



**NEWARK PREP CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

**PREPARED BY  
NEWARK PREP CHARTER SCHOOL**

# NEWARK PREP CHARTER SCHOOL

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December 15, 2018

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

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Newark Prep Charter School (the “Charter School” or “Newark Prep”) for the year ended June 30, 2017.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

**1) Reporting Entity and its Services**

The Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

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

The Charter School was one of Newark's newest and most innovative public charter schools. With an inspirational and individualized "blended learning" approach, the Charter School provides engaging and personalized learning opportunities for the students of Newark. Approved by the New Jersey Department of Education to serve students in grades 9–12, the Charter School served 447 students in grades 9 to 12 for the 2016-2017 school year.

*It should be noted that by its letter dated February 28, 2017, NJDOE revoked the school's charter and directed the Charter School to cease operations as of June 30, 2017.*

**2) Enrollment Outlook**

In its fifth year of operation, Newark Prep Charter School served 447 students in the ninth through twelfth grades.

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

- A high-quality tuition-free education.
- A rigorous college-prep and career focused program.
- Instruction matched to each student's individual strengths.
- One-to-one interaction with enthusiastic, passionate New Jersey certified teachers.
- Small class sizes that differ day to day based on student needs.
- Robust catalog of courses, including Honors, AP and electives.
- State-of-the-art facility in a safe, convenient, and easily accessible location.

**3) Economic Condition and Outlook**

The Charter School is located in the City of Newark, which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company.

Newark is the site of the Rutgers University School of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

The City of Newark has been obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of the redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. As our enrollment increases we plan to lease additional facilities at our current location and possibly in surrounding areas in the City.

**4) Major Initiatives**

The Charter School made a commitment to serving all students, especially the highest needs students, and was committed to continuous self-evaluation and improvement in our outreach to the Newark students most in need of a rigorous college-preparatory high school program. Our commitment was evident in all aspects of outreach and our educational programs. School-wide, 87% of our students qualify for free and reduced-price lunch. 19% of the student body was special education students.



**4) Major Initiatives - *continued***

Newark Prep Charter School administered the Scantron Performance Assessment Series twice (Pre/Post) during the school year. The LAL and Math assessments were administered in the fall (September) and in the spring (June). The Scantron Performance Series was a computer adaptive assessment that allowed us to pinpoint the proficiency level of each student with all content being standard based. The Scantron Assessment Scaled Score Data for Newark Prep Charter School using the Decile comparison from fall to spring observed growth from the Scantron National Norm Study (See Appendix A1).

The Student Centric Academic Model used the following supports:

**Academic Coaches-** The coaches monitored the behavior and academics of the students in their flex areas, assists students with their coursework (tutor) and hosts an advisory group. They were also responsible for the daily attendance of all students in their advisory group and supported the content teachers with parent contact.

**Academic Framework-** The blended learning model combined the best of traditional classroom instruction and online learning to maximize the learning potential of each student. The FLEX student learning experience was comprised of advisory, independent K12 work (online/offline), breakout sessions, group projects and FLEX & F.I.T. time.

**Advisory-** A 30-minute period hosted by teachers, coaches and Special Education teachers during which career readiness, social and behavioral issues were discussed. Each advisor was responsible for maintaining updated student advisory documentation and files, planning for advisory lessons in advance and delivering advisory content to the students. The school counselor acted as the major facilitator of the advisory program and curriculum.

**Daily/Weekly Scheduling & Breakout Forums-** The daily/weekly schedules were created during the data meeting and placed in the Drop box. Teachers K-mail the breakout schedules to the students no later than 8am on Monday morning. Students were scheduled for breakout sessions based on their progress in a course and whether they needed additional support. The students received either remediation or enrichment.

**Data meeting-**The data meeting was held weekly and all staff attends. At this time all data was shared and decisions were made about the student needs. In targeted groups, everyone helped the core teachers plan their weekly breakout schedules and discuss the strategies to be used. The core teachers also shared how students were progressing.

4) **Major Initiatives** - *continued*

**F.L.E.X. Center:** The F.L.E.X. Center was the primary learning “hub” of the Flex model. A room needed to be large enough to accommodate large groups of students (75-250, depending on enrollment) who can work independently in their own individual student carrels. Rows of student carrels was organized in a fashion that allowed staff members to move easily around the room and in between rows (without dead ends) to monitor students working in the online curriculum. The room was equipped with a large screen and projector for sharing information and showing presentations, posting announcements, and potentially monitoring student’s questions.

**F.I.T.-(Focused Intervention Time)-** A designated 60 minutes where students worked on addressing deficiencies through the use of enrichment content and assessments on Study Island. This was also the time where teachers, coaches and instructional assistants could work with students either one on one or in small groups up to 5.

**Frequent Assessments-** Utilizing Study Island (online intervention program), core teachers created.

5) **Internal Accounting Controls**

Management of the Charter School was responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The system of internal control was designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

**6) Budgetary Controls**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at period end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made at June 30, 2017.

The year 2016-2017 is our fifth audit period. The Charter School made efforts during the period to thoroughly review its operational processes and procedures in order to prepare for the audit and on maintaining general compliance with sound fiscal practices.

**7) Accounting Systems and Report**

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

The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statements", Note 1.

8) **Financial Statement Information**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the year ended June 30, 2017:

**Summary of the General Fund  
and Special Revenue Fund Revenues**

	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Increase/ (Decrease)</b>
Local sources	\$ 1,152,668	\$ 970,162	\$ 182,506	18.8%
State sources	7,355,818	6,379,654	976,164	15.3%
Federal sources	356,522	357,563	(1,041)	-0.3%
	<u>\$ 8,865,008</u>	<u>\$ 7,707,379</u>	<u>\$ 1,157,629</u>	<u>15.0%</u>

2017 was the Charter School's fifth year of operations. The 15% increase in revenue was primarily due to increase in the state aid revenue. However, it should be noted that the school's charter was revoked during the year ended June 30, 2017.

The following schedule presents a summary of general fund and special revenue expenditures for the year ended June 30, 2017:

**Summary of the General Fund  
and Special Revenue Fund Expenditures**

	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>	<b>Percentage Increase/ (Decrease)</b>
Instruction	\$ 3,089,180	\$ 3,285,260	\$ (196,080)	-6.0%
Administrative	2,698,968	1,753,273	945,695	53.9%
Support services	3,078,727	2,543,349	535,378	21.1%
Capital outlay	-	25,321	(25,321)	100.0%
	<u>\$ 8,866,875</u>	<u>\$ 7,607,203</u>	<u>\$ 1,259,672</u>	<u>16.6%</u>

2017 was the Charter School's fifth year of operations. The 16.6% increase in expenditures was due to accruals of all know payables because 2017 was the year the school's charter was revoked.

**9) Cash Management**

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

**10) Risk Management**

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

**11) Other Information**

**Independent Audit**

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, Certified Public Accountants and Consultants.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”.

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

**12) Acknowledgments**

We recognize and appreciate all of the factors that led to the revocation of our charter during our fifth year of operations. I take this opportunity to wish everybody the very best in the future.

Respectively submitted



---

Dr. Brian Falkowski  
Board Secretary/School Business Administrator

**NEWARK PREP CHARTER SCHOOL**  
**ROSTER OF TRUSTEES AND OFFICERS**

**JUNE 30, 2017**

**Members of Board of Trustees**

Adriana Meherji, Board President

Cynthia Williams, Vice President

Stacey Raheem, Trustee

Cyrus Meherji Trustee

**Administration**

Henry D. McNair, Head of School

Dr. Brian S. Falkowski – School Business Administrator

# **NEWARK PREP CHARTER SCHOOL**

## **Consultants and Advisors**

### **Independent Auditors**

Olugbenga Olabintan  
Certified Public Accountants and Consultants  
137 Camden Street, Suite # 3  
Newark, NJ 07103

### **Attorney**

Genova Burns Giantomasi & Webster  
494 Broad Street  
Newark, NJ 07102

### **Official Depository**

City National Bank  
900 Broad Street  
Newark, NJ 07102

### **Dissolution Trustee**

Scott J. Loeffler, CPA  
Dissolution Trustee  
P. O. Box 553  
East Hanover, New Jersey 07936  
(973) 296-7829  
E-Mail: [sloef@aol.com](mailto:sloef@aol.com)



## **Financial Section**

# *Olugbenga Olabintan*

**Certified Public Accountant/Consultant**

137 Camden Street, Suite #3  
Newark, NJ 07103

Tel: (201) 230-7518  
Fax: (973) 368-8268  
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## **Independent Auditors' Report**

The Honorable President and  
Members of the Board of Trustees  
Newark Prep Charter School  
Newark, New Jersey  
County of Essex

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Newark Prep Charter School, (the "Charter School") in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Revocation of Charter***

*The accompanying financial statements have been prepared on the basis that the Charter School ceased academic operations effective June 30, 2017, and will no longer continue as a going concern. Pursuant to State of New Jersey Statutes (N.J.S.A.18A:36A-17 and N.J.A.C 6A:11-2.3(b)) the charter for Newark Prep Charter School was revoked by the New Jersey Commissioner of Education effective June 30, 2017. The factors leading to the charter revocation are fully discussed in Note 19 to this Comprehensive Annual Financial Report. As a consequence of the revocation, the charter school was directed to cease operations.*

## **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, and Pension Information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical tables are presented for purposes of additional analysis and are not required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of*

*Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

*Olugbenga Olabintan, CPA*

December 15, 2018  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



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Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
No. 20CS00230200

## **Required Supplementary Information**

### **Part I**

#### **Management's Discussion and Analysis**

The Management's Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

**NEWARK PREP CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**(Unaudited)**

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## **Introduction**

This section of the Newark Prep Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

## ***Cessation of Operations***

*Pursuant to State of New Jersey Statutes (N.J.S.A.18A:36A-17 and N.J.A.C 6A:11-2.3(b)) the charter for Newark Prep Charter School was revoked by the New Jersey Commissioner of Education effective June 30, 2017. The factors leading to the charter revocation are fully discussed in Note 19 to this Comprehensive Annual Financial Report. As a consequence of the revocation, the charter school was directed to cease operations.*

## **Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- The year ended June 30, 2017 was the Charter School's fifth year of operations. It is pertinent to note that the Charter School's charter was revoked by the New Jersey Commissioner of Education effective June 30, 2017. The factors leading to the charter revocation are fully discussed in Note 19 to this Comprehensive Annual Financial Report. As a consequence of the revocation, the charter school was directed to cease operations.
- Net position of governmental activities ended the fiscal year with \$(670,109). Net position of business-type activities, which represent food service operations/after care and summer instructional programs, ended the fiscal year with \$-0-.
- General revenues accounted for \$8,508,486 in revenue or 95 percent of total revenues of \$8,996,383. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$487,897 or 5 percent of total revenues.
- The Charter School had \$9,424,951 in expenses related to governmental activities; \$356,522 of these expenses is offset by operating grants and contributions. General revenues (primarily federal and state aid) of \$8,427,195 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2017, of \$289,653.

**NEWARK PREP CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**(Unaudited)**

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### **Using the Basic Financial Statements**

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Newark Prep Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Newark Prep Charter School, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities, the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

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

#### **Statement of Net Position and Statements of Activities**

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2017?" The statements of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

**NEWARK PREP CHARTER SCHOOL**  
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**Statement of Net Position and Statement of Activities-continued**

These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

**Governmental Activities** – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

**Business-Type Activity** – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care and summer instructional programs enterprise fund is reported as a business activity.

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

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

**Governmental Funds**

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. 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 statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less 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 the governmental funds are reconciled in the financial statements.



**NEWARK PREP CHARTER SCHOOL**  
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**(Unaudited)**

**Enterprise Fund**

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

**The Charter School as a Whole**

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, liabilities exceeded assets by \$670,109 at the close of 2017. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets and deferred outflows of resources</b>						
Current assets	\$ 1,725,774	\$ 1,401,149	\$ 41,824	\$ 42,757	\$ 1,767,598	\$ 1,443,906
Capital assets, net	-	-	-	-	-	-
Deferred outflows of resources	2,151,554	1,901,354	-	-	2,151,554	1,901,354
Total assets and deferred outflows of resources	<u>3,877,328</u>	<u>3,302,503</u>	<u>41,824</u>	<u>42,757</u>	<u>3,919,152</u>	<u>3,345,260</u>
<b>Liabilities and deferred outflows of resources:</b>						
Current liabilities	1,436,121	1,028,338	41,824	42,757	1,477,945	1,071,095
Long term liabilities	3,111,316	2,266,597	-	-	3,111,316	2,266,597
Deferred outflows of resources	-	36,443	-	-	-	36,443
Total liabilities and deferred inflows of resources	<u>4,547,437</u>	<u>3,331,378</u>	<u>41,824</u>	<u>42,757</u>	<u>4,589,261</u>	<u>3,374,135</u>
<b>Net position</b>						
Invested in Capital assets (net of related debt)	-	-	-	-	-	-
Restricted for charter escrow	75,000	75,000	-	-	75,000	75,000
Unrestricted	(745,109)	(103,875)	-	-	(745,109)	(103,875)
Total net position	<u>\$ (670,109)</u>	<u>\$ (28,875)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (670,109)</u>	<u>\$ (28,875)</u>

**NEWARK PREP CHARTER SCHOOL**  
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**Year Ended June 30, 2017**  
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The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School decreased by \$641,234 during the current fiscal year ended June 30, 2017. The entire decrease is attributable to a deficit of \$641,234 in the General Fund.

The table that follows reflects the change in net position for fiscal year 2017.

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charge for services			\$55	\$17,045	\$55	\$17,045
Operating grants and contributions	\$356,522	\$357,563	-	-	-	-
Total program revenues	356,522	357,563	131,320	173,989	487,842	531,552
General revenues:						
Local aid	1,095,462	966,532	-	-	1,095,462	966,532
Federal and state aid	7,355,818	6,379,654	-	-	7,355,818	6,379,654
Miscellaneous	57,206	3,630	-	-	57,206	3,630
Transfers	(81,291)	(40,777)	81,291	40,777	-	-
Total general revenues	8,427,195	7,309,039	81,291	40,777	8,508,486	7,349,816
Total revenues	8,783,717	7,666,602	212,666	231,811	8,996,383	7,898,413
Expenses:						
Instructions	3,089,180	3,285,260	-	-	3,089,180	3,285,260
Administrative & support services	6,335,771	4,657,531	-	-	6,335,771	4,657,531
Unallocated depreciation	-	25,321	-	-	-	25,321
Food service	-	-	212,666	231,811	212,666	231,811
Total expenses	9,424,951	7,968,112	212,666	231,811	9,637,617	8,199,923
Change in net position	\$ (641,234)	\$ (301,510)	\$ -	\$ -	\$ (641,234)	\$ (301,510)

**NEWARK PREP CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**(Unaudited)**

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**Governmental Activities**

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2017.

	<u><b>Total Cost of Services</b></u>	<u><b>Net Cost of Services</b></u>
Instruction	\$ 3,089,180	\$ 2,953,694
Administrative & support services	6,335,771	6,114,735
Unallocated depreciation	-	-
Total Expenses	<u>\$ 9,424,951</u>	<u>\$ 9,068,429</u>

**Business-Type Activity**

The business-type activity of the Charter School consisted of the food service operation and the after-school program. These programs had revenues of \$212,611 (which included a transfer from the General Fund of \$81,291 to cover deficit) and operating expenses of \$212,611 for fiscal year 2017.

**The Charter School's Funds**

The Charter School's governmental funds were accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$8,865,008 and expenditures of \$8,866,875. The negative change in fund balance for the period reflected the need to accrue for all know payables because of the school's charter revocation effective June 30, 2017.

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

During the course of fiscal 2017, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$8,797,258, which included a local tax levy of \$1,095,462. Expenditures and other financing uses were budgeted at \$7,384,868.

**NEWARK PREP CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

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**The Charter School's Funds - *continued***

The Charter School anticipated budgeted fund balance of \$1,785,201 in its 2016-2017 budget year. General Fund revenues were higher than expenditures by \$1,412,390. Actual revenues and other financing sources were \$8,508,486 and expenditures were \$8,591,644.

The State of New Jersey reimbursed the Charter School \$96,332 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members. The State also paid \$262,199 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions and TPAF Post-Retirement Medical Benefits Contributions for the Charter School. These unbudgeted amounts were included in both revenues and expenditures. This unbudgeted amount was included in both revenues and expenditures.

**Capital Assets**

At the end of year 2017, the Charter School had -0- funds invested in capital assets.

**Long-term Liabilities**

At June 30, 2017, the Charter School had \$3,111,316 and \$2,266,597 at June 30, 2017 and 2015, respectively, in net pension liability regarding the Public Employees Retirement System. More detailed information about the Charter School's long-term obligations is presented in the notes to the financial statements.

**Dissolution Plan**

*Pursuant to State of New Jersey Statutes (N.J.S.A.18A:36A-17 and N.J.A.C 6A:11-2.3(b)) the charter for Newark Prep Charter School was revoked by the New Jersey Commissioner of Education effective June 30, 2017. The factors leading to the charter revocation are fully discussed in Note 19 to this Comprehensive Annual Financial Report. As a consequence of the revocation, the charter school was directed to cease operations. In June 2017, the board of Trustees approved a Dissolution Plan as prescribed by the New Jersey Department of Education. The terms of the Plan call for the complete cessation of all academic activities and the disposition of all capital assets owned by the Charter School including the remaining unexpired term of equipment leases.*

In addition, an independent trustee Scott J. Loeffler, CPA was appointed by the Board to oversee the dissolution including but not limited to, the collection of amounts due the Charter School, payment of outstanding liabilities and expenses owed by the Charter School, assistance with the final audit of the fiscal year ended June 30, 2017 and to issue a report to the Charter School's post June 30, 2017 dissolution activities.

**NEWARK PREP CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

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The financial statements reflect all known adjustments to reflect the cessation of operations effective June 30, 2017. There may be adjustments that could result from the actual outcome of the dissolution that could affect the reported amounts of assets, liabilities, revenue and expenses.

**Furniture, Equipment and Textbooks**

According to the Plan, an inventory of all useable furniture, equipment and textbooks was taken and valued. The Dissolution Trustee sold the furniture, equipment and textbooks which generated revenue of approximately \$96,103 and the entire amount was collected after June 30, 2017.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

**NEWARK PREP CHARTER SCHOOL**  
**Dissolution Trustee**  
**Scott J. Loeffler, CPA**  
**P. O. Box 553**  
**East Hanover, New Jersey 07936**  
**(973) 296-7829**  
**E-Mail: [sloef@aol.com](mailto:sloef@aol.com)**

**School Business Administrator**  
**Dr. Brian Falkowski**  
**School Business Office**  
**10 Centre Drive, Monroe**  
**New Jersey 08831**  
**(732) 631 4009**  
**E-mail: [bfalkowski@sboffice.com](mailto:bfalkowski@sboffice.com)**

## **Basic Financial Statements**

## **Government-wide Financial Statements**

**The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2017.**

## Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 959,435	\$ 21,615	\$ 981,050
Restricted cash and cash equivalents	75,000	-	75,000
Accounts receivable	638,453	20,209	658,662
Prepaid expenses	-	-	-
Interfund receivables	52,886	-	52,886
Capital assets (net of accumulated depreciation of \$25,321)	-	-	-
Total assets	<u>1,725,774</u>	<u>41,824</u>	<u>1,767,598</u>
<b>Deferred outflows of resources</b>			
Pension deferred outflows	<u>2,151,554</u>	<u>-</u>	<u>2,151,554</u>
Total assets and deferred outflows of resources	<u>\$ 3,877,328</u>	<u>\$ 41,824</u>	<u>\$ 3,919,152</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,436,121	\$ -	\$ 1,436,121
Intergovernmental payables - state	-	-	-
Other liabilities	-	-	-
Interfund payable	-	41,824	41,824
Net pension liability	<u>3,111,316</u>	<u>-</u>	<u>3,111,316</u>
Total liabilities	<u>4,547,437</u>	<u>41,824</u>	<u>4,589,261</u>
<b>Deferred inflows of resources</b>			
Pension deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>4,547,437</u>	<u>41,824</u>	<u>4,589,261</u>
<b>Net position</b>			
Restricted for charter school escrow	75,000	-	75,000
Unrestricted, undesignated	<u>(745,109)</u>	<u>-</u>	<u>(745,109)</u>
Total net position	<u>(670,109)</u>	<u>-</u>	<u>(670,109)</u>
Total liabilities & net position	<u>\$ 3,877,328</u>	<u>\$ 41,824</u>	<u>\$ 3,919,152</u>

*See independent auditor's report and accompanying notes to basic financial statements.*



NEWARK PREP CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Regular	\$ 3,089,180	\$ -	\$ 135,486	\$ (2,953,694)	\$ -	\$ (2,953,694)
<b>Administrative &amp; Support services:</b>						
General administration	3,257,044	-	-	(3,257,044)	-	(3,257,044)
Support services	3,078,727	-	221,036	(2,857,691)	-	(2,857,691)
Capital outlay	-	-	-	-	-	-
Unallocated depreciation	-	-	-	-	-	-
Total governmental activities	<u>9,424,951</u>	<u>-</u>	<u>356,522</u>	<u>(9,068,429)</u>	<u>-</u>	<u>(9,068,429)</u>
<b>Business-type activities:</b>						
Food service	212,666	55	131,320	-	(81,291)	(81,291)
Total business-type activities	<u>212,666</u>	<u>55</u>	<u>131,320</u>	<u>-</u>	<u>(81,291)</u>	<u>(81,291)</u>
Total primary government	<u>\$ 9,637,617</u>	<u>\$ 55</u>	<u>\$ 487,842</u>	<u>(9,068,429)</u>	<u>(81,291)</u>	<u>(9,149,720)</u>
<b>General revenues, transfers and special items:</b>						
Local sources				1,095,462	-	1,095,462
Federal and State sources				7,355,818	-	7,355,818
Miscellaneous				57,206	-	57,206
Transfers				(81,291)	81,291	-
Total general revenues, transfers and special items				<u>8,427,195</u>	<u>81,291</u>	<u>8,508,486</u>
Change in net position				(641,234)	-	(641,234)
Net position - beginning				(28,875)	-	(28,875)
Net position - ending				<u>\$ (670,109)</u>	<u>\$ -</u>	<u>\$ (670,109)</u>

See independent auditor's report and accompanying notes to basic financial statements.

## **Funds Financial Statements**

**Governmental Funds**

**NEWARK PREP CHARTER SCHOOL  
Governmental Funds**

**B-1**

**Balance Sheet**

**June 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Totals Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 955,051	\$ 4,384	\$ 959,435
Restricted cash and cash equivalents	75,000	-	75,000
Accounts receivable:	-	-	-
State	99,697	-	99,697
Federal	-	-	-
Other	538,756	-	538,756
Prepaid expenses	-	-	-
Interfund receivable	57,270	-	57,270
<b>Total assets</b>	<b>\$ 1,725,774</b>	<b>\$ 4,384</b>	<b>\$ 1,730,158</b>
<b>Liabilities and Fund Balances</b>			
Interfund payables	\$ -	\$ 4,384	\$ 4,384
Accounts payables	1,436,121	-	1,436,121
Intergovernmental payables - federal	-	-	-
Intergovernmental payables - state	-	-	-
Intergovernmental payables - other	-	-	-
<b>Total liabilities</b>	<b>1,436,121</b>	<b>4,384</b>	<b>1,440,505</b>
<b>Fund balances:</b>			
Restricted for charter school escrow	75,000	-	75,000
Unreserved, undesignated	214,653	-	214,653
<b>Total fund balances</b>	<b>289,653</b>	<b>-</b>	<b>289,653</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,725,774</b>	<b>\$ 4,384</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.

Cost of capital assets	\$ 25,321
Accumulated depreciation	(25,321)
	\$ -

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)

2,151,554

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

-

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(3,111,316)

Net position of governmental activities - A-1

**\$ (670,109)**

*See independent auditor's report and accompanying notes to basic financial statements.*

**NEWARK PREP CHARTER SCHOOL**  
**Governmental Funds**

**B-2**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year ended June 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Local sources:			
Local tax levy	\$ 1,095,462	\$ -	\$ 1,095,462
Miscellaneous	57,206	-	57,206
Total revenues - local sources	1,152,668	-	1,152,668
	-	-	-
Federal sources	-	356,522	356,522
State sources	6,997,287	-	6,997,287
Reimbursed TPAF-Social Security (non-budgeted)	96,332	-	96,332
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	262,199	-	262,199
	-	-	-
Total revenues	8,508,486	356,522	8,865,008
Current expense:			
Instruction	2,953,694	135,486	3,089,180
Administrative	2,340,437	-	2,340,437
Support services	2,857,691	221,036	3,078,727
Capital outlay	-	-	-
Reimbursed TPAF-Social Security (non-budgeted)	96,332	-	96,332
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	262,199	-	262,199
	-	-	-
Total expenditures	8,510,353	356,522	8,866,875
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(1,867)	-	(1,867)
	-	-	-
Other financing sources:			
Transfer to cover food deficit	(81,291)	-	(81,291)
	-	-	-
Excess (deficiency) of revenues over (under) expenditures after other financing sources	(83,158)	-	(83,158)
	-	-	-
Fund balances, beginning of year	372,811	-	372,811
Fund balances, end of year	\$ 289,653	\$ -	\$ 289,653

*See independent auditor's report and accompanying notes to basic financial statements.*

**NEWARK PREP CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**And Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2017**

**B-3**

**Total net change in fund balances - governmental funds (B-2)** \$ (83,158)

**Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:** -

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

	Depreciation expense	\$ (25,321)	
	Capital outlays	<u>25,321</u>	-

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (558,076)

**Change in net position of governmental activities (A-2)** \$ (641,234)

*See independent auditor's report and accompanying notes to basic financial statements.*

## **Proprietary Funds**

**NEWARK PREP CHARTER SCHOOL  
Proprietary Funds**

**B-4**

**Statement of Net Position**

**June 30, 2017**

Assets

Current assets:

Cash and cash equivalents	\$ 21,615
Accounts receivable:	-
Federal	19,951
State	258
Interfund receivable - general fund	-
Total current assets	<u>\$ 41,824</u>

Liabilities

Current liabilities:

Accounts payable	\$ -
Interfund payable - general fund	41,824
Total current liabilities	<u>\$ 41,824</u>

Net position

Unrestricted	-
Total net position	<u><u>\$ -</u></u>

*See independent auditor's report and accompanying notes to basic financial statements.*



**NEWARK PREP CHARTER SCHOOL**  
**Proprietary Funds**

**B-5**

**Statement of Revenues, Expenditures and Changes in Net Position**

**Year ended June 30, 2017**

Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ -
Daily sales - nonreimbursable programs	-
Miscellaneous revenue	55
Total operating revenues	<u>55</u>
Operating expenses:	
Cost of sales - reimbursable programs	174,623
Cost of sales - nonreimbursable programs	-
Salaries	36,135
Employee benefits	-
Professional /technical service	-
Supplies and materials	1,908
Depreciation	-
Miscellaneous	-
Total operating expenses	<u>212,666</u>
Operating income (loss)	<u>(212,611)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	1,844
Federal sources:	
National School Lunch Program	107,963
National School Breakfast Program	20,775
Federal Snacks Program	738
Total nonoperating revenues	<u>131,320</u>
Net income/(loss) before contributions & transfers	(81,291)
Other financing sources:	
Transfer in/(out) - board contribution	81,291
	<u>81,291</u>
Change in net position	-
Total net position-beginning of year	<u>-</u>
Total net position-end of year	<u><u>\$ -</u></u>

*See independent auditor's report and accompanying notes to basic financial statements.*

**NEWARK PREP CHARTER SCHOOL  
Proprietary Fund**

**B-6**

**Statement of Cash Flows**

**Year ended June 30, 2017**

**Cash flows from operating activities**

Operating loss	\$ (212,611)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	7,043
Due to general fund	(933)
Accounts payable	-
Net cash provided by operating activities	<u>(206,501)</u>

**Cash flows from noncapital financing activities**

Cash received from state reimbursements	1,844
Cash received from federal reimbursements	129,476
Operating subsidies and transfers from other funds	81,291
Net cash provided by noncapital financing activities	<u>212,611</u>

**Cash flows from investing activities**

	-
Net decrease in cash and cash equivalents	6,110
Cash and cash equivalents, beginning	15,505
Cash and cash equivalents, ending	<u>\$ 21,615</u>

*See independent auditor's report and accompanying notes to basic financial statements.*

## **Fiduciary Funds**

**NEWARK PREP CHARTER SCHOOL  
Fiduciary Funds**

**B-7**

**Statement of Fiduciary Net Position**

**June 30, 2017**

	<u>Unemployment Insurance Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 84,219	\$ 35,407	\$ 119,626
Total assets	<u>\$ 84,219</u>	<u>\$ 35,407</u>	<u>\$ 119,626</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Interfund payables	\$ -	\$ 11,062	\$ 11,062
Payroll liabilities	-	24,345	24,345
Account payable - due to students group	-	-	-
Total liabilities	<u>-</u>	<u>\$ 35,407</u>	<u>35,407</u>
<b>Net Position</b>			
Total liabilities and net position	<u>84,219</u>		<u>84,219</u>
	<u>\$ 84,219</u>		<u>\$ 119,626</u>

*See independent auditor's report and accompanying notes to basic financial statements.*

NEWARK PREP CHARTER SCHOOL  
Fiduciary Funds

B-8

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2017

	<b><u>Unemployment Compensation</u></b>
Additions:	
Board contributions	\$ 342,288
Employee contributions	-
Total additions	<u>342,288</u>
Deductions:	
Unemployment payments	<u>342,288</u>
Total deductions	<u>342,288</u>
Change in net position	-
Net position, beginning	<u>84,219</u>
Net position, ending	<u><u>\$ 84,219</u></u>

*See independent auditor's report and accompanying notes to basic financial statements.*

## **Notes to Basic Financial Statements**

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**1 Description of the Charter School District and Reporting Entity**

Newark Prep Charter School (the “Charter School” was incorporated in the State of New Jersey on April 7, 2011 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Head of School is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies**

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

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

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

**A Basis of Presentation**

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

**Charter School Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.



**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - continued**

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

**Fund Financial Statements**

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

**B Fund Accounting**

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

**Governmental Funds**

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

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

***Special Revenue Fund*** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.

***Capital Projects Fund*** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2017 there was no Capital Projects Fund.

**Proprietary Funds**

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

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

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

**Fiduciary Funds**

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

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

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

**C Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

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

**Basis of Accounting**

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

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

**D Budgets/Budgetary Control**

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

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

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

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

**E Cash, Cash Equivalent and Investments**

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

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

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

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

**F Short-Term Interfund Receivables/Payables**

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

**G Inventories and Prepaid Expenses**

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

**H Capital Assets**

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

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

<u>Description of Capital Asset</u>	<u>Estimated Lives (Years)</u>
Leasehold improvements	15 or Lease Term
	Whichever is Shorter

**I Compensated Absences**

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

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

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

The Charter School had no compensated absences as of June 30, 2017.

**J Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

**K Deferred Revenue**

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

**L Fund Balance and Equity**

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2011 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

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

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

**M Net Position**

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

**N Management Estimates**

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



**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**2 Summary of Significant Accounting Policies - *continued***

**O On-Behalf Payments**

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

**P New Accounting Standards**

During the prior fiscal year ended June 30, 2015, the Charter School adopted the following GASB statements:

**GASB 68, *Accounting and Financial Reporting for Pensions*** The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**3 Deposits and Investments**

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. As of June 30, 2017, the Charter School’s carrying amount of deposits and investments are as follows:

	General Fund	Special Revenue	Enterprise Funds	Agency Funds	Total
Cash balance	\$ 955,051	\$ 4,384	\$ 21,615	\$ 119,626	\$ 1,100,676
Restricted-Escrow	75,000	-	-	-	75,000
Total	<u>\$ 1,030,051</u>	<u>\$ 4,384</u>	<u>\$ 21,615</u>	<u>\$ 119,626</u>	<u>\$ 1,175,676</u>

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2017, the Charter School’s carrying amount of deposits was \$1,175,676 and the bank balance was \$1,556,285. Of the bank balance, up to a maximum of \$250,000 of the Charter School’s cash deposits on June 30, 2017 were secured by federal deposit insurance and \$1,306,285 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (“GUDPA”).

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**3 Deposits and Investments - *continued***

**Establishment of an Escrow Account**

During the year ended June 30, 2015, the Charter School established and funded a portion of an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required maximum is \$75,000. The Charter School has funded the entire \$75,000. The agreement stipulates that the intended use of the escrow amount is “to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur.”

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

**Category 1-** Insured or collateralized with securities held by the Charter School or by its agent in the Charter School’s name. **Category 2 -** Collateralized with securities held by the pledging public depository’s trust department or agent in the Charter School’s name. **Category 3 -** Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School’s name.

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

**Investments**

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal national Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2017, the Charter School did not hold any investments.

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**4 Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2017:

<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Net Additions (Deletions)</b>	<b>Ending Balance</b>
<b>Capital assets, being depreciated:</b>			
Leasehold improvements	\$ 25,321	\$ -	\$ 25,321
Less accumulated depreciation for:			
Leasehold improvements	(25,321)	-	(25,321)
 Total capital assets net	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

The capital assets were fully depreciated as of the prior year ended June 30, 2016, therefore no depreciation expense was charged for the year ended June 30, 2017.

**5 Lease Obligations**

**Facilities Leases**

The Charter School leases its facilities under the following operating lease agreements:

(a) 590 Broad Street, Newark, New Jersey – a five-year lease through August 31, 2017 covering 56,322 square foot space. During the current year ended June 30, 2017, the amount paid was \$1,336,015. (b) The Charter School also leases several parking spaces under an operating lease agreement on a month-to-month basis. The parking spaces were for the use of its staff. The amount paid under this lease for the year ended June 30, 2017 was \$62,320. (c) It leases a gym facilities for the use of its employees. The amount paid under this lease for the year ended June 30, 2017 was \$197,600.

*These leases were not renewed because of the school's charter revocation as discussed in Note 19.*

**Equipment Leases**

The Charter School leases office equipment under operating lease agreements. The amount paid under this lease for the year ended June 30, 2017 was \$12,759.

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**5 Lease Obligations**

Future minimum lease payments required under the operating leases are as follows:

<b>Year ending June 30:</b>	<b>590 Broad Space</b>	<b>Equipment Lease-Copier</b>	<b>Total</b>
2018	\$ 178,353	\$ -	\$ 178,353
2019 and thereafter	-	-	-
	<u>\$ 178,353</u>	<u>\$ -</u>	<u>\$ 178,353</u>

**6 Pension Plans**

**Description of Plans**

Substantially all of the employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund 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 Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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**6 Pension Plans - *continued***

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

The public Employees' Retirement Systems (PERS) 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 or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

**Defined Contribution Retirement Program (DCRP)**

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

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**6 Pension Plans - *continued***

**Significant Legislation**

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

**Pension Plan Design Changes**

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

**Funding Changes**

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

**COLA Suspension**

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

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**6 Pension Plans – *continued***

**Contribution Requirements - *continued***

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the charter school is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and charter school).

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The Charter School's contribution to PERS for the year ended June 30, 2017 was \$96,348.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$96,332 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also, the State paid \$262,199 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions and TPAF Post-Retirement Medical Benefits Contributions for the Charter School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.



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**7 Pension Plans – GASB 68 Disclosures**

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

*Summary of Significant Accounting Policies*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity.

Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$6,344,032 measured on June 30, 2016 and \$-0- as measured on June 30, 2015.

For the year ended June 30, 2017, the Charter School recognized pension expense of \$64,225 and revenue of \$64,225 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

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**7 Pension Plans – GASB 68 Disclosures - *continued***

**Teachers' Pension and Annuity Fund (TPAF) - *continued***

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

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$ 17,414,701,002	\$ 7,521,378,257
Collective deferred inflows of resources	\$ 134,532,594	\$ 554,399,005
Collective net pension liability (non-employer State of New Jersey)	\$78,666,367,052	\$63,204,270,305
State's portion of the net pension liability that was associated with the Charter School	\$ 6,344,032	\$ -
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.008064%	0.000000%

***Actuarial Assumptions***

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.5%
Salary increases: 2012-2021	Varies based on experience
Salary increases: thereafter	Varies based on experience
Investment rate of return	7.65%

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**7 Pension Plans – GASB 68 Disclosures - *continued***

**Teachers' Pension and Annuity Fund (TPAF) - *continued***

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

Pre-retirement, post retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

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**7 Pension Plans – GASB 68 Disclosures - *continued***

**Teachers’ Pension and Annuity Fund (TPAF) - *continued***

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Heage Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

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**7 Pension Plans – GASB 68 Disclosures - *continued***

**Teachers' Pension and Annuity Fund (TPAF) - *continued***

***Discount Rate***

The discount rate used to measure the State's total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf17.pdf>

***Pension Plan Fiduciary Net Position***

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

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**7 Pension Plans – GASB 68 Disclosures - *continued***

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

***Summary of Significant Accounting Policies***

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

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

At June 30, 2017, the Charter School reported a liability of \$3,111,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2015. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the Charter School's proportion was 0.0105051216% which was an increase of 0.0004080193% over its proportion measured as of June 30, 2015 which was 0.0100971023%.

For the year ended June 30, 2017, the Charter School recognized pension expense of \$651,396. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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**7 Pension Plans – GASB 68 Disclosures - continued**

**Public Employees’ Retirement System (PERS) - continued**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 57,861	\$ -
Changes in assumptions	644,498	-
Net difference between projected and actual earnings on pension plan investments	118,637	-
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	1,330,558	-
Charter School's contributions subsequent to the measurement date	96,348	-
<b>Total</b>	<b>\$ 2,247,902</b>	<b>\$ -</b>

\$96,348 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30:</b>	<b>Pension Expense</b>
2017	\$ 484,403
2018	484,403
2019	561,197
2020	471,488
2021	150,064
Thereafter	-
	<b>\$ 2,151,554</b>

**NEWARK PREP CHARTER SCHOOL**  
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**7 Pension Plans – GASB 68 Disclosures - continued**

**Public Employees’ Retirement System (PERS) - continued**

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 870,133,595	\$ 993,410,455
Collective net pension liability (Non-State Local Group)	\$ 29,617,131,759	\$ 22,447,996,119
Charter School's portion of the net pension liability	\$ 3,111,316	\$ 2,266,597
Charter School's proportion (percentage)	0.01050512%	0.01009710%

***Actuarial Assumptions***

The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation rate	3.08%
Salary increases: through 2026	1.65-4.15% based on age
Salary increases: thereafter	2.65-5.15% based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary’s modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set-back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary’s modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).



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**7 Pension Plans – GASB 68 Disclosures - *continued***

**Public Employees’ Retirement System (PERS) - *continued***

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements. In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	50.00%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

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**7 Pension Plans – GASB 68 Disclosures - *continued***

**Public Employees’ Retirement System (PERS) - *continued***

***Discount Rate***

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2016 and 2015, respectively, calculated using the discount rate of 3.98% and 4.90%, respectively, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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**7 Pension Plans – GASB 68 Disclosures - continued**

**Public Employees’ Retirement System (PERS) - continued**

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

	<b>2016</b>		
	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
Charter School's proportionate share of the pension liability	\$ 3,812,554	\$ 3,111,316	\$ 2,532,382
	<b>2015</b>		
	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
Charter School's proportionate share of the pension liability	\$ 2,817,103	\$ 2,266,597	\$ 1,805,057

***Pension Plan Fiduciary Net Position***

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

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**8 Post Retirement Benefits**

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

As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 (APB) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

**9 Compensated Absences**

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

A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

As of June 30, 2017, Charter School-wide compensated absences amounted to \$-0-

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**10 Deferred Compensation**

The Charter School was in the process of offering its employees a choice of deferred compensation plans created in accordance with Internal Revenue Section 403(b). *However, it should be noted that the school's charter was revoked as of June 30, 2017.*

**11 Economic Dependency**

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

**12 Contingent Liabilities**

The Charter School participated in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

**13 Risk Management**

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

**Property and Liability Insurance** - The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**14 Management Agreement – Educational Products and Services**

An Educational Products and Services Agreement (the “Agreement”) was executed by the Charter School and K12 Classroom LLC (“K12”), a Virginia based corporation. The terms of the Agreement included provision of educational products and services to the Charter School “in furtherance of the Charter School’s mission” The products and services include the proprietary K12 Curriculum, online school and learning management systems, teacher training, recruitment and management, financial and school administration services, technology services for a student account management system and other administrative and technology support services. The Agreement called for the payment of the following fees:

- a. Administrative fee of 15% based on “Program Revenues” which is defined as all revenues and income generated or appropriated for and received by or on behalf of the school as attributed to any student currently in the school or previously in the school, but it is not limited to federal, state and local sources.
- b. Technology services fee of 7% of the Program Revenues as defined above.

The Charter School incurred a total of \$1,091,266 (paid - \$341,266 and accrued \$750,000) in expenditures to K12 during the year ended June 30, 2017.

**15 Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2017 is as follows:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ 57,270	\$ -
Special Revenue Fund	-	4,384
Enterprise Fund	-	41,824
Trust and Agency Fund	-	11,062
	<u>\$ 57,270</u>	<u>\$ 57,270</u>

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**16 Receivables**

Receivables as of June 30, 2017 consisted of accounts, intergovernmental, grants and miscellaneous items. All receivables are considered collectible in full. A summary of the principal items of intergovernmental and other receivables are as follows:

State aid	\$ 99,955
Federal aid	19,951
Other	538,756
Total receivables	<u>\$ 658,662</u>

Subsequent to June 30, 2018, the Dissolution Trustee attempted to collect receivables from the following non-resident districts:

East Orange School District	\$ 69,284
Irvington School District	85,782
Orange School District	8,674
Belleville School District	9,138
Hillside School District	1,355
Total	<u>\$ 174,233</u>

The non-resident districts owing a combined total of \$174,233 in state aid did not respond to the Dissolution Trustee's requests for payments. Therefore, the amounts were not recognized as receivable in the Charter School's financial statements as of June 30, 2017. The Dissolution Trustee intends to enlist the help of the Charter School office in following up with the non-resident districts.

**17 Subsequent Events**

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements except the following:

Pursuant to New Jersey statutes and as a consequence of the charter revocation (discussed in Note 19), the Charter School appointed an independent Dissolution Trustee and the appointment was approved by the New Jersey Department of Education. Subsequent to year end, the Trustee has been working with the Board of the Charter School and the NJDOE in winding down the affairs of the Charter School including orderly liquidation of outstanding liabilities, collection of all receivables and sale of inventory of assets.

The Dissolution Trustee arranged for the auction sale of the Charter School's inventory of furniture, computers and other supplies. The proceeds were received after June 2017.

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**18 Fund Balance Appropriated – General Fund (Exhibit B- 1)**

Of the \$289,653 General Fund balance at June 30, 2017, \$75,000 is reserved for a cash escrow account as required by an agreement with New Jersey Department of Education, \$214,653 is unreserved and undesignated.

**19 Revocation of Charter**

The Charter School opened its doors in 2012 primarily to the students of City of Newark in New Jersey. It was in its fifth year of operation during the year ended June 30, 2017.

As of January 21, 2016, New Jersey Department of Education (NJDOE) placed the Charter School on probation due to several issues including inability to provide a safe, respectful and supportive learning environment for the students of the Charter School. The Charter School was required to prepare and submit a comprehensive remedial action plan to address the severe issues noted by NJDOE.

By its letter dated February 28, 2017, NJDOE noted that the Charter School had previously been placed on probation for academic issues. The letter further noted that the school's academic outcomes had been dismal, with little progress made towards student achievements.

The letter concluded that after a thorough and rigorous review of student achievement data and the school's operations, Newark Prep Charter School had not met the standard for renewal. Newark Prep Charter School was directed to cease operations as of June 30, 2017.

**20 Accounts Payable**

Accounts payable as of June 30, 2017 consisted of the following:

K12 Management Fees	\$ 750,000
Unemployment insurance	317,450
NJ Pension PERS Employer Appropriation Billing - due April 1, 2018	106,349
NJ Pension PERS Employer Appropriation Billing - due April 1, 2019	125,423
Other - vendors	136,899
Total accounts payable	<u>\$ 1,436,121</u>

As of December 15, 2018, the date of this report approximately 75% of the outstanding payables have been liquidated (including the amounts due to K12 and the unemployment insurance).



**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

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**21 Reconciliation of Government-Wide and Fund Financial Statements**

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

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

Fund balance per B-1	\$ 289,653
Pension deferred outflows	2,151,554
Pension deferred inflows	-
Deferred pension liability as of June 30, 2017	<u>(3,111,316)</u>
Net position (per A-1) as of June 30, 2017	<u><u>\$ (670,109)</u></u>

# Required Supplementary Information

## Part II

### Budgetary Comparison

**NEWARK PREP CHARTER SCHOOL  
General Fund**

**C-1**

**Budget Comparison Schedule**

**Year ended June 30, 2017**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Revenues</b>					
Local Sources:					
Local tax levy	\$ 1,095,462	\$ -	\$ 1,095,462	\$ 1,095,462	\$ -
Miscellaneous	-		-	57,206	57,206
<b>Total revenues -local sources</b>	<b>1,095,462</b>	<b>-</b>	<b>1,095,462</b>	<b>1,152,668</b>	<b>57,206</b>
State sources:					
State aid	7,580,223	121,573	7,701,796	6,997,287	(704,509)
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	96,332	96,332
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	-	-	-	262,199	262,199
	<b>7,580,223</b>	<b>121,573</b>	<b>7,701,796</b>	<b>7,355,818</b>	<b>(345,978)</b>
<b>Total revenues</b>	<b>8,675,685</b>	<b>121,573</b>	<b>8,797,258</b>	<b>8,508,486</b>	<b>(288,772)</b>
<b>Expenditures</b>					
Current expense:					
Instruction					
Salaries of teachers	1,604,896	(99,070)	1,505,826	1,307,483	198,343
Other salaries for instruction	394,611	113,966	508,577	461,856	46,721
Purchased professional technical services	771,762	(430,496)	341,266	1,091,266	(750,000)
Other purchased services	63,000	-	63,000	47,698	15,302
General educational supplies	125,000	(76,193)	48,807	26,882	21,925
Textbooks	-	-	-	-	-
Miscellaneous expenses	5,000	13,509	18,509	18,509	-
	<b>2,964,269</b>	<b>(478,284)</b>	<b>2,485,985</b>	<b>2,953,694</b>	<b>(467,709)</b>

**NEWARK PREP CHARTER SCHOOL  
General Fund**

**C-1**

**Budget Comparison Schedule**

**Year ended June 30, 2017**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
Administrative cost:					
Salaries	473,930	98,936	572,866	545,331	27,535
Total benefit costs	756,438	138,043	894,481	1,322,840	(428,359)
Professional /Technical service	542,381	(262,897)	279,484	314,624	(35,140)
Other purchased services	-	507	507	507	-
Communications and Telephones	43,000	24,905	67,905	67,905	-
Supplies and materials	1,500	35,472	36,972	35,002	1,970
Miscellaneous expenses	7,500	46,728	54,228	54,228	-
	<u>1,824,749</u>	<u>81,694</u>	<u>1,906,443</u>	<u>2,340,437</u>	<u>(433,994)</u>
Support services:					
Salaries	370,783	160,098	530,881	527,327	3,554
Purchased prof/tech service	317,000	208,363	525,363	506,480	18,883
Other purchased services	80,000	(54,993)	25,007	24,506	501
Rent on land and buildings	1,323,558	272,377	1,595,935	1,595,935	-
Insurance-fidelity, liability property	46,218	1,037	47,255	47,255	-
Supplies and materials	20,000	(7,265)	12,735	12,215	520
Energy & Utilities	119,120	8,601	127,721	127,721	-
Miscellaneous expenses	5,000	(2,013)	2,987	2,987	-
Transportation other than to/from school	2,000	11,265	13,265	13,265	-
Total support services	<u>2,283,679</u>	<u>597,470</u>	<u>2,881,149</u>	<u>2,857,691</u>	<u>23,458</u>

**NEWARK PREP CHARTER SCHOOL  
General Fund**

**C-1**

**Budget Comparison Schedule**

**Year ended June 30, 2017**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
Capital outlay:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Purchase land/improvements	30,000	-	30,000	-	30,000
Lease purchase - principal	105,000	(105,000)	-	-	-
Miscellaneous expenses	178,141	(178,141)	-	-	-
Total capital outlay	<u>313,141</u>	<u>(283,141)</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	96,332	(96,332)
TPAF pension and post retirement medical	-	-	-	-	-
benefits on-behalf payments (non-budgeted)	-	-	-	262,199	(262,199)
Total expenditures	<u>7,385,838</u>	<u>(82,261)</u>	<u>7,303,577</u>	<u>8,510,353</u>	<u>(1,206,776)</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	1,289,847	203,834	1,493,681	(1,867)	918,004
Other financing sources:					
Transfer to cover food deficit	-	(81,291)	(81,291)	(81,291)	-
Excess (deficiency) of revenues over (under) expenditures before other financing sources	1,289,847	122,543	1,412,390	(83,158)	918,004
Fund balances, beginning of year	<u>372,811</u>	<u>-</u>	<u>372,811</u>	<u>372,811</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,662,658</u>	<u>\$ 122,543</u>	<u>\$ 1,785,201</u>	<u>\$ 289,653</u>	<u>\$ 918,004</u>

**NEWARK PREP CHARTER SCHOOL  
Special Revenue Fund**

C-2

**Budget Comparison Schedule  
Budgetary Basis  
Year ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues</b>					
Federal sources	\$ 356,522	\$ -	\$ 356,522	\$ 356,522	\$ -
Local sources	-	-	-	-	-
Total revenues -all sources	<u>356,522</u>	<u>-</u>	<u>356,522</u>	<u>356,522</u>	<u>-</u>
<b>Expenditures</b>					
Current Expenditures:					
Instruction:					
Salaries of teachers	116,700	-	116,700	116,700	-
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	18,786	-	18,786	18,786	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>135,486</u>	<u>-</u>	<u>135,486</u>	<u>135,486</u>	<u>-</u>
Support services					
Support services salaries	78,841	-	78,841	78,841	-
Employee benefits	50,841	-	50,841	50,841	-
Purchased professional services	83,345	-	83,345	83,345	-
Other purchased services	-	-	-	-	-
Supplies	8,009	-	8,009	8,009	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>221,036</u>	<u>-</u>	<u>221,036</u>	<u>221,036</u>	<u>-</u>
Capital Outlay:					
Facilities acquisition and construction services					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 356,522</u>	<u>\$ -</u>	<u>\$ 356,522</u>	<u>\$ 356,522</u>	<u>\$ -</u>

## Notes to Required Supplementary Information

**NEWARK PREP CHARTER SCHOOL**  
**Note to Required Supplementary Information**  
**Budget to GAAP Reconciliation**

C-3

Year ended June 30, 2017

		General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 8,508,486	
	[C-2]		\$ 356,522
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 8,508,486	\$ 356,522
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 8,510,353	
	[C-2]		\$ 356,522
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 8,510,353	\$ 356,522

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.



**NEWARK PREP CHARTER SCHOOL**

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

	<u>2016</u>	<u>2015</u>	<u>Fiscal Year Ended June 30, 2014</u>	<u>2013</u>
Charter School's proportion of the net pension liability (assets)	0.0105051216%	0.0100971023%	0.0000000000%	0.0000000000%
Charter School's proportionate share of the net pension liability (assets)	<u>3,111,316</u>	<u>2,266,597</u>	<u>-</u>	<u>-</u>
Charter School's covered employee payroll	\$ 741,070	\$ 827,532	\$ 458,446	\$ -
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	419.84%	273.90%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability - local	40.14%	47.93%	52.08%	48.72%

**NOTE:**

While the Charter School implemented the GASB 68 Pension disclosure during the year ended June 30, 2015, the pension reports provided by the New Jersey Division of Pension did not include the proportional share of the Charter School's liabilities for 2013 and 2014. This is because the Charter School was opened in 2012-2013 school-year and was therefore about five years in the plan. The liabilities information will be provided in the ensuing years.

**Note**

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

**NEWARK PREP CHARTER SCHOOL**

**Schedule of the Charter School's Contributions - PERS  
Last Four Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>Fiscal Year Ended June 30, 2014</u>	<u>2013</u>
Contractually required contribution	\$ 96,348	\$ 86,808	\$ -	\$ -
Contribution in relation to the contractually required contribution	<u>(96,348)</u>	<u>(86,808)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 741,070	\$ 827,532	\$ 458,446	\$ -
Contributions as a percentage of covered employee payroll	13.00%	10.49%	0.00%	0.00%

**NOTE:**

While the Charter School implemented the GASB 68 Pension disclosure during the year ended June 30, 2015, the pension reports provided by the New Jersey Division of Pension did not include the proportional share of the Charter School's liabilities for 2013 and 2014. This is because the Charter School was opened in 2012-2013 school-year and was therefore about five years in the plan. The liabilities information will be provided in the ensuing years.

**Note**

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

**NEWARK PREP CHARTER SCHOOL**

**Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF  
Last Four Fiscal Years**

	<u>2016</u>	<u>Fiscal Year Ended June 30,</u> <u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School's proportion of the net pension liability (assets)**	N/A	N/A	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 6,344,032	\$ -	\$ -	\$ -
	-	-	-	-
<b>Total</b>	<u>\$ 6,344,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 1,202,576	\$ 921,594	\$ 688,456	\$ -
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll**	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

**\*\*Note**

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

**Note to Required Supplementary Information**  
**Pension Schedules**  
**Year ended June 30, 2017**

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

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

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

**Teacher's Pension and Annuity Fund (TPAF)**

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

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

## Other Supplementary Information

## School Level Schedules

## Special Revenue Fund

**NEWARK PREP CHARTER SCHOOL**  
**Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures**  
**Budgetary Basis**

**Year ended June 30, 2017**

	<b>Title I 2016-2017</b>	<b>I.D.E.A. 2016-2017</b>	<b>Total</b>
<b>Revenues</b>			
Federal sources	\$ 255,168	\$ 101,354	\$ 356,522
Local sources	-	-	-
Total revenues -all sources	<u>\$ 255,168</u>	<u>\$ 101,354</u>	<u>\$ 356,522</u>
<b>Expenditures</b>			
<b>Instruction</b>			
Salaries of teachers	\$ 116,700	\$ -	\$ 116,700
Purchased Prof. and technical services	-	-	-
Other purchased services	-	-	-
General supplies	8,786	10,000	18,786
Miscellaneous expenditures	-	-	-
Total instruction	<u>125,486</u>	<u>10,000</u>	<u>135,486</u>
<b>Support services</b>			
Support services salaries	78,841	-	78,841
Employee benefits	50,841	-	50,841
Purchased professional services	-	83,345	83,345
Other purchased services	-	-	-
Supplies	-	8,009	8,009
Miscellaneous expenditures	-	-	-
Total support services	<u>129,682</u>	<u>91,354</u>	<u>221,036</u>
<b>Facilities acquisition and construction services</b>			
Instructional equipment	-	-	-
Noninstructional equipment	-	-	-
Construction services	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 255,168</u>	<u>\$ 101,354</u>	<u>\$ 356,522</u>



### Capital Projects Fund

At June 30, 2017, there was no capital project fund.

## Enterprise Fund

**NEWARK PREP CHARTER SCHOOL**  
**Enterprise Funds**

**G-1**

**Combining Statement of Net Position**

**June 30, 2017**

**Assets**

Current assets:

Cash and cash equivalents	\$ 21,615
Accounts receivable:	
Federal	19,951
State	258
Interfund receivable - general fund	-
Total current assets	<u>\$ 41,824</u>

**Liabilities**

Current liabilities:

Accounts payable	\$ -
Interfund payable - general fund	41,824
Total current liabilities	<u>\$ 41,824</u>

**Net position**

Unrestricted	-
Total net position	<u><u>\$ -</u></u>

**NEWARK PREP CHARTER SCHOOL**  
**Enterprise Fund**

**G-2**

**Combining Statement of Revenues, Expenditures and Changes in Net Position**

**Year ended June 30, 2017**

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ -
Daily sales - nonreimbursable programs	-
Miscellaneous revenue	55
Total operating revenues	<u>55</u>
Operating expenses:	
Cost of sales - reimbursable programs	174,623
Cost of sales - nonreimbursable programs	
Salaries	36,135
Employee benefits	-
Professional /technical service	-
Supplies and materials	1,908
Depreciation	-
Miscellaneous	-
Total operating expenses	<u>212,666</u>
Operating income (loss)	<u>(212,611)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	1,844
Federal sources:	-
National School Lunch Program	107,963
National School Breakfast Program	20,775
Federal Snacks Program	738
Total nonoperating revenues	<u>131,320</u>
Net income/(loss) before contributions & transfers	(81,291)
Other financing sources:	
Transfer in/(out) - board contribution	81,291
	<u>81,291</u>
Change in net position	-
Total net position-beginning of year	<u>-</u>
Total net position-end of year	<u>\$ -</u>

**NEWARK PREP CHARTER SCHOOL**  
**Enterprise Fund**

**G-3**

**Statement of Cash Flows**

**Year ended June 30, 2017**

**Cash flows from operating activities**

Operating loss	\$ (212,611)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	7,043
Due to general fund	(933)
Accounts payable	-
Net cash provided by operating activities	<u>6,110</u>

**Cash flows from noncapital financing activities**

Cash received from state reimbursements	1,844
Cash received from federal reimbursements	129,476
Operating subsidies and transfers from other funds	81,291
Net cash provided by noncapital financing activities	<u>212,611</u>

**Cash flows from investing activities**

	-
Net increase in cash and cash equivalents	6,110
Cash and cash equivalents, beginning	15,505
Cash and cash equivalents, ending	<u>\$ 21,615</u>

## Fiduciary Fund

**NEWARK PREP CHARTER SCHOOL  
Fiduciary Funds**

**H-1**

**Combining Statement of Fiduciary Net Position**

**June 30, 2017**

	<u>Unemployment Insurance Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 84,219	\$ 35,407	\$ 119,626
Total assets	<u>\$ 84,219</u>	<u>\$ 35,407</u>	<u>\$ 119,626</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Payroll deductions and withholdings	\$ -	\$ 24,345	\$ 24,345
Interfund payables	-	11,062	11,062
Due to students group	-	-	-
Total liabilities	<u>-</u>	<u>\$ 35,407</u>	<u>\$ 35,407</u>
<b>Net position</b>			
Total liabilities and net position	<u>84,219</u>		<u>84,219</u>
	<u>\$ 84,219</u>		<u>\$ 119,626</u>

NEWARK PREP CHARTER SCHOOL  
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2017

	<b><u>Unemployment Compensation</u></b>
Additions:	
Board contributions	\$ 342,288
Employee contributions	-
Total additions	<u>342,288</u>
Deductions:	
Unemployment payments	<u>342,288</u>
Total deductions	<u>342,288</u>
Change in net position	-
Net position, beginning	<u>84,219</u>
Net position, ending	<u><u>\$ 84,219</u></u>



**NEWARK PREP CHARTER SCHOOL**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**

H-3

Year ended June 30, 2017

	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance July 1, 2017</u>
<b>Assets</b>				
Parent council fund	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NEWARK PREP CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**

H-4

**Year ended June 30, 2017**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>July 1, 2017</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 53,812	\$ 3,319,195	\$ 3,337,600	\$ 35,407
Total assets	<u>\$ 53,812</u>	<u>\$ 3,319,195</u>	<u>\$ 3,337,600</u>	<u>\$ 35,407</u>
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ 26,137	\$ 3,319,195	\$ 3,320,987	\$ 24,345
Interfund payable	27,675	-	16,613	11,062
Total liabilities	<u>\$ 53,812</u>	<u>\$ 3,319,195</u>	<u>\$ 3,337,600</u>	<u>\$ 35,407</u>

Long Term Debt  
At June 30, 2017, there was no long term debt.

**NEWARK PREP CHARTER SCHOOL**  
**Long-Term Debt**  
**Schedule of Obligations Under Renovation Loan**

I-2

Year ended June 30, 2017

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2016</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding July 1, 2017</u>
<b>NONE</b>					
		\$ -	\$ -	\$ -	\$ -

## Statistical Section

**NEWARK PREP CHARTER SCHOOL**  
County of Essex, New Jersey

J-1

**Net Position By Component**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*  
**(Unaudited)**

	<b>Fiscal Year Ended June 30,</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	(745,109)	(103,875)	247,635	292,110	173,315
Total governmental activities net position	<u>\$ (745,109)</u>	<u>\$ (103,875)</u>	<u>\$ 247,635</u>	<u>\$ 292,110</u>	<u>\$ 173,315</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School-wide					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	(745,109)	(103,875)	247,635	292,110	173,315
Total charter school net position	<u>\$ (745,109)</u>	<u>\$ (103,875)</u>	<u>\$ 247,635</u>	<u>\$ 292,110</u>	<u>\$ 173,315</u>

**Notes**

GASB requires that ten year of statistical data be presented. However, only five years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.
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**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-2

**Changes In Net Position**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*  
**(Unaudited)**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Expenses</b>					
Governmental activities					
Instruction					
Regular	\$ 3,089,180	\$ 3,285,260	\$ 2,894,899	\$ 2,574,780	\$ 1,301,870
Support Services:					
General administration	3,257,044	2,154,959	1,833,935	1,213,995	650,184
School administrative services	2,982,395	2,419,244	2,324,468	1,656,275	650,943
On-behalf TPAF/FICA Reimbursements	96,332	83,328	78,766	93,945	41,456
Capital outlay	-	-	-	-	-
Unallocated depreciation	-	25,321	-	-	-
Total governmental activities expenses	<u>9,424,951</u>	<u>7,968,112</u>	<u>7,132,068</u>	<u>5,538,995</u>	<u>2,644,453</u>
Business-type activities:					
Food service	212,666	231,811	296,001	179,158	117,152
Child Care	-	-	-	-	-
Total business-type activities expense	<u>212,666</u>	<u>231,811</u>	<u>296,001</u>	<u>179,158</u>	<u>117,152</u>
Total charter school expenses	<u>\$ 9,637,617</u>	<u>\$ 8,199,923</u>	<u>\$ 7,428,069</u>	<u>\$ 5,718,153</u>	<u>\$ 2,761,605</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Operating grants and contributions	\$ 356,522	\$ 357,563	\$ 550,191	\$ 352,367	\$ 48,684
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>356,522</u>	<u>357,563</u>	<u>550,191</u>	<u>352,367</u>	<u>48,684</u>

County of Essex, New Jersey

Changes In Net Position  
Last Five Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year Ended June 30,				
	2017	2016	2015	2014	2013
Business-type activities:					
Charges for services					
Food service	55	17,045	151	1,333	270
Child care	-	-	-	-	-
Operating grants and contributions	131,320	173,989	124,335	108,980	20,650
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	<u>131,375</u>	<u>191,034</u>	<u>124,486</u>	<u>110,313</u>	<u>20,920</u>
Total charter school program revenues	<u>\$ 487,897</u>	<u>\$ 548,597</u>	<u>\$ 674,677</u>	<u>\$ 462,680</u>	<u>\$ 69,604</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (9,068,429)	\$ (7,610,549)	\$ (6,581,877)	\$ (5,186,628)	\$ (2,595,769)
Business-type activities	(81,291)	(40,777)	(171,515)	(68,845)	(96,232)
Total charter school-wide net expense	<u>\$ (9,149,720)</u>	<u>\$ (7,651,326)</u>	<u>\$ (6,753,392)</u>	<u>\$ (5,255,473)</u>	<u>\$ (2,692,001)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 1,095,462	\$ 966,532	\$ 892,073	\$ 704,199	\$ 347,060
Grants and contributions	7,355,818	6,379,654	5,791,687	4,693,263	2,517,448
Miscellaneous income	57,206	3,630	24,112	1,806	808
Transfers	(81,291)	(40,777)	(170,470)	(68,845)	(96,232)
Total governmental activities	<u>8,427,195</u>	<u>7,309,039</u>	<u>6,537,402</u>	<u>5,330,423</u>	<u>2,769,084</u>
Business-type activities:					
Transfers	81,291	40,777	171,515	68,845	96,232
Total business-type activities	<u>81,291</u>	<u>40,777</u>	<u>171,515</u>	<u>68,845</u>	<u>96,232</u>
Total charter school-wide	<u>\$ 8,508,486</u>	<u>\$ 7,349,816</u>	<u>\$ 6,708,917</u>	<u>\$ 5,399,268</u>	<u>\$ 2,865,316</u>
<b>Change in Net Position</b>					
Governmental activities	\$ (559,943)	\$ (260,733)	\$ 127,040	\$ 212,640	\$ 269,547
Business-type activities	(81,291)	(40,777)	(171,515)	(68,845)	(96,232)
Total charter school	<u>\$ (641,234)</u>	<u>\$ (301,510)</u>	<u>\$ (44,475)</u>	<u>\$ 143,795</u>	<u>\$ 173,315</u>

Notes

GASB requires that ten year of statistical data be presented. However, only five years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.



**NEWARK PREP CHARTER SCHOOL**  
County of Essex, New Jersey

**Fund Balances - Governmental Funds**  
**Last Five Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
General Fund					
Unreserved	\$ 289,653	\$ 372,811	\$ 272,635	\$ 317,110	\$ 173,315
Total general fund	<u>\$ 289,653</u>	<u>\$ 372,811</u>	<u>\$ 272,635</u>	<u>\$ 317,110</u>	<u>\$ 173,315</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Notes**

<p>GASB requires that ten year of statistical data be presented. However, only five years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.</p>
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**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-4

**Changes in Fund Balances - Governmental Funds**  
**Last Five Fiscal Years**  
**(Unaudited)**

<b>Function</b>	<b>Fiscal Year Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>					
Local tax levy	\$ 1,095,462	\$ 966,532	\$ 892,073	\$ 704,199	\$ 347,060
Miscellaneous	57,206	3,630	24,112	1,806	808
State sources	7,093,619	6,238,204	5,791,687	4,693,263	2,517,448
Federal sources	356,522	357,563	550,191	352,367	48,684
<b>Total revenue</b>	<b>8,602,809</b>	<b>7,565,929</b>	<b>7,258,063</b>	<b>5,751,635</b>	<b>2,914,000</b>
<b>Expenditures</b>					
Instruction	3,089,180	3,285,260	2,894,899	2,574,780	1,301,870
Administration	2,436,769	1,611,823	1,833,935	1,213,995	650,184
Support Services	3,160,018	2,543,349	2,573,704	1,819,065	692,399
Capital Outlay	-	25,321	-	-	-
<b>Total expenditures</b>	<b>8,685,967</b>	<b>7,465,753</b>	<b>7,302,538</b>	<b>5,607,840</b>	<b>2,644,453</b>
<b>Net change in fund balances</b>	<b>\$ (83,158)</b>	<b>\$ 100,176</b>	<b>\$ (44,475)</b>	<b>\$ 143,795</b>	<b>\$ 269,547</b>

Source: Charter School's Records

**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-5**

**General Fund Other Local Revenue by Source**  
**Last Five Fiscal Years**  
**(Unaudited)**

<b>Function</b>	<b>Fiscal Year Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Other local revenues					
Miscellaneous	\$ 57,206	\$ 3,630	\$ 24,112	\$ 1,806	\$ 808
	-	-	-	-	-
Total other local revenue	\$ 57,206	\$ 3,630	\$ 24,112	\$ 1,806	\$ 808

Source: Charter School's Records

**NEWARK PREP CHARTER SCHOOL**  
County of Essex, New Jersey

**J-10**

**Ratio of Outstanding Debt By Type**  
**Last Five Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total Charter School	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Anticipation Notes (BANs)	Capital Leases			
2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -

**NO LONG TERM DEBT FOR THE CHARTER SCHOOL**

**Note:** Details regarding the Charter School's outstanding debt can be found in the notes to the financial statements.

**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-14**

**Demographic and Economic Statistics**  
**Last Five Fiscal Years**  
**(Unaudited)**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>County Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2013	277,540	\$ 13,973,861,460	\$ 50,349	15.00%
2014	277,540	\$ 13,973,861,460	\$ 50,349	15.00%
2015	277,540	\$ 13,973,861,460	\$ 50,349	15.00%
2016	277,540	\$ 13,973,861,460	\$ 50,349	15.00%
2017	277,540	\$ 13,973,861,460	\$ 50,349	15.00%

**Source:**

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

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

<sup>c</sup> Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

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

**NEWARK PREP CHARTER SCHOOL  
County of Essex, New Jersey**

**J-15**

**Principal Employers  
Current Year  
(Unaudited)**

<u>Employer</u>	<u>2017</u>		
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airlines	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	<hr/> <u>103,126</u>		<hr/> <u>73.66%</u>

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Paterson-Economy.html>

**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

J-16

**Full-Time Equivalent Charter School Employees by Function/Program**  
**Last Five Fiscal Years**  
**(Unaudited)**

<u>Function/Program</u>	<u>2017</u>	<u>Fiscal Year Ended June 30,</u>			<u>2013</u>
		<u>2016</u>	<u>2015</u>	<u>2014</u>	
Instruction					
Regular	20	20	18	8	8
Special education	5	5	4	-	-
Other instruction	10	10	9	6	6
Support Services:					
General administration	5	5	5	3	3
Other support services	7	7	7	5	5
Total	<u>47</u>	<u>47</u>	<u>43</u>	<u>22</u>	<u>22</u>

**Source:** Charter School Personnel Records

**NEWARK PREP CHARTER SCHOOL**  
County of Essex, New Jersey

J-17

**Operating Statistics**

**Last Five Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures<sup>a</sup></b>	<b>Cost Per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff<sup>b</sup></b>	<b>Pupil/Teacher Ratio</b>	<b>Average Daily Enrollment (ADE)<sup>c</sup></b>	<b>Average Daily Attendance (ADA)<sup>c</sup></b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2013	150	\$ 2,644,453	\$ 17,630	N/A	14	1:4	150.0	143	N/A	95.00%
2014	282	\$ 5,607,840	\$ 19,886	12.80%	27	1:4	282.0	268	88.00%	95.00%
2015	416	\$ 7,302,538	\$ 17,554	-11.73%	31	1:4	416.0	395	47.52%	95.00%
2016	449	\$ 7,440,432	\$ 16,571	-5.60%	35	1:4	449.0	427	7.93%	95.00%
2017	447	\$ 8,685,967	\$ 19,432	17.26%	35	1:4	447.0	425	-0.45%	95.00%

**Sources:** Charter School records

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

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

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance



**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

**School Building Information**  
**Last Five Fiscal Years**  
**(Unaudited)**

	<b>Fiscal Year Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Square Feet	56,322	56,322	56,322	56,322	56,322
Capacity (students)	475	475	475	400	400
Enrollment	447	449	416	282	150

**Source:** Charter School Records

**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-19**

**Schedule of Required Maintenance Expenditures**  
**By School Facility\***  
**Last Five Fiscal Years**  
**(Unaudited)**

2013	\$ 525,085
2014	\$ 1,381,609
2015	\$ 1,934,400
2016	\$ 1,856,865
2017	\$ 2,317,099
	-
Total	\$ 8,015,058

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

Source: Charter School records

**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-20**

**Insurance Schedule**

**June 30, 2017**  
**(Unaudited)**

	<u>Coverage</u>
<b>Commercial General Liability:</b>	
Each Occurrence	\$ 1,000,000
Damage to Rented Premises	100,000
Medical Expense Limit Per Person	5,000
Personal and Adv Injury	1,000,000
General Aggregate	2,000,000
Products - Comp/Op Agg	2,000,000
<b>Excess/Umbrella Liability:</b>	
Each Occurrence	4,000,000
Aggregate	4,000,000
<b>Workers Compension and Employers Liability:</b>	
E.L Each Accident	1,000,000
E.L Disease - EA Employee	1,000,000
E.L Disease - Policy Limit	1,000,000
<b>Directors &amp; Officers Bonds</b>	1,000,000
<b>Property</b>	100,000

**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-21**

**Charter School Performance Framework Financial Indicators**  
**New Term Indicators**

**June 30, 2017**  
**(Unaudited)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 981,050	\$ 996,271	\$ 651,606
Current assets	786,548	447,635	697,996
Capital assets, net	-	-	-
Total assets	1,767,598	1,443,906	1,349,602
Current liabilities	1,477,945	1,071,095	1,076,967
Long term liabilities	-	-	-
Total liabilities	1,477,945	1,071,095	1,076,967
Net position	\$ 289,653	\$ 372,811	\$ 272,635
Total revenue	\$ 8,865,008	\$ 7,707,379	\$ 6,708,917
Total expenses	(8,948,166)	(7,607,203)	(6,753,392)
Change in net position	\$ (83,158)	\$ 100,176	\$ (44,475)

Depreciation expense	\$ -	\$ 25,321	\$ -
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	447	449	416
March 30th budgeted enrollment	450	450	450

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Three Year Cumulative</b>
<b>NEAR TERM INDICATORS:</b>				
Current ratio	1.20	1.35	1.25	3.80
Unrestricted days cash	40.02	47.80	35.22	123.04
Enrollment variance	99%	100%	92%	292%
Default	N/A	N/A	N/A	N/A

Source: Charter School Records

**NEWARK PREP CHARTER SCHOOL**  
**County of Essex, New Jersey**

**J-21**

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

**June 30, 2017**  
**(Unaudited)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 981,050	\$ 996,271	\$ 651,606
Current assets	786,548	447,635	697,996
Capital assets, net	-	-	-
<b>Total assets</b>	<b>1,767,598</b>	<b>1,443,906</b>	<b>1,349,602</b>
Current liabilities	1,477,945	1,071,095	1,076,967
Long term liabilities	-	-	-
<b>Total liabilities</b>	<b>1,477,945</b>	<b>1,071,095</b>	<b>1,076,967</b>
<b>Net position</b>	<b>\$ 289,653</b>	<b>\$ 372,811</b>	<b>\$ 272,635</b>
Total revenue	\$ 8,865,008	\$ 7,707,379	\$ 6,708,917
Total expenses	(8,948,166)	(7,607,203)	(6,753,392)
<b>Change in net position</b>	<b>\$ (83,158)</b>	<b>\$ 100,176</b>	<b>\$ (44,475)</b>
Depreciation expense	\$ -	\$ -	\$ -
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	447	449	416
March 30th budgeted enrollment	450	450	450

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>Three Year Cumulative</b>
<b>SUSTAINABILITY INDICATORS:</b>				
Total margin	-1%	1%	-1%	0%
Debt to asset	N/A	N/A	N/A	N/A
Cash flow	\$ (15,221)	\$ 344,665	\$ 407,351	\$ 736,795
Debt service coverage ratio	N/A	N/A	N/A	N/A

Source: Charter School Records

## Single Audit Section

# *Olugbenga Olabintan*

Certified Public Accountant/Consultant

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K-1

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Chairperson and  
Members of the Board of Trustees  
Newark Prep Charter School  
County of Essex  
Newark, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Newark Prep Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon, dated December 15, 2018.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of 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 the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Olugbenga Olabintan, CPA*

December 15, 2018  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



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Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
No. 20CS00230200



# *Olugbenga Olabintan*

Certified Public Accountant/Consultant

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K-2

## **Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the State of New Jersey OMB's Circular Letter 15-08**

The Honorable Chairperson and  
Members of the Board of Trustees  
Newark Prep Charter School  
County of Essex,  
Newark, New Jersey

### **Compliance**

We have audited the Newark Prep Charter School ("the Charter School"), in the County of Essex, State of New Jersey's ("the Charter School's") compliance with the types of compliance requirements described in the *State of New Jersey Department of Treasury Circular 15-08-OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2017. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Those standards, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Basis for Qualified Opinion on New Jersey State Aid Public – Equalization Aid**

As described in the accompanying schedule of findings and questioned costs, the Charter School did not comply with requirements regarding New Jersey State Aid Public – Equalization Aid, Grant # 17-495-034-5120-078 as described in finding number 2017-001 for eligibility. Compliance with such requirements is necessary, in our opinion, for the Charter School to comply with the requirements applicable to that program.

### **Qualified Opinion on New Jersey State Aid Public – Equalization Aid**

In our opinion, except for the noncompliance described in the basis for Qualified Opinion paragraph, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on New Jersey State Aid Public – Equalization Aid for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Department of Treasury Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of

compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Accordingly, this report is not suitable for any other purpose.

*Olugbenga Olabintan, CPA*

December 15, 2018  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant

A handwritten signature in black ink, appearing to read 'Olugbenga Olabintan', with a long horizontal flourish extending to the right.

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Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
No. 20CS00230200

NEWARK PREP CHARTER SCHOOL  
Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Federal Award Identification Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2016	Deferred Revenue at June 30, 2016	Due to Grantor at June 30, 2016	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2017	Deferred Revenue at June 30, 2017	Due to Grantor at June 30, 2017
<b>Special Revenue Fund:</b>															
<b>U.S. Department of Education:</b>															
<b>Passed-Through State Department of Education</b>															
Title I Part A - FY 2016-2017	84.010A	S010A160030	7/1/16-6/30/17	\$ 255,168	\$ -	\$ -	\$ -	\$ -	\$ 255,168	\$ (255,168)	\$ -	\$ -	\$ -	\$ -	\$ -
IDEA Part B - FY 2016-2017	84.027	H027A160100	7/1/16-6/30/17	101,354	-	-	-	-	101,354	(101,354)	-	-	-	-	-
<b>Total for U.S. Department of Education</b>					<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,522</u>	<u>(356,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Enterprise Fund:</b>															
<b>U.S. Department of Agriculture</b>															
<b>Passed-Through New Jersey Dept of Agriculture</b>															
National School lunch program	10.555	171NJ304N1099	7/1/16-6/30/17	107,963	-	-	-	-	92,842	(107,963)	-	(15,121)	-	-	-
National School lunch program	10.555	16161NJ304N1099	7/1/15-6/30/16	142,434	(22,585)	-	-	-	22,585	-	-	-	-	-	-
National School breakfast program	10.553	171NJ304N1099	7/1/16-6/30/17	20,775	-	-	-	-	16,683	(20,775)	-	(4,092)	-	-	-
National School breakfast program	10.553	16161NJ304N1099	7/1/15-6/30/16	29,068	(4,282)	-	-	-	4,282	-	-	-	-	-	-
National After School Snacks	10.555	171NJ304N1099	7/1/16-6/30/17	738	-	-	-	-	-	(738)	-	(738)	-	-	-
<b>Total Enterprise Fund/Total U.S. Department of Agriculture</b>					<u>(26,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,392</u>	<u>(129,476)</u>	<u>-</u>	<u>(19,951)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>					<u>\$ (26,867)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 492,914</u>	<u>\$ (485,998)</u>	<u>\$ -</u>	<u>\$ (19,951)</u>	<u>\$ -</u>	<u>\$ -</u>

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

NEWARK PREP CHARTER SCHOOL

Schedule of Expenditures of State Awards

Year ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2016	Deferred Revenue at June 30, 2016	Due to Grantor at June 30, 2016	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2017	Deferred Revenue at June 30, 2017	Due to Grantor at June 30, 2017
<b>State Department of Education</b>														
<b>General Fund:</b>														
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 7,511,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,050,271	\$ (7,511,515)	\$ -	\$ (538,756)	\$ -	\$ -
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	6,753,450	(264,006)	-	609,792	-	-	264,006	-	(609,792)	-	-	-
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	236,589	-	-	-	-	-	236,589	(236,589)	-	-	-	-
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	202,587	-	-	-	-	-	202,587	(202,587)	-	-	-	-
State Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	205,958	-	-	-	-	-	142,058	(205,958)	-	(63,900)	-	-
TPAF/FICA Reimbursements	17-495-034-5094-003	7/1/16-6/30/17	96,332	-	-	-	-	-	60,535	(96,332)	-	(35,797)	-	-
TPAF/FICA Reimbursements	16-495-034-5094-003	7/1/15-6/30/16	83,328	(10,944)	-	-	-	-	10,944	-	-	-	-	-
TPAF Post Retirement Medical Contribution	17-495-034-5094-001	7/1/16-6/30/17	118,417	-	-	-	-	-	118,417	(118,417)	-	-	-	-
TPAF Pension Contribution - Normal & NCGI	17-495-034-5094-002	7/1/16-6/30/17	142,118	-	-	-	-	-	142,118	(142,118)	-	-	-	-
TPAF Pension Contribution - Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	1,664	-	-	-	-	-	1,664	(1,664)	-	-	-	-
Total General Fund				(274,950)	-	609,792	-	-	9,229,189	(8,515,180)	(609,792)	(638,453)	-	-
<b>State Department of Agriculture</b>														
<b>Enterprise Fund:</b>														
State School lunch program	17-100-010-3350-023	7/1/16-6/30/17	1,844	-	-	-	-	-	1,586	(1,844)	-	(258)	-	-
State School lunch program	16-100-010-3350-023	7/1/15-6/30/16	2,487	(385)	-	-	-	-	385	-	-	-	-	-
Total Enterprise Fund				(385)	-	-	-	-	1,971	(1,844)	-	(258)	-	-
<b>Total State Financial Assistance</b>				<b>\$ (275,335)</b>	<b>\$ -</b>	<b>\$ 609,792</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,231,160</b>	<b>(8,517,024)</b>	<b>\$ (609,792)</b>	<b>\$ (638,711)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Less Amounts Not Subject to Single Audit:</b>														
TPAF Post Retirement Medical Contribution	17-495-034-5094-001									118,417				
TPAF Pension Contribution - Normal & NCGI	17-495-034-5094-002									142,118				
TPAF Pension Contribution - Long-Term Disability Insurance	17-495-034-5094-003									1,664				
<b>Total Expenditures of State Financial Assistance Subject to Single Audit</b>										<b>\$ (8,254,825)</b>				

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

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**

**Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended June 30, 2017**

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**1. General**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**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 enterprise fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. Relationship to Basic Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made. The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**Year Ended June 30, 2017**

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**3. Relationship to Basic Financial Statements - continued**

Federal awards and state financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 8,515,180	\$ 8,515,180
Special Revenue Fund	356,522	-	356,522
Enterprise Fund	129,476	1,844	131,320
Total	<u>\$ 485,998</u>	<u>\$ 8,517,024</u>	<u>\$ 9,003,022</u>

**4. Relationship to Federal and State Financial Reports**

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

**5. Other Information**

TPAF Social Security contribution in the amount of \$96,332 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance Premium Contributions in the amount of \$262,199 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2017.

**6. On Behalf Programs Not Subject to State Single Audit**

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

**7. De Minimis Indirect Cost**

The Charter School has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Part I Summary of Auditors' Results**

**Financial Statements Section**

Type of auditors' report issued: Modified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes \_\_\_\_\_  No

Significant deficiencies identified? \_\_\_\_\_ Yes \_\_\_\_\_  None reported

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_  No

**Federal Awards:**

*In accordance with the new requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the audit threshold was raised from \$500,000 to \$750,000. Thus, for fiscal years ending after December 26, 2015, organizations that expend less than \$750,000 in federal awards during a year are exempt from the single audit requirement for that year.*

*For the fiscal year ended June 30, 2017, the Charter School was determined to expend less than \$750,000 in federal awards and was therefore exempt from the federal single audit requirements for 2017.*



**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Part I Summary of Auditors' Results**

**State Financial Assistance Section**

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

Auditee qualifies as low-risk auditee? \_\_\_\_\_ Yes  No

Type of auditor's report on compliance for major programs: Modified

Internal control over major programs:

Material weakness(es) identified?  yes \_\_\_\_\_ No

Significant deficiency(cies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circulars 15-08 as applicable? \_\_\_\_\_ Yes  No

Identification of Major Programs:

<u>State Grant/Program Number(s)</u>	<u>Name of State Program or Cluster</u>
17-495-034-5120-078	Equalization Aid
17-495-034-5120-089	Special Education Aid
17-495-034-5120-084	Security Aid
17-495-034-5120-085	State Adjustment Aid

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Part II – Schedule of Financial Statement Findings**

NONE

**NEWARK PREP CHARTER SCHOOL  
(County of Essex)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

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**Part III –Federal Awards Findings and Questioned Cost**

NOT APPLICABLE FOR 2017

**NEWARK PREP CHARTER SCHOOL**  
**(County of Essex)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Part III – State Financial Assistance Findings and Questioned Cost**

**2017-001 – Enrollment Counts Test Work - Limitations**

**Information on State Financial Assistance**

**New Jersey Department of Education**

**Equalization Aid**

**State Grant #: 17-495-034-5120-078**

**Compliance Requirement –Eligibility**

**Material Non-Compliance**

**Material Weakness in Internal Control over Compliance**

*Criteria:*

New Jersey Administrative Code, Title 6A Chapter 6A:23A-15 establishes that charter schools are required to conduct enrollment counts on October 15 and the last day of school year. The annual auditors are required to conduct an audit of the two enrollment counts.

*Condition/Context:*

As part of our audit we were required to conduct an audit of the two enrollment counts – October 15, 2016 and the last day of the school year in June 2017. The enrollment counts audit also included a review of the food program eligibility form for each student. All of the food program eligibility forms were not available for our audit. Further, special education folders for the special education students were not available for our audit. It is pertinent to note that the school's charter was revoked and it ceased operation as of June 30, 2017. This led to the return of all enrollment related documents to the respective resident districts of all students prior to June 30, 2017. Therefore, the documents were not readily available for the audit which was scheduled after June 30, 2017.

*Questioned Costs:*

None

**NEWARK PREP CHARTER SCHOOL  
(County of Essex)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

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**Part III – State Financial Assistance Findings and Questioned Cost**

**2017-001 – Enrollment Counts Test Work – Limitations - *continued***

*Cause:*

The cause is attributable to the non-renewal of the school's charter and the cessation of operation as of June 30, 2017.

*Recommendation:*

None

*Management's Response/Views of Responsible Officials and Planned Corrective Action:*

None

**NEWARK PREP CHARTER SCHOOL  
(County of Essex)  
Summary Schedule of Prior Year Audit Findings  
Year Ended June 30, 2017**

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**There were no prior year's audit findings.**