	67,088	596,863
Payroll deductions and withholdings	32,506		32,506
Due to Robert Treat Academy Parent Council	40,290		40,290
Payable to state government	61,507		61,507
Salaries and benefits payable	405,687		405,687
Noncurrent liabilities:			
Net pension liability	<u>2,775,020</u>		<u>2,775,020</u>
Total liabilities	<u>3,844,785</u>	<u>67,088</u>	<u>3,911,873</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	<u>60,898</u>		<u>60,898</u>
<b>NET POSITION</b>			
Net investment in capital assets	336,608	1,320	337,928
Restricted for:			
Charter school reserve	75,000		75,000
Unrestricted (deficit)	<u>(1,639,838)</u>	<u>87,843</u>	<u>(1,551,995)</u>
Total net position	<u>\$ (1,228,230)</u>	<u>\$ 89,163</u>	<u>\$ (1,139,067)</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

Function/Programs	Program			Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Expenses Allocation	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Government activities:									
Instruction	\$ 4,415,022	\$ 1,857,616	\$ -	\$ 1,497,427	\$ -	\$ (4,775,211)	\$ -	\$ (4,775,211)	
Administrative	1,393,038	482,560		253,951		(1,621,647)		(1,621,647)	
Support services	2,783,032	385,205		147,227		(3,021,010)		(3,021,010)	
Unallocated depreciation	152,017					(152,017)		(152,017)	
Total governmental activities	8,743,109	2,725,381		1,898,605		(9,569,885)		(9,569,885)	
Business-type activities									
Food services	383,723		85,999	384,686			86,962	86,962	
Before and after care	213,170		213,170						
Total business-type activities	596,893		299,169	384,686			86,962	86,962	
Total primary government	\$ 9,340,002		\$ 299,169	\$ 2,283,291	\$ -	(9,569,885)	86,962	(9,482,923)	
General revenues:									
Property taxes levied for general purposes, net						1,273,255		1,273,255	
Federal and State aid not restricted						8,113,292		8,113,292	
Miscellaneous income						10,946		10,946	
Total general revenues						9,397,493		9,397,493	
Change in net position						(172,392)	86,962	(85,430)	
Net position - beginning						(1,055,838)	2,201	(1,053,637)	
Net position - ending						(1,228,230)	\$ 89,163	\$ (1,139,067)	

The accompanying notes to the financial statements are an integral part of this statement.



## **FUND FINANCIAL STATEMENTS**

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 1,461,195	\$ -	\$ 1,461,195
Restricted cash	75,000		75,000
Accounts receivable:			
State	25,397	72,227	97,624
Interfund	72,227		72,227
Other	128,179		128,179
Other Assets	14,789		14,789
<b>Total assets</b>	<b>\$ 1,776,787</b>	<b>\$ 72,227</b>	<b>\$ 1,849,014</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 398,347	\$ -	\$ 398,347
Payroll deductions and withholdings	32,506		32,506
Due to Robert Treat Academy Parent Council	40,290		40,290
Salaries and benefits payable	405,687		405,687
Intergovernmental payable:			
State	61,507		61,507
Interfund payables		72,227	72,227
<b>Total liabilities</b>	<b>938,337</b>	<b>72,227</b>	<b>1,010,564</b>
Fund balances:			
Restricted for:			
Charter school reserve	75,000		75,000
Committed:			
Year-end encumbrances	30,380		30,380
Assigned:			
Year-end encumbrances	66,481		66,481
Unassigned	666,589		666,589
<b>Total fund balances</b>	<b>838,450</b>		<b>838,450</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,776,787</b>	<b>\$ 72,227</b>	

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The costs of the assets are \$1,513,916 and the accumulated depreciation is \$1,177,308.	336,608
Deferred outflows related to pensions.	564,058
Accounts payable related to the April 1, 2017 required PERS pension contribution that is not liquidated with current financial resources.	(131,428)
Deferred inflows related to pensions.	(60,898)
Net pension liability.	(2,775,020)
Net position of governmental activities	<b>\$ (1,228,230)</b>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local sources:			
Local tax levy	\$ 1,273,255	\$ -	\$ 1,273,255
Miscellaneous	<u>10,946</u>		<u>10,946</u>
Total revenues - local sources	1,284,201		1,284,201
State sources	8,875,200	72,227	8,947,427
Federal sources		<u>551,523</u>	<u>551,523</u>
Total revenues	<u>10,159,401</u>	<u>623,750</u>	<u>10,783,151</u>
EXPENDITURES:			
Current expense:			
Instruction	3,885,161	529,861	4,415,022
Administrative	3,431,272	87,609	3,518,881
Support services	2,776,752	6,280	2,783,032
Capital outlay	<u>30,399</u>		<u>30,399</u>
Total expenditures	<u>10,123,584</u>	<u>623,750</u>	<u>10,747,334</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,817</u>		<u>35,817</u>
Net change in fund balances	35,817		35,817
Fund balances - July 1	<u>802,633</u>		<u>802,633</u>
Fund balances - June 30	<u>\$ 838,450</u>	<u>\$ -</u>	<u>\$ 838,450</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds (from B-2)	\$	35,817
<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 depreciation exceeded capital outlays in the period.</p>		
Depreciation	\$	(152,017)
Capital outlays		<u>30,399</u>
		(121,618)
<p>Governmental funds report School pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School's pension contributions in the current period.</p>		
		<u>(86,591)</u>
Change in net position of governmental activities	\$	<u><u>(172,392)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Statement of Net Position  
Proprietary Funds  
June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Food Services	Before and After Care	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 124,854	\$ -	\$ 124,854
Accounts receivable			
State	399		399
Federal	29,678		29,678
Total current assets	154,931		154,931
Noncurrent assets:			
Furniture, machinery and equipment	9,868		9,868
Less: accumulated depreciation	8,548		8,548
Total noncurrent assets	1,320		1,320
Total assets	156,251		156,251
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	67,088		67,088
Total current liabilities	67,088		67,088
<b>NET POSITION</b>			
Net investment in capital assets	1,320		1,320
Unrestricted	87,843		87,843
Total net position	\$ 89,163	\$ -	\$ 89,163

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Food Services	Before and After Care	Totals
OPERATING REVENUES:			
Charges for services:			
Daily sales - non-reimbursable programs	\$ 85,999	\$ -	\$ 85,999
Service fees		213,170	213,170
	85,999	213,170	299,169
Total operating revenues			
OPERATING EXPENSES:			
Salaries		198,231	198,231
Payroll taxes		14,939	14,939
Depreciation	881		881
Cost of sales - food and general supplies	382,842		382,842
	383,723	213,170	596,893
Total operating expenses			
Operating income (loss)			
	(297,724)		(297,724)
Nonoperating revenues:			
State sources:			
State School Lunch Program	5,145		5,145
Federal sources:			
School Breakfast Program	36,409		36,409
National School Lunch Program	254,683		254,683
After School Snack Program	88,449		88,449
	384,686		384,686
Total nonoperating revenues			
Change in net position			
	86,962		86,962
Total net position - July 1			
	2,201		2,201
Total net position - June 30			
	\$ 89,163	\$ -	\$ 89,163

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Food Services	Before and After Care	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 86,502	\$ 204,700	\$ 291,202
Payments to employees		(198,231)	(198,231)
Payment for payroll taxes and employee benefits		(14,939)	(14,939)
Payments to suppliers	(326,417)		(326,417)
Net cash provided (used) by operating activities	(239,915)	(8,470)	(248,385)
Cash flows from noncapital financing activities:			
State sources	5,000		5,000
Federal sources	369,023		369,023
Operating subsidies and transfers from (to) other funds	(9,254)	8,470	(784)
Net cash provided by noncapital financing activities	364,769	8,470	373,239
Net increase (decrease) in cash	124,854		124,854
Cash - July 1			
Cash - June 30	\$ 124,854	\$ -	\$ 124,854
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (297,724)	\$ -	\$ (297,724)
Adjustments not affecting cash:			
Depreciation	881		881
Change in assets and liabilities:			
Decrease (increase) in accounts receivable, net	503	(8,470)	(7,967)
Decrease in accounts payable	56,425		56,425
Total adjustments	57,809	(8,470)	49,339
Net cash provided (used) by operating activities	\$ (239,915)	\$ (8,470)	\$ (248,385)

The accompanying notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

The financial statements of Robert Treat Academy Charter School, Inc. (the "School") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

**A. Description of School and Reporting Entity:**

The School is a not-for-profit corporation of the State of New Jersey, established to function as an educational institution. The Board of Trustees (the "Board") consists of nine trustees, who each serve three-year terms, and is responsible for the fiscal control of the School. A principal/chief school administrator is appointed by the Board and is responsible for the administrative control of the School.

The School receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. The primary criterion for including activities within the School's reporting entity is the degree of oversight responsibility maintained by the School's management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The financial statements include all funds and account groups of the School.

The School has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

**B. New Accounting Standards:**

During fiscal year 2016, the School adopted the following GASB statements:

- GASB No. 72, *Fair Value Measurement and Application*, June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, June 30, 2016. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**B. New Accounting Standards (Continued):**

Other accounting standards that the School is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general-purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues - An Amendment of GASB Statements No.67, No.68, and No. 73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**C. Basis of Presentation:**

The School's basic financial statements consist of Charter School-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**Charter School-Wide Statements:**

The Statement of Net Position and the Statement of Activities display information about the School as a whole. These statements include the financial activities of the School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the School at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenue, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School.

**Fund Financial Statements**

During the fiscal year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds. The New Jersey Department of Education (NJ DOE) has elected to require New Jersey schools to treat each Governmental Fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJ DOE believes that the presentation of all funds as major is important for public interest and to promote consistency among school financial reporting models.

The School reports the following Governmental Funds:

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**C. Basis of Presentation (Continued):**

**Special Revenue Fund:** The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, or the Proprietary Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund:** The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). As of June 30, 2016, there was no Capital Projects Fund.

**Debt Service Fund:** The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, mortgage obligations to finance major property acquisition, construction and improvement programs. As of June 30, 2016, there was no Debt Service Fund.

The School reports the following Proprietary Funds:

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

The School reports the following Fiduciary Funds:

**Trust and Agency Funds (Student Activity and Payroll Fund):** The Trust and Agency Fund is used to account for the assets that the School holds on behalf of others as their agent. The Trust and Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds include payroll and student activity funds. As of June 30, 2016, there was no Student Activity Fund.

**D. Measurement Focus and Basis of Accounting:**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

*Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements:* The school-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund. The Fiduciary Fund's agency funds do not have a measurement focus. All assets, all liabilities, and all deferred outflows/inflows of resources associated with these operations (with the exception of the Fiduciary Funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Local tax levy is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Local tax levy and unrestricted state aid associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the School.

**E. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared each year for the General and Special Revenue Funds. The budgets are submitted to the New Jersey Department of Education after being voted upon at a monthly Board of Trustees meeting. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as noted below. 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. 6A:23A-16(f)1. All budget amendments and transfers must be approved by Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**E. Budgets/Budgetary Control (Continued):**

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 GAAP. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year-end.

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

**F. Encumbrance Accounting:**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year-end, as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the Special Revenue Fund for which the School has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity:**

**1. Cash:**

Cash includes cash in banks.

New Jersey schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey schools. Additionally, the School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The School's deposits are insured through the Federal Deposit Insurance Corporation (FDIC) and GUDPA. The School is required to deposit their funds in a depository, which is protecting such funds pursuant to GUDPA. GUDPA requires all banks doing business in the State of New Jersey to pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds for all deposits not covered by the FDIC. Bank balances are insured up to \$250,000 in aggregate by the FDIC for each bank.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued):**

**2. Receivables and Allowance for Uncollectible Accounts:**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

**3. Inventories:**

The cost of inventories of the Governmental Fund types are recorded as expenditures at the time individual inventory items are purchased.

**4. Short-Term Interfund Receivables/Payables:**

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the School and that are due within one year.

**5. Capital Assets:**

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the Charter School-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair market value on the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

All reported capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold Improvements	7 - 10
Furniture	7 - 10
Office & Computer Equipment	5 - 10
Instructional and Other Equipment	5 - 20

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity  
(Continued):**

**6. Deferred Outflows/Inflows of Resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The one item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Charter School-wide Statement of Net Position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investment; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The one item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Charter School-wide Statement of Net Position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

**7. Accrued Liabilities and Long-term Obligations:**

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-wide financial statements. In general, Governmental Fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from Governmental Funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

**8. Salaries and Benefits Payable:**

Certain School employees who provide services to the School over the eleven-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2016, the amount earned by these employees but not disbursed was \$405,687.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued):**

**9. Compensated Absences:**

School employees are granted vacation and sick leave in varying amounts under the School's personnel policies. It is the policy of the School that all full-time employees are allowed compensated sick leave of ten (10) working days per fiscal year. In addition, unused vacation and sick time carries over at the end of the school year. However, at the time of termination of employment, employees forfeit all accrued benefits except for vacation.

The School has not recorded any liability for compensated absences at June 30, 2016.

**10. Unearned Revenue:**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grant and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

**11. Pension:**

In the Charter School-wide financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. 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.

In the Governmental Fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

**12. Net Position/Fund Balance:**

**Charter School-wide Statements**

In the Charter School-wide statements, there are three classes of net position:

- Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included, if any.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued):**

**12. Net Position/Fund Balance (Continued):**

- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - any portion of net position not already classified as either net investment in capital assets or net position - restricted is classified as net position - unrestricted.

**Governmental Fund Equity:**

Fund balance categories are designed to make the nature and extent of the constraints placed on the School's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources reported in the Governmental Fund.

Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Year-End Encumbrances - Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustees for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Assigned Fund Balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances - Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**H. Revenues and Expenditures/Expenses:**

**Revenues from District of Residence:**

The School's primary source of revenue is from the district of residence from which its students are enrolled in the School. The amounts are calculated from the most recent budget data of the student's district.

**Local Levy - Equalization Aid State and Local Share** - The School's funding is pursuant to the School Funding Reform Act of 2008, which states the district of residence shall pay directly to the charter school, for each student enrolled in the charter school who resides in the district, an amount equal to 90% of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation.

**Special Education / Security Aid** - The district of residence shall pay directly to the School the security aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the School.

**Interfund Transactions:**

Transfers between governmental and business-type activities on the Charter School-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses in the Enterprise Fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activities of the Enterprise Fund. For the School, these revenues are sales for food service and fees for the before and after care programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

**I. Allocation of Indirect Expenses:**

The School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, pension, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The School has no long-term debt.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**J. Extraordinary and Special Items:**

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

**K. Management Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results may differ from estimated amounts.

**L. Income Taxes:**

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The School's Forms 990, Return of Organization Exempt from Income Tax, for the years ended 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

**M. Subsequent Events:**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2016 through December 2, 2016, the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**NOTE 2. CASH**

As of June 30, 2016, cash of the School consisted of \$1,586,049 in checking accounts.

The School has no bank deposits that are uninsured, unregistered or 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 School's name.

**Custodial Credit Risk - Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School has a deposit policy for custodial credit risk. As of June 30, 2016, the School's bank balances of \$1,907,416 was not exposed to custodial credit risk, as the School's deposits are primarily in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. See Note 1.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3. RESTRICTED CASH**

On October 24, 2013, the Board of Trustees of the School authorized the creation of a \$75,000 escrow trust account as required by the New Jersey Department of Education to be utilized in the event of the dissolution of the charter granted to the School. The escrow trust account created is the Robert Treat Academy Charter School, New Jersey Department of Education Trust.

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2016, consisted of accounts (fees for service) and intergovernmental Federal and State activities. All receivables are considered collectible in full.

A summary of the principal items of receivables follows:

	Amount
Governmental Activities:	
General Fund:	
State	\$ 25,397
Other	128,179
Special Revenue Fund:	
State	72,227
Total Governmental Activities	225,803
Business-type Activities:	
Food Services	
State	399
Federal	29,678
	30,077
Total Receivables	\$ 255,880

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

	Interfund Receivable	Interfund Payable
General Fund	\$ 72,227	\$ -
Special Revenue Fund	-	72,227
	\$ 72,227	\$ 72,227

The receivable/payable between the General Fund and the Special Revenue Fund resulted from the loans made to the Special Revenue Fund to fund grants, until the Special Revenue Fund receives monies due from state grants.

There were no interfund transfers for the year ended June 30, 2016.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6. CAPITAL ASSETS**

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

	Balance as of July 1, 2015	Additions	Reclass/ Retirements	Balance as of June 30, 2016
Furniture and Equipment	\$ 1,209,412	\$ 30,399	\$ -	\$ 1,239,811
Leasehold Improvements	274,105			274,105
Total at Historical Cost	<u>1,483,517</u>	<u>30,399</u>		<u>1,513,916</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	239,568	152,017		391,585
Leasehold Improvements	785,723			785,723
Total Accumulated Depreciation	<u>1,025,291</u>	<u>152,017</u>		<u>1,177,308</u>
Governmental Activity Capital Assets, Net	<u>\$ 458,226</u>	<u>\$ (121,618)</u>	<u>\$ -</u>	<u>\$ 336,608</u>
Business-type Activities:				
Equipment	\$ 9,868	\$ -	\$ -	\$ 9,868
Less Accumulated Depreciation	7,667	881		8,548
Business-type Activities Capital Assets, Net	<u>\$ 2,201</u>	<u>\$ (881)</u>	<u>\$ -</u>	<u>\$ 1,320</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Unallocated	\$ 152,017
Business Type Activities:	
Food Services	<u>881</u>
Total	<u>\$ 152,898</u>

**NOTE 7 - FUND BALANCES**

**General Fund:** Of the \$838,450 General Fund balance in the fund financial statement at June 30, 2016, \$75,000 is restricted as required by the New Jersey Department of Education, for the potential costs in the event of the dissolution of the charter granted to the School; \$96,861 is reserved for encumbrances; and \$666,589 is unassigned.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8. NET POSITION - UNRESTRICTED (DEFICIT)**

As reflected on Exhibit A-1, Statement of Net Position, a deficit in unrestricted net position of \$1,639,838 existed as of June 30, 2016 for governmental activities. The primary cause of this deficit is the recognition of the net pension liability. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred.

However, in accordance with the rules and regulations that govern the School in the formulation of their annual budget (see Note 1), pension expense that relates to future services, or that are contingent on a specific event outside the control of the School and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the School is facing financial difficulties.

The deficit is a result of the following:

Unassigned fund balance (Exhibit C-1)	\$ 666,589
Year-end encumbrances	96,861
State net pension liability and related deferred outflows and inflows	<u>(2,403,288)</u>
 Unrestricted net assets (deficit) (Exhibit A-1)	 <u><u>\$ (1,639,838)</u></u>

**NOTE 9. PENSION PLANS**

***Descriptions of Systems***

Substantially all of the School's employees participate in one of the following contributory defined benefit public employees retirement systems, which have been established by State statute: The Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

***Teachers' Pension and Annuity Fund (TPAF)*** - The Teachers' Pension and Annuity Fund was established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care, to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60 and 62, respectively, with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

***Descriptions of Systems(Continued)***

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

Tier 4 and 5 members are eligible to retire at age 62 and 66, respectively, with an annual benefit generally determined to be 1/60<sup>th</sup> of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

***Public Employees' Retirement System (PERS)*** - The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State of any county, municipality, school board, or public agency, provided the employee is not required to be a member of another state-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60 and 62, respectively, with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 66, respectively, with an annual benefit generally determined to be 1/60<sup>th</sup> of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions). According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

***Funding Policy***

The contribution policy is set by New Jersey State statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% percent of employees' annual compensation. An additional increase will be phased in over the next few years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the School is a non-contributing employer of the TPAF.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

***Funding Policy (Continued)***

During the years ended June 30, 2016, 2015, and 2014, the State of New Jersey contributed \$539,478, \$381,487 and \$305,579, respectively, to the TPAF for post-retirement medical benefits and normal costs of pension on behalf of the School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the School \$222,430 during the fiscal year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The School's actuarially determined contributions to PERS for each of the years ended June 30, 2016, 2015 and 2014 were \$106,280, \$98,360 and \$101,142, respectively, equal to the required contributions for each year.

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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***

**Public Employee's Retirement System (PERS)**

At June 30, 2016, the School reported a liability of \$2,775,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the School's proportion was .00601042%, which was an increase of .00026042% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School recognized full accrual pension expense of \$192,868 in the government-wide financial statements. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 66,202	\$ -
Changes of assumptions	298,015	
Net difference between projected and actual earnings on pension plan investments		44,617
Changes in proportion and differences between District contribution and proportionate share of contributions	68,413	16,281
District contributions subsequent to the measurement date	131,428	
Total	<u>\$ 564,058</u>	<u>\$ 60,898</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

**Public Employee's Retirement System (PERS) (Continued)**

\$131,428 is reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date. 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 <u>June 30,</u>	
2016	\$ 51,774
2017	51,774
2018	51,774
2019	77,719
2020	<u>43,925</u>
Total	<u>\$ 276,966</u>

***Actuarial Assumptions***

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

Inflation rate	3.04%
Salary increases:	
2012-2021	2.15 - 4.40%
Thereafter	Based on age 3.15 - 5.40%
Investment rate of return	Based on age 7.90%

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.

***Mortality Rates***

Mortality rates were based on the RP-2000 Combined Health 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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

**Public Employee's Retirement System (PERS) (Continued)**

***Long-Term 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
US Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging 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%	-.40%
REIT	<u>4.25%</u>	5.12%
	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability for PERS was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of 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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

**Public Employee's Retirement System (PERS) (Continued)**

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

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

	<u>At 1% Decrease (3.90%)</u>	<u>At Current Discount Rate (4.90%)</u>	<u>At 1% Increase (5.90%)</u>
District's proportionate share of the PERS Net Pension Liability	<u>\$ 3,347,940</u>	<u>\$ 2,775,020</u>	<u>\$ 2,295,486</u>

***Pension plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

***Additional Information***

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$ 5,086,138,484
Collective deferred inflows of resources	478,031,236
Collective net pension liability	46,170,131,656
District's proportion	0.00601042%

The components of the net pension liability of the participating employers for PERS as of June 30, 2015, are as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total pension liability	\$ 31,614,118,524	\$ 43,109,580,038	\$ 74,723,698,562
Plan fiduciary net position	<u>7,891,982,987</u>	<u>20,661,583,919</u>	<u>28,553,566,906</u>
	<u>\$ 23,722,135,537</u>	<u>\$ 22,447,996,119</u>	<u>\$ 46,170,131,656</u>
District's net pension liability (as reported on June 30, 2016)			<u>\$ 2,775,020</u>

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) is 5.72 and 6.44 years for 2015 and 2014 respectively.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

**Teachers' Pensions and Annuity Fund (TPAF)**

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

The State's proportionate share of the TPAF net pension liability associated with the School as of June 30, 2015 was \$17,236,202. The School's proportionate share was \$0.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. The State's proportionate share of the net pension liability associated with the School was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the State's proportionate share of the TPAF net pension liability associated with the School was .02727063%, which was an increase of .00056182% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School recognized on-behalf pension expense and revenue in the government-wide financial statements of \$1,052,425 for contributions incurred by the State.

***Actuarial Assumptions***

The actuarial valuation used the following assumptions, applied to all periods included in the measurement.

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

***Mortality Rates***

Mortality rates were based on the RO-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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

**Teachers' Pensions and Annuity Fund (TPAF) (Continued)**

***Long-Term Expected Rate of Return***

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation- Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds- Multi Strategy	4.00%	4.59%
Hedge Funds- Equity Hedge	4.00%	5.68%
Hedge Funds- Distressed	<u>4.00%</u>	4.30%
	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

**Teachers' Pensions and Annuity Fund (TPAF) (Continued)**

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

The following presents the State's proportionate share of the net pension liability associated with the School as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the School would be if it were calculated using a discount rate that is 1-percentage point lower (3.13%) or 1-percentage point higher (5.13%) than the current rate:

	<u>At 1% Decrease (3.13%)</u>	<u>At Current Discount Rate (4.13%)</u>	<u>At 1% Increase (5.13%)</u>
State's proportionate share of the net pension liability associated with the district	<u>\$ 20,484,582</u>	<u>\$ 17,236,202</u>	<u>\$ 14,437,528</u>

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

***Pension Plan Fiduciary Net Position***

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

***Additional Information***

Collective deferred outflows of resources	\$ 7,639,311,575
Collective deferred inflows of resources	672,332,323
Collective net pension liability, nonemployer	63,204,270,305
District's proportion	0.02727063%

Collective pension expense for the plan measurement period ended June 30, 2015 is \$3,882,198,351.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees, which include those School employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)**

Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 as 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. In the DCRP, employee contributions are 5.5%. Employee contributions are matched by a 3% employer contribution.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9. PENSION PLANS (CONTINUED)**

**Other Pension Funds**

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT), which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

**NOTE 10. POST RETIREMENT BENEFITS**

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

The State is also responsible for the cost attributable to P.L. 1992, c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2014.

**NOTE 11. DEFERRED COMPENSATION**

The School offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by Valic, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

**NOTE 12. COMMITMENTS**

***Line of Credit***

During July 2016, the School obtained a demand line of credit from a bank in the amount of \$200,000, for working capital purposes. The interest rate on the line is at the Wall Street Journal Prime Rate, payable monthly. The line of credit is collateralized by all personal property of the School.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12. COMMITMENTS (CONTINUED)**

The School rents its facilities in Newark, NJ under one year operating leases from The North Ward Center, Inc., a related party not-for-profit organization. Rent expense for the year ended June 30, 2016 was \$1,204,000.

The School also had a fiscal service agreement with The North Ward Center, Inc. Fiscal service expense was \$96,000 for the year ended June 30, 2016. The School also had a security service agreement for 2016 with The North Ward Center, Inc. for \$35,000. The School had a legal agreement for legal services with a law firm of approximately \$37,800 for the year ended June 30, 2016. The agreements for various program consultants was approximately \$233,700 for the year ended June 30, 2016.

Future minimum commitment payments are as follows:

	<u>Rent</u>	<u>Fiscal Services</u>	<u>Legal</u>	<u>Program Consultant</u>	<u>Security Services</u>	<u>Total</u>
June 30, 2017	<u>\$ 1,229,000</u>	<u>\$ 96,000</u>	<u>\$ 39,000</u>	<u>\$ 46,000</u>	<u>\$ 35,000</u>	<u>\$ 1,445,000</u>

The leases include rent for its Clifton Avenue School, playground and William Street School.

**NOTE 13. RISK MANAGEMENT**

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

***Property, Liability, and Workers' Compensation Insurance***

The School maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The School also participates, together with other school districts, in a joint insurance workers compensation trust (See Note 14).

**NOTE 14. CONTINGENCIES**

The School is involved in claims incidental to its operations. In the opinion of the administration, the ultimate resolution of these matters will not have a material effect on the financial position of the School, or will be covered under the School's insurance policies.

The School is a participant, together with other school districts, in a joint insurance workers' compensation trust. In the event that claims against the trust exceed annual revenues, the School would be obligated to contribute its ratable share of the losses to pay the liability.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15. OTHER MATTERS**

The School participates in federal awards and state financial assistance grant programs. Expenditures financed by such assistance are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

## **BUDGETARY COMPARISON SCHEDULES**

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 General Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 1,235,125	\$ 38,130	\$ 1,273,255	\$ 1,273,255	\$ -
Miscellaneous - donations		9,896	9,896	9,896	
Miscellaneous - rentals		1,050	1,050	1,050	
Total - local sources	1,235,125	49,076	1,284,201	1,284,201	
State sources:					
Special education categorical aid	129,914	(16,345)	113,569	113,569	
Security Aid	320,886	2,521	323,407	323,407	
Equalization Aid	7,446,434	229,882	7,676,316	7,676,316	
On-behalf TPAF pension-post retirement medical contributions (non-budgeted)				293,222	293,222
On-behalf TPAF pension - normal (non-budgeted)				234,571	234,571
On-behalf TPAF pension - non-contributory insurance (non-budgeted)				11,685	11,685
Reimbursed TPAF social security contributions (non-budgeted)				222,430	222,430
Total - state sources	7,897,234	216,058	8,113,292	8,875,200	761,908
Total revenues	9,132,359	265,134	9,397,493	10,159,401	761,908
<b>EXPENDITURES:</b>					
CURRENT EXPENSE:					
Instruction:					
Salaries of teachers	2,603,400	(527,320)	2,076,080	2,075,653	427
Other salaries for instruction	657,232	311,000	968,232	968,071	161
Other purchased services	30,000	91,600	121,600	121,541	59
General supplies	432,500	20,526	453,026	452,887	139
Textbooks	260,000	7,100	267,100	267,009	91
Total - instruction	3,983,132	(97,094)	3,886,038	3,885,161	877

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 General Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Administrative:</b>					
Salaries - administration	\$ 378,703	\$ 46,000	\$ 424,703	\$ 423,971	\$ 732
Salaries of secretarial and clerical assistants	347,910	124,200	472,110	472,085	25
Unallocated benefits	1,232,401	110,526	1,342,927	1,276,326	66,601
Purchased professional and technical services	299,150	18,280	317,430	287,022	30,408
Other purchased services	24,092		24,092		24,092
Communications and telephone	88,500	(45,000)	43,500	43,258	242
General supplies	162,000	4,865	166,865	166,702	163
<b>Total administrative</b>	<b>2,532,756</b>	<b>258,871</b>	<b>2,791,627</b>	<b>2,669,364</b>	<b>122,263</b>
<b>Support services:</b>					
Salaries of other professional staff	809,402	(99,280)	710,122	709,730	392
Purchased professional - educational services	205,000	119,000	324,000	323,609	391
Other purchased services	237,000	(19,600)	217,400	216,899	501
Rental of land and buildings other than lease purchase agreements	1,199,000	5,000	1,204,000	1,204,000	
Insurance	37,150	3,800	40,950	40,289	661
Supplies and materials	10,000	2,000	12,000	11,809	191
Transportation - other than to/from school	5,000	1,200	6,200	6,139	61
Energy (electricity)	230,000	(8,500)	221,500	221,262	238
Other objects	50,000	(6,900)	43,100	43,015	85
<b>Total support services</b>	<b>2,782,552</b>	<b>(3,280)</b>	<b>2,779,272</b>	<b>2,776,752</b>	<b>2,520</b>
On-behalf TPAF pension-post retirement medical contributions (non-budgeted)				293,222	(293,222)
On-behalf TPAF pension - normal (non-budgeted)				234,571	(234,571)
On-behalf TPAF pension - non-contributory insurance (non-budgeted)				11,685	(11,685)
Reimbursed TPAF social security contributions (non-budgeted)				222,430	(222,430)
<b>Total expenditures - current expense</b>	<b>9,298,440</b>	<b>158,497</b>	<b>9,456,937</b>	<b>10,093,185</b>	<b>(636,248)</b>

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 General Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY:</b>					
Instruction equipment	\$ 110,000	\$ (82,465)	\$ 27,535	\$ 27,266	\$ 269
Non instructional equipment	20,000	(16,500)	3,500	3,133	367
Total capital outlay	130,000	(98,965)	31,035	30,399	636
Total expenditures	9,428,440	59,532	9,487,972	10,123,584	(635,612)
Excess (deficiency) of revenues over (under) expenditures	(296,081)	205,602	(90,479)	35,817	126,296
Fund balance - July 1	802,633		802,633	802,633	
Fund balance - June 30	\$ 506,552	\$ 205,602	\$ 712,154	\$ 838,450	\$ 126,296
Recapitulation of fund balance:					
Restricted fund balance:					
Charter school reserve				\$ 75,000	
Committed fund balance:				30,380	
Year-end encumbrances				66,481	
Assigned fund balance:				666,589	
Year-end encumbrances					
Unassigned fund balance				838,450	
Total fund balance					
Reconciliation to Governmental Funds Statements (GAAP):					
State aid payments not recognized on GAAP basis				-	
Fund balance per Governmental Funds (GAAP)				\$ 838,450	

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State sources	\$ -	\$ 84,827	\$ 84,827	\$ 72,227	\$ (12,600)
Federal sources	515,000	67,287	582,287	551,523	(30,764)
Total revenues	515,000	152,114	667,114	623,750	(43,364)
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	286,500	(30,939)	255,561	252,681	2,880
Other salaries for instruction	101,200	142,157	243,357	243,357	
General supplies	3,100	36,649	39,749	33,823	5,926
Total instruction	390,800	147,867	538,667	529,861	8,806
Support services:					
Salaries of other professional staff	57,736	(48,136)	9,600	6,280	3,320
Personal services - employee benefits	35,700	52,383	88,083	87,609	474
Other objects	30,764		30,764		30,764
Total support services	124,200	4,247	128,447	93,889	34,558
Total expenditures/outflows	515,000	152,114	667,114	623,750	43,364
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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



**NOTES TO THE REQUIRED  
SUPPLEMENTARY INFORMATION - Part II**

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Notes to Required Supplementary Information  
 Budget-to-GAAP Reconciliation  
 For the Fiscal Year Ended June 30, 2016

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

	General Fund	Special Revenue Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 10,159,401	\$ 623,750
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized:		
Current year		
Prior year		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 10,159,401	\$ 623,750
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 10,123,584	\$ 623,750
Differences - budget to GAAP:		
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current year		
Prior year		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 10,123,584	\$ 623,750

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Schedule of the School's Proportionate Share of the Net Pension Liability  
 Public Employees Retirement System  
 Last Three Years \*

	Fiscal Year Ended June 30,		
	2014	2015	2016
School's proportion of the net pension liability (asset)	0.00599815%	0.00575001%	0.00601042%
School's proportionate share of the net pension liability (asset)	<u>\$ 2,303,926</u>	<u>\$ 2,233,868</u>	<u>\$ 2,775,020</u>
School's covered - employee payroll	<u>\$ 803,082</u>	<u>\$ 849,075</u>	<u>\$ 925,548</u>
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	286.89%	263.09%	299.82%
Plan fiduciary net position as a percentage of the total pension liability (local)	48.72%	52.08%	47.92%

\* The amount presented for each fiscal year were determined as of the previous fiscal year end.

Note - This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full ten year trend is compiled, the School will only present information for those years for which information is available.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Schedule of School Contributions  
 Public Employees Retirement System  
 Last Three Years

	Fiscal Year Ended June 30,		
	2014	2015	2016
Contractually- required contribution	\$ 90,831	\$ 98,360	\$ 106,280
Contributions in relation to the contractually required contribution	<u>(90,831)</u>	<u>(98,360)</u>	<u>(106,280)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	<u>\$ 803,082</u>	<u>\$ 849,075</u>	<u>\$ 925,548</u>
Contributions as a percentage of covered- employee payroll	11.31%	11.58%	11.48%

Note - This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full ten year trend is compiled, the School will only present information for those years for which information is available.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Schedule of the School's Proportionate Share of the Net Pension Liability  
 Teachers' Pension and Annuity System  
 Last Three Years \*  
 (Unaudited)

	Fiscal Year Ended June 30,		
	2014	2015	2016
School's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
State's proportion of the net pension liability (asset) associated to the School **	0.02337043%	0.02670881%	0.02727063%
State's proportionate share of the net pension liability (asset) associated with the School **	<u>\$ 11,811,232</u>	<u>\$ 14,274,990</u>	<u>\$ 17,236,202</u>
School's covered - employee payroll	<u>\$ 2,493,375</u>	<u>\$ 3,079,579</u>	<u>\$ 3,128,921</u>
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll **	473.70%	463.54%	550.87%
Plan fiduciary net position as a percentage of the total pension liability (local)	33.76%	33.64%	28.71%

\* The amount presented for each fiscal year were determined as of the previous fiscal year end.

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

Note - This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full ten year trend is compiled, the School will only present information for those years for which information is available.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -  
PART III**



ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Notes to Required Supplementary Information - Part III  
Schedule of the School's Proportionate Share of the Net Pension Liability  
and Schedule of School Contributions  
For the Fiscal Year Ended June 30, 2016

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015 in accordance with Paragraph 44 of GASB Statement No. 67.

## **OTHER SUPPLEMENTARY INFORMATION**

## **SPECIAL REVENUE FUND DETAIL STATEMENTS**

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

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

	Future Ready NJ Competitive	(Exhibit E-1a) E.S.E.A.	I.D.E.A. Part B - Basic	I.D.E.A. Part B - Preschool	Totals
<b>REVENUES:</b>					
State sources	\$ 72,227	\$ -	\$ -	\$ -	\$ 72,227
Federal sources	<u>424,677</u>	<u>424,677</u>	<u>124,634</u>	<u>2,212</u>	<u>551,523</u>
Total revenues	<u>72,227</u>	<u>424,677</u>	<u>124,634</u>	<u>2,212</u>	<u>623,750</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	32,320	176,767	43,594		252,681
Other salaries for instruction		188,751	53,406	1,200	243,357
General supplies	<u>30,674</u>	<u>35</u>	<u>2,414</u>	<u>700</u>	<u>33,823</u>
Total instruction	<u>62,994</u>	<u>365,553</u>	<u>99,414</u>	<u>1,900</u>	<u>529,861</u>
Support services:					
Salaries of other professional staff	6,280				6,280
Personal services - employee benefits	<u>2,953</u>	<u>59,124</u>	<u>25,220</u>	<u>312</u>	<u>87,609</u>
Total support services	<u>9,233</u>	<u>59,124</u>	<u>25,220</u>	<u>312</u>	<u>93,889</u>
Total expenditures	<u>\$ 72,227</u>	<u>\$ 424,677</u>	<u>\$ 124,634</u>	<u>\$ 2,212</u>	<u>\$ 623,750</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Special Revenue Fund  
 E.S.E.A.

Combining Schedule of Revenues and Expenditures - Budgetary Basis  
 For the Fiscal Year Ended June 30, 2016

	Title I Part A Current Year	Title I Additional Exceptional Performance	Title II Part A Current Year	Totals
<b>REVENUES:</b>				
Federal sources	\$ 354,188	\$ 50,000	\$ 20,489	\$ 424,677
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of teachers	151,767	25,000		176,767
Other salaries for instruction	144,751	25,000	19,000	188,751
General supplies			35	35
Total instruction	<u>296,518</u>	<u>50,000</u>	<u>19,035</u>	<u>365,553</u>
Support services:				
Personal services - employee benefits	<u>57,670</u>		<u>1,454</u>	<u>59,124</u>
Total support services	<u>57,670</u>		<u>1,454</u>	<u>59,124</u>
Total expenditures	<u>\$ 354,188</u>	<u>\$ 50,000</u>	<u>\$ 20,489</u>	<u>\$ 424,677</u>

## **CAPITAL PROJECTS FUND DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major facilities and equipment purchases other than those financed by Proprietary Funds.

At June 30, 2016, there was no Capital Projects Fund.

## **PROPRIETARY FUNDS DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise - where the intent of the School is that the costs of providing goods or services be financed through user charges.

### **FOOD SERVICE FUND**

This Fund provides for the operation of food services for the School.

### **BEFORE AND AFTER SCHOOL CARE FUND**

This Fund provides for the operation of before and after care services for the School.

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

## **FIDUCIARY FUNDS DETAIL STATEMENTS**

Agency Funds are used to account for assets when the School is functioning either as a trustee or as an agent for another party.

The School did not have any fiduciary funds.



## **LONG-TERM DEBT SCHEDULES**

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School. This includes mortgage obligations outstanding and obligations under capital leases.

At June 30, 2016, there were no Long-Term Debt Schedules.

The School did not have any mortgages payable or obligations under capital leases.

# ROBERT TREAT ACADEMY SCHOOL, INC. STATISTICAL SECTION (UNAUDITED)

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the School's financial performance and well being have changed over time.	65 - 69
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the School's most significant local revenue source, the property tax.	N/A
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.	N/A
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.	N/A
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the School's financial report relates to the services the School provides and the activities it performs.	70 - 76

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Net Position by Component  
 Last Ten Years  
*(accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 175,564	\$ 117,171	\$ 311,519	\$ 525,305	\$ 524,233	\$ 464,870	\$ 564,771	\$ 600,515	\$ 458,226	\$ 336,608
Restricted								75,000	75,000	75,000
Unrestricted (deficit)	209,844	306,594	215,524	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,639,838)
<b>Total governmental activities net position</b>	<b>385,408</b>	<b>423,765</b>	<b>527,043</b>	<b>929,873</b>	<b>835,917</b>	<b>897,291</b>	<b>1,078,949</b>	<b>1,099,583</b>	<b>(1,055,838)</b>	<b>(1,228,230)</b>
<b>Business-type activities:</b>										
Net investment in capital assets	(119)				8,458	6,041	4,315	3,082	2,201	1,320
Unrestricted										87,843
<b>Total business-type activities net position</b>	<b>(119)</b>				<b>8,458</b>	<b>6,041</b>	<b>4,315</b>	<b>3,082</b>	<b>2,201</b>	<b>89,163</b>
<b>School wide:</b>										
Net investment in capital assets	175,564	117,171	311,519	525,305	532,691	470,911	569,086	603,597	460,427	337,928
Restricted								75,000	75,000	75,000
Unrestricted (deficit)	209,725	306,594	215,524	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,551,995)
<b>Total School net position</b>	<b>\$ 385,289</b>	<b>\$ 423,765</b>	<b>\$ 527,043</b>	<b>\$ 929,873</b>	<b>\$ 844,375</b>	<b>\$ 903,332</b>	<b>\$ 1,083,264</b>	<b>\$ 1,102,665</b>	<b>\$ (1,053,637)</b>	<b>\$ (1,139,067)</b>

Source: Robert Treat Academy Charter School, Inc.'s records.

Notes: In accordance with GASB 65, effective for the fiscal year ended June 30, 2013, the method to expense debt issuance costs was changed.

For the fiscal year ended June 30, 2015, the School adopted GASB No. s 68 and 71, which require the School to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.

Changes in Net Position  
Last Ten Years  
(accrual/basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses:</b>										
Governmental activities:										
Instruction:	\$ 3,027,977	\$ 2,964,052	\$ 3,347,212	\$ 4,152,934	\$ 4,115,507	\$ 4,364,149	\$ 4,922,483	\$ 5,315,182	\$ 6,028,461	\$ 6,272,638
Administrative	583,795	615,325	654,853	819,613	1,084,527	831,872	964,745	991,462	1,593,117	1,875,598
Support services	1,826,662	1,904,530	2,128,842	2,592,178	2,503,538	3,149,220	3,045,008	3,490,033	2,927,008	3,168,237
Unallocated depreciation	127,160	76,388	57,007	77,393	94,534	96,456	123,372	160,619	149,989	152,017
Total governmental activities expenses	5,565,594	5,560,275	6,187,914	7,642,118	7,798,106	8,441,697	9,055,608	9,957,296	10,698,575	11,468,490
Business-type activities:										
Food service	148,083	165,448	189,538	232,176	257,501	301,627	266,350	238,504	249,005	383,723
Before and after care	122,390	143,912	136,154	159,314	125,374	164,330	157,277	202,143	218,557	213,170
Total business-type activities expense	270,473	309,360	325,692	391,490	382,875	465,957	423,627	440,647	467,562	596,893
Total school expenses	\$ 5,836,067	\$ 5,869,635	\$ 6,513,606	\$ 8,033,608	\$ 8,180,981	\$ 8,907,654	\$ 9,479,235	\$ 10,397,943	\$ 11,166,137	\$ 12,065,383
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
Operating grants and contributions	\$ 781,953	\$ 734,794	\$ 640,488	\$ 916,617	\$ 695,490	\$ 804,915	\$ 929,396	\$ 980,304	\$ 1,559,587	\$ 1,898,605
Total governmental activities program revenues	781,953	734,794	640,488	916,617	695,490	804,915	929,396	980,304	1,559,587	1,898,605
Business-type activities:										
Charges for services:										
Food service	19,881	22,133	31,581	42,101	62,159	37,532	25,795	21,808	25,070	85,999
Operating Grants and Contributions	128,319	143,279	157,957	190,075	193,932	222,573	207,934	209,392	218,750	384,686
Before and after care	122,327	144,067	136,154	159,314	125,374	164,330	157,277	202,143	218,557	213,170
Total business type activities program revenues	270,527	309,479	325,692	391,490	381,465	424,435	391,006	433,343	462,377	683,855
Total school program revenues	\$ 1,052,480	\$ 1,044,273	\$ 966,180	\$ 1,308,107	\$ 1,076,955	\$ 1,229,350	\$ 1,320,402	\$ 1,413,647	\$ 2,021,964	\$ 2,582,460
<b>Net (expense)/revenue:</b>										
Governmental activities	\$ (4,783,641)	\$ (4,825,481)	\$ (5,547,426)	\$ (6,725,501)	\$ (7,102,616)	\$ (7,736,782)	\$ (8,125,213)	\$ (8,976,992)	\$ (9,138,988)	\$ (9,569,885)
Business-type activities	54	119	119	119	8,458	(41,522)	(32,621)	(7,304)	(5,185)	86,962
Total school-wide net expense	\$ (4,783,587)	\$ (4,825,362)	\$ (5,547,426)	\$ (6,725,501)	\$ (7,094,158)	\$ (7,778,304)	\$ (8,157,834)	\$ (8,984,296)	\$ (9,144,173)	\$ (9,482,923)

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.

Changes in Net Position  
Last Ten Years  
(accrual / basis of accounting)  
Unaudited

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues and other changes in net position:										
Governmental activities:										
Property taxes levied for:										
General purposes	\$ 796,237	\$ 1,053,014	\$ 753,578	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255
Unrestricted grants and contributions	3,748,773	3,808,729	4,895,063	5,739,439	5,935,939	6,637,804	7,108,175	7,716,559	8,016,584	8,113,292
Investment earnings	3,890	1,153	13							
Miscellaneous income	81,536	942	2,050	551,296	208,358	253,795	167,412	102,000	33,722	10,946
Transfers						(70,000)		(6,071)	(4,304)	
Total governmental activities	4,630,436	4,863,838	5,650,704	7,128,331	7,008,660	7,837,261	8,267,766	8,997,626	9,287,493	9,397,493
Business-type activities:										
Transfers							70,000	6,071	4,304	
Total business-type activities							70,000	6,071	4,304	
Total school-wide	\$ 4,630,436	\$ 4,863,838	\$ 5,650,704	\$ 7,128,331	\$ 7,008,660	\$ 7,837,261	\$ 8,337,766	\$ 9,003,697	\$ 9,291,797	\$ 9,397,493
Change in net position	\$ (153,205)	\$ 38,357	\$ 103,278	\$ 402,830	\$ (93,956)	\$ 100,479	\$ 142,553	\$ 20,634	\$ 148,505	\$ (172,392)
Governmental activities	54	119		8,458	(41,522)	37,379	(1,233)	(881)		86,962
Business-type activities										
Total school	\$ (153,151)	\$ 38,476	\$ 103,278	\$ 402,830	\$ (65,498)	\$ 58,957	\$ 179,932	\$ 19,401	\$ 147,624	\$ (65,430)

Source: Robert Treat Academy Charter School, Inc.'s records.

Notes: For the fiscal year ended June 30, 2015, the School adopted GASB No. 68 and 71, which require the School to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Fund Balances - Governmental Funds  
 Last Ten Years  
 (modified accrual basis of accounting)  
 Unaudited

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund:										
Reserved	\$ 31,500	\$ 33,000	\$ 33,500	\$ 33,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	348,344	273,594	182,024	371,068						
Restricted:										
Charter school reserve								75,000	75,000	75,000
Committed					33,500	33,500	33,500	33,500	41,900	30,380
Assigned									57,502	66,481
Unassigned					278,184	438,026	480,678	390,568	628,231	666,589
Total general fund	\$ 379,844	\$ 306,594	\$ 215,524	\$ 404,568	\$ 311,684	\$ 471,526	\$ 514,178	\$ 499,068	\$ 802,633	\$ 838,450

Source Robert Treat Academy Charter School, Inc.'s records.

Note: In accordance with GASB 54, effective for the fiscal year ended June 30, 2011, the description and terminology utilized to identify fund balance was changed.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Changes in Fund Balances, Governmental Funds  
 Last Ten Years  
 (modified accrual basis of accounting)  
 Unaudited

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Tax levy	\$ 796,237	\$ 1,053,014	\$ 753,578	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255
Miscellaneous	110,426	2,095	8,263	551,296	208,358	253,795	167,412	102,000	33,722	10,946
State sources	4,050,831	4,131,167	5,192,305	6,086,670	6,273,154	7,076,161	7,646,726	8,254,515	8,630,315	8,947,427
Federal sources	454,895	412,356	337,046	569,386	358,275	366,558	390,845	442,348	559,215	551,523
<b>Total revenue</b>	<b>5,412,389</b>	<b>5,598,632</b>	<b>6,291,192</b>	<b>8,044,948</b>	<b>7,704,150</b>	<b>8,642,176</b>	<b>9,267,162</b>	<b>9,984,001</b>	<b>10,464,743</b>	<b>10,783,151</b>
<b>Expenditures:</b>										
Instruction	2,537,654	2,489,598	2,749,722	3,426,593	3,353,996	3,490,811	3,928,425	4,264,031	4,545,985	4,415,022
Administrative	1,488,462	1,362,469	1,395,019	1,686,452	2,001,355	1,943,350	2,166,669	2,267,831	2,977,387	3,518,881
Support services	1,410,318	1,801,840	1,986,166	2,451,680	2,348,221	3,011,080	2,837,142	3,264,815	2,625,802	2,783,032
Capital outlay	14,864	17,975	251,355	291,179	93,462	37,093	222,274	196,363	7,700	30,399
<b>Total expenditures</b>	<b>5,451,298</b>	<b>5,671,882</b>	<b>6,382,262</b>	<b>7,855,904</b>	<b>7,797,034</b>	<b>8,482,334</b>	<b>9,154,510</b>	<b>9,993,040</b>	<b>10,156,874</b>	<b>10,747,334</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>(38,909)</b>	<b>(73,250)</b>	<b>(91,070)</b>	<b>189,044</b>	<b>(92,884)</b>	<b>159,842</b>	<b>112,652</b>	<b>(9,039)</b>	<b>307,869</b>	<b>35,817</b>
<b>Other financing sources (uses):</b>										
Transfers out							(70,000)	(6,071)	(4,304)	
<b>Total other financing sources (uses)</b>										
<b>Net change in fund balances</b>	<b>\$(38,909)</b>	<b>\$(73,250)</b>	<b>\$(91,070)</b>	<b>\$189,044</b>	<b>\$(92,884)</b>	<b>\$159,842</b>	<b>\$42,652</b>	<b>\$(15,110)</b>	<b>\$303,565</b>	<b>\$35,817</b>
<b>Debt service as a percentage of noncapital expenditures</b>										

Source: Robert Treat Academy Charter School, Inc.'s records.

Notes: Noncapital expenditures are total expenditures less capital outlay.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Full-time Equivalent Charter School Employees by Function/Program  
 Last Ten Years  
 Unaudited

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Employees										
Certified	36	42	41	49	55	58	60	63	65	61
Other	39	34	31	33	35	35	37	36	36	45
<b>Total</b>	<u>75</u>	<u>76</u>	<u>72</u>	<u>82</u>	<u>90</u>	<u>93</u>	<u>97</u>	<u>99</u>	<u>101</u>	<u>106</u>

Source: Robert Treat Academy Charter School, Inc.'s Personnel Records



ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Operating Statistics  
 Last Ten Years  
 Unaudited

Fiscal Year Ended June 30	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Average Daily Enrollment (ADE) <sup>b</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	\$ 5,436,434	\$ 12,086.34	3.24%	449.8	435	0.18%	96.7%
2008	5,653,907	12,592.22	4.19%	449	434	-0.18%	96.7%
2009	6,130,907	13,627.27	8.22%	449.9	434	0.20%	96.5%
2010	7,564,725	15,132.48	11.05%	499.9	483	11.11%	96.6%
2011	7,703,572	14,698.67	-2.87%	524.1	507	4.84%	96.7%
2012	8,445,241	15,343.82	4.39%	550.4	530	5.02%	96.3%
2013	8,932,236	15,593.99	1.63%	572.8	549	4.07%	95.8%
2014	9,796,677	16,344.14	4.81%	599.4	573	4.64%	95.6%
2015	10,149,174	16,236.08	-0.66%	625.1	600	4.29%	96.0%
2016	10,716,935	16,485.06	0.86%	650.1	626	8.46%	96.3%

Source: Robert Treat Academy Charter School, Inc.'s records.

a - Operating expenditures equal total expenditures less debt service and capital outlay.

b - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Operating Statistics (Continued)  
 Last Ten Years  
 Teacher/Student Ratio  
 Unaudited

Fiscal Year Ended June 30,	Kindergarten	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2016	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2015	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2014	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2013	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2012	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2011	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2010	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2009	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.75
2008	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.75
2007	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5

Source: Robert Treat Academy Charter School, Inc.'s records.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
School Building Information  
Last Ten Years  
Unaudited

Robert Treat Academy Charter School, Inc. rents 49,896 square feet of space and 21,000 square feet of space in school buildings from the North Ward Center, Inc. at 443 Clifton Avenue and 180 William Street, respectively.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Schedule of Required Maintenance Expenditures by School Facilities  
 Last Ten Years  
 Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED  
 MAINTENANCE FOR SCHOOL FACILITIES  
 11-000-261-xxx

\* School Facilities  
 School # (s)

Fiscal Year Ended June 30,	North	Central	Total
2007	\$ 90,330	\$ -	\$ 90,330
2008	87,163		87,163
2009	77,251		77,251
2010	90,474	34,386	124,860
2011	103,082	21,778	124,860
2012	366,137	36,657	402,794
2013	94,258	52,810	147,068
2014	183,324	53,499	236,823
2015	131,752	51,667	183,419
2016	119,746	53,221	172,967
Total School Facilities	\$ <u>1,343,517</u>	\$ <u>304,018</u>	\$ <u>1,647,535</u>

\* School facilities as defined under EFCFA.  
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Robert Treat Academy Charter School, Inc.'s records.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Insurance Schedule  
June 30, 2016  
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Commercial Property and General Liability - New Jersey Schools Insurance Group:		
Personal Property/Fire Damage	\$ 1,258,716	1,000
General Liability:		
Bodily Injury and Property Damage Occurrence	11,000,000	
Products and Completed Operations Annual Aggregate	11,000,000	
Personal and Advertising Inquiry Occurrence/Aggregate	11,000,000	
Employee Benefits Liability	11,000,000	1,000
Business Auto	11,000,000	1,000
Commercial Inland Marine/Blanket Hardware and Software	150,000	1,000
Boiler and Machinery	100,000,000	1,000
Environmental Liability	1,000,000	
Crime:		
Employee Dishonesty	250,000	1,000
Theft - Loss of Money and Securities - On and Off Premises	1,000	
School District Legal Liability - New Jersey Schools Insurance Group		
Coverage A:	11,000,000	5,000
Workers Compensation - New Jersey Schools Insurance Group:		
Statutory:		
Each Accident	2,000,000	
Disease - Policy Limit/Employee	2,000,000	
Compulsory Student Accident - Berkley Life and Health Insurance Company:	1,000,000	
Catastrophic Student Accident - United States Fire Insurance Company	500,000	

Source: Robert Treat Academy Charter School, Inc.'s records.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Charter School Performance Framework  
 Financial Performance, Fiscal Ratios  
 Unaudited

	2014 Audit	2015 Audit	2016 Audit	Source
Cash	503,668	1,223,307	1,586,049	Audit: Exhibit A-1
Current Assets	1,360,293	370,272	270,669	Audit: Exhibit A-1
Total Assets	2,052,279	2,129,006	2,269,646	Audit: Exhibit A-1
Current Liabilities	949,614	972,226	1,136,853	Audit: Exhibit A-1
Total Liabilities	949,614	972,226	1,136,853	Audit: Exhibit A-1 ***
Net Position	1,102,665	(1,053,637)	(1,139,067)	Audit: Exhibit A-1
Total Revenue	10,417,344	11,313,761	11,979,953	Audit: Exhibit A-2
Total Expenses	10,397,943	11,166,137	12,065,383	Audit: Exhibit A-2
Change in Net Position	19,401	147,624	(85,430)	Audit: Exhibit A-2
Depreciation Expense	160,619	149,989	152,017	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	599.40	625.10	650.10	DOE Enrollment Reports
March 30th Budgeted Enrollment	600	625	650	Charter School Budget

	2014	2015	2016	3 YR CUM	Source:
<b>Near Term Indicators</b>					
1a. Current Ratio	1.43	1.64	1.63	1.57	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	17.68	39.99	47.98	35.22	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	100%	1.00	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	No	No	No		Audit
<b>Sustainability Indicators</b>					
2a. Total Margin	0.19%	1.30%	-0.71%	0.242%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.46	45.67%	50.09%	0.47	Total Liabilities/Total Assets
2c.** Cash Flow	(744,638)	719,639	362,742	112,581	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	-	-	-	-	(Change in Net Assets + Depreciation + Interest Expense)/(Principal & Interest Payments)

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2016=2016 Cash - 2015 Cash; Cash 2015 = 2015 Cash - 2014 Cash; 2014 = 2014 Cash-2013 Cash  
 \*\*\* Total Liabilities without Net Pension Liability

## **SINGLE AUDIT SECTION**

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

The Honorable President and  
Members of the Board of Trustees  
Robert Treat Academy Charter School, Inc.  
County of Essex  
Newark, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statements 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 Robert Treat Academy Charter School, Inc., 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 Robert Treat Academy Charter School, Inc.'s basic financial statements, and have issued our report dated December 2, 2016.

**Internal Control Over Financial Reporting**

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

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

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



**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Robert Treat Academy Charter School, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Robert Treat Academy Charter School, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smolin, Lupin & Co., P.A.  
Certified Public Accountants



Susan T. White  
Public School Accountant  
License #20CS00119300

Fairfield, New Jersey  
December 2, 2016

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

The Honorable President and  
Members of the Board of Trustees  
Robert Treat Academy Charter School, Inc.  
County of Essex  
Newark, New Jersey

**Report on Compliance for each Major Federal and State Program**

We have audited Robert Treat Academy Charter School, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of Robert Treat Academy Charter School, Inc.'s major federal and state programs for the year ended June 30, 2016. Robert Treat Academy Charter School, Inc.'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 federal and state statutes, regulations, and the terms and conditions of its federal and state programs.

***Auditor's Responsibility***

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

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



**Opinion on Each Major Federal and State Program**

In our opinion, Robert Treat Academy Charter School, Inc., in the County of Essex, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

**Purpose of this Report**

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

*Smolin, Lupin & Co., P.A.*

Smolin, Lupin & Co., P.A.  
Certified Public Accountants

*Susan T. White*

Susan T. White  
Public School Accountant  
License #20CS00119300

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From/To	Balance at June 30, 2015	Carryover/Walkover Amount	Cash Received	Total Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Education:</b>														
<b>Enterprise Fund:</b>														
<b>Child Nutrition Cluster</b>														
School Breakfast Program	10.553	16161NJ304N1099	16-007730	\$ 36,409	7/1/15 - 6/30/16	\$ -	\$ -	\$ 33,696	\$ (36,409)	\$ -	\$ -	\$ (2,713)	\$ -	\$ -
School Breakfast Program	10.553	16161NJ304N1099	15-007730	12,084	7/1/14 - 6/30/15	(1,115)	1,115	234,875	(254,683)			(19,808)		
National School Lunch Program	10.555	16161NJ304N1099	16-007730	254,683	7/1/15 - 6/30/16	(12,592)	146,482	12,592	(88,449)			(7,157)		
National School Lunch Program	10.555	16161NJ304N1099	15-007730	146,482	7/1/14 - 6/30/15	(5,453)	88,449	81,292						
After School Snack Program	10.555	16161NJ304N1099	16-007730	57,244	7/1/15 - 6/30/16	(19,160)		369,023	(379,541)			(29,678)		
After School Snack Program	10.555	16161NJ304N1099	15-007730	57,244	7/1/14 - 6/30/15	(19,160)		369,023	(379,541)			(29,678)		
Total Child Nutrition Cluster														
Total Enterprise Fund														
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education:</b>														
<b>Special Revenue Fund:</b>														
<b>I.D.E.A. Part B Special Education Cluster</b>														
I.D.E.A. Part B:														
Current Year	84.027	H027A150100	IDEA-7730-16	124,634	7/1/15 - 6/30/16			124,634	(124,634)					
Prior Year	84.027	H027A150100	IDEA-7730-15	113,702	7/1/14 - 6/30/15	(39,933)		39,933						
Current Year	84.173	H173A150114	IDEA-7730-16	2,212	7/1/15 - 6/30/16			2,212	(2,212)					
Total I.D.E.A. Part B Special Education Cluster														
E.S.E.A. Title I/Part A, Improving Basic Programs:														
Current Year	84.010A	S010A150030	NCLB-7730-16	384,952	7/1/15 - 6/30/16			354,188	(354,188)					
Prior Year	84.010A	S010A150030	NCLB-7730-15	291,350	7/1/14 - 6/30/15	(140,782)		140,782						
Additional Reward	84.010A	S010A150030	NCLB-7730-16	50,000	7/1/15 - 6/30/16			50,000	(50,000)					
E.S.E.A. Title II Part A, Improving Teacher Quality:														
Current Year	84.367A	S367A150029	NCLB-7730-16	20,489	7/1/15 - 6/30/16	(20,206)		20,489	(20,489)					
Prior Year	84.367A	S367A150029	NCLB-7730-15	20,206	7/1/14 - 6/30/15	(200,921)		20,206						
Total Special Revenue Fund														
Total Federal Awards														

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**JUNE 30, 2016**

**NOTE 1. GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of Robert Treat Academy Charter School, Inc. (the "School"). The Board of Trustees is defined in Note 1 to the School's financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the School's financial statements. The information in these schedules are 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 New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS**

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

The General Fund is presented in the accompanying schedule on the modified accrual basis. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

There are no net adjustments to reconcile from the budgetary basis to the GAAP basis for the General Fund or Special Revenue Fund. See Exhibit C-3, Notes to Required Supplementary Information - Part II, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General Fund and Special Revenue Fund. Federal awards and state financial assistance revenues are reported in the School's financial statements on a GAAP basis as follows:

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**JUNE 30, 2016**

**NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS (continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 8,875,200	\$ 8,875,200
Special Revenue Fund	551,523	72,227	623,750
Food Service Fund	379,541	5,145	384,686
	<u>931,064</u>	<u>8,952,572</u>	<u>9,883,636</u>
Total Federal Awards and State Financial Assistance - GAAP Basis	931,064	8,952,572	9,883,636
Less: TPAF Pension Contributions - Normal Costs, and Post Retirement Medical, and Non-Contributory Insurance	<u>-</u>	<u>539,478</u>	<u>539,478</u>
Total Per Schedules of Expenditures of Federal Awards and State Financial Assistance	<u>\$ 931,064</u>	<u>\$ 8,413,094</u>	<u>\$ 9,344,158</u>

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

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the School's fiscal year and grant program years.

**NOTE 5. OTHER**

The amount reported as TPAF Pension - Normal Costs, Post-Retirement Medical Contributions, and Non-Contributory Insurance, represents the amount paid by the state on behalf of the School for the year ended June 30, 2016. Reimbursed TPAF social security contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

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

On-behalf state programs for TPAF Pension Non-Contributory Insurance, Post-Retirement Medical Contributions and Normal Costs are not subject to a state single audit and, therefore, are excluded from major program determination. The schedule of expenditures of state financial assistance provides a reconciliation of state financial assistance reported in the School's financial statements and the amount subject to state single audit and major program determination.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2016**

**NOTE 7. DE MINIMIS INDIRECT COST RATE**

The District has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS:**

**Financial Statements**

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified?  Yes  No
- 2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to basic financial statements noted?  Yes  No

**Federal Awards Section**

Internal control over major programs:

- 1) Material weakness(es) identified:  Yes  No
- 2) Significant deficiencies identified that are not considered to be material weaknesses:  Yes  None Reported

Type of Auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	S010A150030	Title 1 - Part A – Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?  Yes  No

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS:** (Continued)

**State Financial Assistance**

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

\$ 750,000

Auditee qualified as low-risk auditee?

X Yes      \_\_\_ No

Internal control over major programs:

1) Material weakness(es) identified:

\_\_\_ Yes      X No

2) Significant deficiencies identified that are  
not considered to be material weaknesses:

\_\_\_ Yes      X None Reported

Type of Auditor's report issued on compliance  
for major programs

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with New Jersey  
OMB's Circular 15-08?

\_\_\_ Yes      X No

Identification of major programs:

State Grant/Project Numbers(s)

Name of State Program

16-495-034-5120-078  
16-495-034-5120-089  
16-495-034-5120-084

State Aid Public Cluster:  
Equalization Aid  
Special Education Categorical Aid  
Security Aid

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

There are none.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE 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 awards and state financial assistance programs, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08.

**Current Year Federal Awards**

There are none.

**Current Year State Financial Assistance**

There are none.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal awards and state financial assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08.

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior-year audit findings.