

HOPE COMMUNITY CHARTER SCHOOL

Camden, New Jersey
County of Camden

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

HOPE COMMUNITY CHARTER SCHOOL

CAMDEN, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by

**Hope Community Charter School
Business Administrator's Office**

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INTRODUCTORY SECTION

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HOPE COMMUNITY CHARTER SCHOOL • CAMDEN, NJ

December 1, 2017

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
County of Camden, New Jersey

Dear Board Members/Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Hope Community Charter School for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Hope Community Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the charter school as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the charter school's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

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

Introductory Section:

Section contains a Letter of Transmittal, Roster of Officials, Consultants and Advisors, and an Organizational Chart.

Financial Section:

Section contains the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information (RSI) and Other Supplementary Information.

Statistical Section:

Section contains selected financial trends, revenue and debt capacity, demographic, economic and other operating information, generally presented on a multi-year basis.



HOPE COMMUNITY CHARTER SCHOOL • CAMDEN, NJ

Single Audit Section:

The Charter School is required to undergo an annual Single Audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB’s Circular 15-08 OMB, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this Single Audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, are included in the Single Audit Section of this report.

REPORTING ENTITY AND ITS SERVICES

The Hope Community Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standard Board (GASB) as established by NCGA Statement No. 3. All funds of the Charter School are included in this report. The Charter School has no component units.

The Charter School provides a full range of educational services appropriate to grade levels K through 4. The Charter School’s enrollment, as of October 14th, for the current and past four fiscal years are detailed below.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	183	-4.69%
2015-2016	192	-4.48%
2014-2015	201	84.40%
2013-2014	109	100.00%

ECONOMIC CONDITION AND OUTLOOK

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general state fund for 2016-17. Nothing was done to compromise the quality of the programs in place in the Charter School during the regular instructional day. The budget was prepared to ensure that all students have textbooks, materials, supplies, equipment and program they need to meet New Jersey’s Core Curriculum Content Standard.

MAJOR INITIATIVES

Hope Community Charter School continues to focus on the school’s mission. Hope Community Charter School’s mission is to provide a safe, caring, literacy rich learning environment that guides and inspires students in building a solid academic foundation. Literacy will be the path to a solid academic foundation by developing, in each student, a highly literate and effective communicator who is self-reflective,



responsible decision-maker. To fulfill this mission, Hope deliberately works to improve instruction and student outcomes by growing and developing our staff, providing new resources and programs for our students and providing remedial instruction when needed.

INTERNAL ACCOUNTING CONTROLS

Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the charter school are protected from loss, theft and misuse and to ensure that adequate accounting data are completed to allow for the preparation of financial statement in conformity with general accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be delivered; and (2) the valuation of costs and benefits require estimates and judgments by management.

As a recipient of federal and state financial assistance, the charter school also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluations by the charter school management.

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

BUDGETARY CONTROLS

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or included as re-appropriations of fund balance in the subsequent year.

ACCOUNTING SYSTEM AND REPORTS

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The Charter School's accounting system is organized on the basis of funds. The funds are explained in "Notes to Financial Statements", Note 1.



HOPE COMMUNITY CHARTER SCHOOL • CAMDEN, NJ

FINANCIAL POLICIES

The intent of the School Board is to ensure that the Charter School manages its budget and finance in a fiscally prudent and responsible way by establishing financial policies for the Budget, Fund Balance and the maintenance of adequate reserves. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of

accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual that is when they become measurable and available. Property taxes, interest and certain General Fund revenues are the significant revenue sources considered susceptible to accrual.

OTHER INFORMATION

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Holman Frenia Allison, P.C., Certified Public Accounts, was appointed by the Board of Education. In addition to meeting the requirements set forth in the State statutes, the audit was also 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*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining statements and related major fund supporting statements and schedules 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.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

School Business Administrator/Board Secretary

HOPE COMMUNITY CHARTER SCHOOL
836 South 4th Street
Camden, New Jersey 08103

ROSTER OF OFFICIALS

JUNE 30, 2017

MEMBERS OF THE BOARD OF TRUSTEES

TERM EXPIRES

Robert Delengowski	Board Chair	2018
Robert Rozzelle	Board Vice Chair	2018
Christian Gallietta	Trustee	2020
David Brady	Trustee	2017

OTHER OFFICIALS

Steven Gilmartin- Board Secretary

Robin Ruiz- Executive Director

Patricia Johnston- Treasurer

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HOPE COMMUNITY CHARTER SCHOOL

836 South 4th Street
Camden, New Jersey 08103

CONSULTANTS AND ADVISORS

ATTORNEY

Capehart & Scatchard
Laurel Corporate Center
8000 Midlantic Drive, Suite 300S
Mount Laurel, New Jersey 08054

AUDIT FIRM

Kevin Frenia, CPA, PSA
Holman Frenia Allison, P. C.
618 Stokes Road
Medford, New Jersey 08055

OFFICIAL DEPOSITORY

BB&T Bank
Camden, NJ

INSURANCE

G.R. Murray Insurance
Princeton, NJ

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FINANCIAL SECTION

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HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
Camden, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hope Community Charter School, County of Camden, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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 Charter School'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 Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hope Community Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are also not a required part of the basic financial statements.

The accompanying combining statements and the Schedule of Expenditures of Federal Awards and 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 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 accompanying combining statements and Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of the Hope Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope Community Charter School's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1101

Medford, New Jersey
December 1, 2017

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

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HOPE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

As management of the Hope Community Charter School, New Jersey (Charter School), we offer readers of the Charter School's financial statements this narrative overview and analysis of the Charter School for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the Charter School's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the Charter School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the Charter School that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund and Special Revenue Fund. Business-type activities reflect the Food Service Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Charter School are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

HOPE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Overview of the Basic Financial Statements (continued)
Fund Financial Statements (continued)

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Charter School maintains two individual governmental funds. The major funds are the General and Special Revenue Funds. They are presented separately in the fund financial statements.

The Charter School adopts an annual appropriated budget for the General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The Charter School maintains one type of proprietary fund – the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The Charter School's one enterprise fund (Food Service Fund) is listed individually and is considered to be a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Charter School's programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Charter School as a Whole

Table 1 provides a summary of the Charter Schools net position for the fiscal years 2017 compared to fiscal year 2016.

HOPE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Financial Analysis of the Charter School as a Whole (continued)

Table 1
Summary of Net Position

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 880,917	\$ 739,648	\$ 141,269	19.10%
Total Assets	<u>880,917</u>	<u>739,648</u>	<u>141,269</u>	19.10%
Deferred Outflow of Resources	<u>23,900</u>	<u>-</u>	<u>23,900</u>	100.00%
Current and other Liabilities	<u>211,179</u>	<u>142,052</u>	<u>69,127</u>	48.66%
Total Liabilities	<u>211,179</u>	<u>142,052</u>	<u>69,127</u>	48.66%
Net Position:				
Restricted	75,000	75,000	-	0.00%
Unrestricted (Deficit)	<u>618,638</u>	<u>522,596</u>	<u>96,042</u>	18.38%
Total Net Position	<u>\$ 693,638</u>	<u>\$ 597,596</u>	<u>\$ 96,042</u>	16.07%

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

Table 2
Summary of Changes in Net Position

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Revenues:				
Program Revenues:				
Operating Grants & Contributions	\$ 796,836	\$ 647,036	\$ 149,800	23.2%
General Revenues:				
Property Taxes	92,824	79,186	13,638	17.2%
Federal & State Aid	2,462,328	2,250,796	211,532	9.4%
Other General Revenues	<u>28,133</u>	<u>27,702</u>	<u>431</u>	1.6%
Total Revenues	<u>3,380,121</u>	<u>3,004,720</u>	<u>375,401</u>	12.5%
Function/Program Expenditures:				
Instruction	1,303,179	1,400,792	(97,613)	-7.0%
Support Services & Undistributed Costs	1,843,292	1,589,926	253,366	15.9%
Capital Outlay	27,856	1,955	25,901	1324.9%
Food Service	<u>109,752</u>	<u>117,645</u>	<u>(7,893)</u>	-6.7%
Total Expenditures	<u>3,284,079</u>	<u>3,110,318</u>	<u>173,761</u>	5.6%
Change In Net Position	96,042	(105,598)	201,640	-191.0%
Net Position - Beginning	<u>597,596</u>	<u>703,194</u>	<u>(105,598)</u>	-15.0%
Net Position - Ending	<u>\$ 693,638</u>	<u>\$ 597,596</u>	<u>\$ 96,042</u>	16.1%

HOPE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Governmental Activities

During the fiscal year 2017, the net position of governmental activities increased by \$92,480 or 15.80%. The primary reason for the increase was the increase in adjustment aid.

The assets and deferred outflows of the primary government activities exceeded liabilities and deferred inflows by \$677,725, with an unrestricted balance of \$602,725.

Business-type Activities

During the fiscal year 2017, the net position of business-type activities increased by \$3,562 or 28.84%.

The assets of the business-type activities exceeded liabilities by \$14,939.

General Fund Budgeting Highlights

Final budgeted revenues was \$2,607,167, which was equal to the original budget. Excluding nonbudgeted revenues, the Charter School's budgeted revenues exceeded actual revenues by \$23,882.

Final budgeted appropriations was \$2,793,627, which was an increase of \$24,999 from the original budget. The increase is primarily due to an increase in capital outlay. Excluding nonbudgeted revenues, the Charter School's budget appropriations exceeded actual expenditures by \$64,996.

The Charter School's general fund balance – budgetary basis (Exhibit C-1) was \$677,725 at June 30, 2017, an increase of \$92,480 from the prior year.

Governmental Funds

At the end of the current fiscal year, the Charter School's governmental funds reported a combined ending fund balance of \$677,725, an increase of \$92,480 from the prior year.

General fund - During the current fiscal year, the fund balance of the Charter School's general fund increased by \$92,480 or 15.80% to \$677,725 at June 30, 2017, compared to decrease of \$(102,881) in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

- Increase in State Aid. The Charter received \$285,888 in adjustment aid in the current year compared to \$0 in the prior year.
- Expenditures increased \$40,215 to \$2,728,631.

Special revenue fund – There was no change in the fund balance for the special revenue fund.

HOPE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Proprietary Funds

Food service fund - During the current fiscal year, the net position of the Charter School's food service fund increased by \$3,562 or 28.84% to \$15,913 at June 30, 2017, compared to a decrease of \$2,717 in fund balance in the prior fiscal year. The primary factor affecting the change in net position of the food service fund is as follows:

- Cost of sales decreased \$4,141 to \$109,752.
- Nonoperating revenues decreased \$1,614 to \$113,314.

Factors on the Charter School's Future

Hope Community Charter School successfully went through their first charter renewal process. The New Jersey Department of Education approved the charter renewal for five years. Hope plans to continue to serve the community and is looking at possibly expanding grades to include grades kindergarten through eighth grade.

Contacting the Charter Schools Financial Management

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

HOPE COMMUNITY CHARTER SCHOOL
836 S. 4th Street
Camden, New Jersey 08103

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BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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HOPE COMMUNITY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	<u>TOTALS</u>
Current Assets:			
Cash	\$ 793,849	\$ -	\$ 793,849
Internal Balances	(185)	185	-
Receivables, Net (Note 3)	56,401	30,667	87,068
Total Current Assets	850,065	30,852	880,917
Total Assets	850,065	30,852	880,917
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	23,900	-	23,900
Total Deferred Outflow of Resources	23,900	-	23,900
Total Assets and Deferred Outflow of Resources	873,965	30,852	904,817
LIABILITIES			
Cash Deficit	-	14,939	14,939
Due to Other Governments	23,900	-	23,900
Accounts Payable	170,240	-	170,240
Unearned Revenue	2,100	-	2,100
Total Liabilities	196,240	14,939	211,179
NET POSITION			
Restricted for:			
Charter School Escrow	75,000	-	75,000
Unrestricted	602,725	15,913	618,638
Total Net Position	\$ 677,725	\$ 15,913	\$ 693,638

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

**HOPE COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Governmental Activities:						
Instruction	\$ 1,303,179	\$ -	\$ 345,515	\$ (957,664)	\$ -	\$ (957,664)
Support Services	842,433	-	100,181	(742,252)	-	(742,252)
Administration	459,356	-	-	(459,356)	-	(459,356)
Unallocated Benefits	407,030	-	103,353	(303,677)	-	(303,677)
On Behalf TPAF Pension and Social Security Contributions	134,473	-	134,473	-	-	-
Capital Outlay	27,856	-	-	(27,856)	-	(27,856)
Total Governmental Activities	3,174,327	-	683,522	(2,490,805)	-	(2,490,805)
Business-Type Activities:						
Proprietary Funds	109,752	-	113,314	-	3,562	3,562
Total Business-Type Activities	109,752	-	113,314	-	3,562	3,562
Total Primary Government	3,284,079	-	796,836	(2,490,805)	3,562	(2,487,243)
General Revenues:						
Property Taxes, Levied for General Purposes				92,824	-	92,824
Federal & State Aid Not Restricted				2,462,328	-	2,462,328
Miscellaneous Income				28,133	-	28,133
Total General Revenues, Special Items, Extraordinary Items & Transfers				2,583,285	-	2,583,285
Change In Net Position				92,480	3,562	96,042
Net Position - Beginning				585,245	12,351	597,596
Net Position - Ending				677,725	15,913	693,638

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

B. Fund Financial Statements

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Governmental Funds

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**HOPE COMMUNITY CHARTER SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
Cash	\$ 657,943	\$ 60,906	\$ 718,849
Interfund Receivables	89,719	-	89,719
Intergovernmental Accounts Receivable	23,713	31,098	54,811
Other Accounts Receivable	1,590	-	1,590
Restricted Cash	75,000	-	75,000
	<hr/>		
Total Assets	\$ 847,965	\$ 92,004	\$ 939,969
	<hr/> <hr/>		
LIABILITIES & FUND BALANCES			
Liabilities:			
Intergovernmental Accounts Payable	\$ 170,240	\$ -	\$ 170,240
Interfund Payable	-	89,904	89,904
Unearned Revenue	-	2,100	2,100
	<hr/>		
Total Liabilities	170,240	92,004	262,244
	<hr/>		
Fund Balances:			
Restricted for:			
Charter School Escrow Reserve	75,000	-	75,000
Unassigned:			
General Fund	602,725	-	602,725
	<hr/>		
Total Fund Balances	677,725	-	677,725
	<hr/>		
Total Liabilities & Fund Balances	\$ 847,965	\$ 92,004	\$ 939,969
	<hr/> <hr/>		

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

**HOPE COMMUNITY CHARTER SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
Revenues:			
Local Sources:			
Local Levy	\$ 92,824	\$ -	\$ 92,824
Miscellaneous	28,133	-	28,133
Total Local Sources	120,957	-	120,957
State Sources	2,700,154	-	2,700,154
Federal Sources	-	445,696	445,696
Total Revenues	2,821,111	445,696	3,266,807
Expenditures:			
Instructional	957,664	345,515	1,303,179
Administration Costs	459,356	-	459,356
Support Services	742,252	100,181	842,433
Unallocated Benefits	541,503	-	541,503
Capital Outlay	27,856	-	27,856
Total Expenditures	2,728,631	445,696	3,174,327
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	92,480	-	92,480
Net Change in Fund Balances	92,480	-	92,480
Fund Balances July 1	585,245	-	585,245
Fund Balances June 30	\$ 677,725	\$ -	\$ 677,725

15.80%

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

**HOPE COMMUNITY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ <u>92,480</u>
There is no difference in amounts reported for governmental activities in the statement of activities (A-2).	
Change in Net Position of Governmental Activities	\$ <u><u>92,480</u></u>

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

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Proprietary Funds

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**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

ASSETS	BUSINESS-TYPE ACTIVITIES - <u>FOOD SERVICE</u>
Accounts Receivable	
State	\$ 398
Federal	30,269
Interfund Receivable	<u>185</u>
Total Assets	<u>30,852</u>
LIABILITIES	
Cash Deficit	<u>14,939</u>
Total Liabilities	<u>14,939</u>
NET POSITION	
Unrestricted	<u>15,913</u>
Total Net Position	<u><u>\$ 15,913</u></u>

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

**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE
Operating Expenses:	
Cost of Sales-Reimbursable	\$ 109,752
Total Operating Expenses	109,752
Operating Income/(Loss)	(109,752)
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	1,409
Federal Sources:	
National School Breakfast Program	28,185
National School Lunch Program	81,484
Healthy Hunger-Free Kids Act	1,537
After School Snacks Program	699
Total Nonoperating Revenues	113,314
Net Income/(Loss)	3,562
Net Position - July 1	12,351
Net Position - June 30	\$ 15,913

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

**HOPE COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE
Cash Flows From Operating Activities:	
Payments to Suppliers & Employees	\$ (109,752)
Net Cash Provided/(Used) by Operating Activities	(109,752)
Cash Flows From Noncapital Financing Activities:	
Cash Received From State & Federal Reimbursements	103,851
Net Cash Provided by Noncapital Financing Activities	103,851
Net Increase/(Decrease) in Cash & Cash Equivalents	(5,901)
Balances - Beginning of Year	(9,038)
Balances - Ending of Year	\$ (14,939)

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

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Fiduciary Fund

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**HOPE COMMUNITY CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

ASSETS	PAYROLL AGENCY FUND
Cash & Cash Equivalents	\$ 18,521
Total Assets	\$ 18,521
LIABILITIES	
Payroll Deductions & Withholdings	\$ 15,226
Accrued Salaries & Wages	3,295
Total Liabilities	\$ 18,521

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

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HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Hope Community Charter School (hereafter referred to as the “Charter School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

The Hope Community Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School is governed by an independent Board of Trustees, which consists of parents, founders, and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School. The Hope Community Charter School has an approximate enrollment at June 30, 2017 of 183 students.

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 whether:

- ◆ the organization is legally separate (can sue or be sued in their own name);
- ◆ the Charter School holds the corporate powers of the organization;
- ◆ the Charter School appoints a voting majority of the organization’s board
- ◆ the Charter School is able to impose its will on the organization;
- ◆ the organization has the potential to impose a financial benefit/burden on the Charter School
- ◆ there is a fiscal dependency by the organization on the Charter School.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14. *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnis – an Amendment of GASB Statements No. 14 and No. 34*. The Charter School had no component units as of for the year ended June 30, 2017.

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting, Measurement Focus and Financial Statement Presentation

The accounts of the Charter School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

The Charter School's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Charter School accompanied by a total column. Fiduciary activities of the Charter School are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Charter School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Charter School are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

B. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The Charter School has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The Charter School's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Charter School, are property tax

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the Charter School. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the Charter School and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The Charter School funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. 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. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Charter School's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Charter School reports the following major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

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 proprietary funds, and local appropriations that are restricted or committed to expenditures for specified purposes.

C. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Charter School reports the following major proprietary fund:

Food Service Fund – The food service fund accounts for the financial transactions related to the food service operations of the Charter School.

D. Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The Charter School’s fiduciary funds are Agency Funds. Agency Funds are used to account for and report assets held by the Charter School as an agent for individuals, private organizations, and other governments. Agency Funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The Charter School reports the following fiduciary funds:

Agency Funds - Agency funds (payroll) are assets held by a governmental entity either as trustee or as an agent for other parties and cannot be used to finance the governmental entities own operating programs.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the New Jersey Department of Education. Budgets 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

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued):

detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C.6:20-2A(m)1*. All budget amendments must be approved by Charter School Board resolution.

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. The budget, as detailed on Exhibit C-1 and C-2, includes all amendments to the adopted budget, if any.

Encumbrances

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

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

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

Cash, Cash Equivalents and Investments

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are considered cash equivalents and stated at cost.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Charter Schools.

N.J.S.A.17:9-41 et. Seq. establishes 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

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

such funds are secured in accordance with 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. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks 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 deposits 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.

For purposes of the statement of cash flows, the Charter School considers all highly liquid investments (including restricted assets) with a maturity when purchased of twelve months or less and all local government investment pools to be cash equivalents

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Charter School is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the governmental funds financial statements are classified into the following five categories, as defined below:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – This classification includes amounts that are constrained by the Charter School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the Charter School's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the Charter School's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – This component of net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – This component of net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the Charter School's financial statements

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the Charter School's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement had no impact on the Charter School's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the Charter School's financial statements.

Recently Issued Accounting Pronouncements

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

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

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*,

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

as amended. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the Charter School's financial statements.

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

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

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the Charter School's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management does not expect this Statement to have a material impact on the Charter School's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the Charter School's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the Charter School's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods

HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the Charter School’s financial statements.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2017, the Charter School’s bank balance of \$851,805 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$ 833,284
Uninsured and Uncollateralized	18,521
	\$ 851,805

Investments

The Charter School had no investments at June 30, 2017.

Note 3. Accounts Receivable

Accounts receivable at June 30, 2017 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the Charter School’s governmental and business-type activities as of June 30, 2017, consisted of the following:

<u>Description</u>	<u>Governmental Funds</u>			<u>Proprietary Funds</u> Food Service Fund	<u>Total</u> Business-Type Activities
	<u>General</u> Fund	<u>Special</u> Revenue Fund	<u>Total</u> Governmental Activities		
Federal Awards	\$ -	\$ 31,098	\$ 31,098	\$ 30,269	\$ 30,269
State Awards	23,713	-	23,713	398	398
Other	1,590	-	1,590	-	-
Total	\$ 25,303	\$ 31,098	\$ 56,401	\$ 30,667	\$ 30,667

HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 4: Interfund Receivables and Payables

Individual fund receivables/payables balances at June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 89,719	\$ -
Special Revenue Fund	-	89,904
Food Service Fund	185	-
	<u>\$ 89,904</u>	<u>\$ 89,904</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 88,912
Special Revenue Fund	88,912	-
	<u>\$ 88,912</u>	<u>\$ 88,912</u>

The purpose of interfunds transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

Note 5. Pension Plans

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 5. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued):

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions- The contribution policy for PERS is set by N.J.S.A 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

B. Teachers' Pension and Annuity Fund (TPAF)

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

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.

The following represents the membership tiers for TPAF:

HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 5: Pension Obligations (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

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

During the year ended June 30, 2017 the State of New Jersey contributed \$-0- to the TPAF for normal and post-retirement benefits on behalf of the Charter School. Also in accordance with *N.J.S.A.18A:66-66* the State of New Jersey reimbursed the Charter School \$103,353 for the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the Basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

Pension Plan Fiduciary Net Position

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

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 6. State Post-Retirement Medical 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.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

Note 7. On-Behalf Payments for Fringe Benefits and Salaries

As previously mentioned, the Charter School receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The Charter School is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2017, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$72,898, \$60,740 and \$835, respectively.

Note 8. Risk Management

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

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

Note 9. Contingencies

State and Federal Grantor Agencies - The Charter School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30,

HOPE COMMUNITY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 9. Contingencies (continued):

2017 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

Litigation – The Charter School is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Charter Schools' attorney that resolution of these matters will not have a material adverse effect on the financial condition of the Charter School.

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 this were to occur, could have an effect on the Charter School's programs and activities.

Note 10. Deferred Compensation

The Charter School offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 11. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. Charter Schools are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the charter school's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the charter school.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

HOPE COMMUNITY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 12. Operating Leases

The Charter School has commitments to a building lease under operating leases for 4 years. Total lease payments made during the year ended June 30, 2017 amounted to \$1,075,808. Future minimum lease payments are as follows:

Fiscal Year Ending <u>June 30,</u>	
2018	\$ 249,600
2019	262,080
2020	275,184
2021	<u>288,944</u>
Total Minimum Lease Payments	<u>\$ 1,075,808</u>

Note 13. Fund Balances

General Fund

A. Charter School Escrow Reserve- In accordance with the New Jersey Charter School agreement, the Charter School has established an escrow that is restricted for the possible costs associated with the dissolution of the charter school. Within five years of the signing of the agreement, the reserve must reach a balance of \$75,000. As of June 30, 2017, the balance of the escrow is \$75,000.

B. Unassigned- As of June 30, 2017, \$602,725 of general fund balance was unassigned.

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REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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**HOPE COMMUNITY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Revenues:						
Local Sources:						
Local Tax Levy	10-1200	\$ 99,141	\$ -	\$ 99,141	\$ 92,824	\$ (6,317)
Miscellaneous	10-1900	-	-	-	28,133	28,133
Total Local Sources		99,141	-	99,141	120,957	21,816
State Sources:						
Special Education Aid	10-3132	94,185	-	94,185	91,244	(2,941)
Equalization Aid	10-3176	2,070,512	-	2,070,512	2,029,890	(40,622)
Security Aid	10-3177	57,441	-	57,441	55,306	(2,135)
Adjustment Aid	10-3190	285,888	-	285,888	285,888	-
Nonbudgeted:						
On-Behalf TPAF Medical Contributions		-	-	-	60,740	60,740
On-Behalf TPAF Pension Contributions		-	-	-	72,898	72,898
On-Behalf TPAF Long-Term Disability Contributions		-	-	-	835	835
Reimbursed TPAF Social Security Contributions		-	-	-	103,353	103,353
Total State Sources		2,508,026	-	2,508,026	2,700,154	192,128
Total Revenues		2,607,167	-	2,607,167	2,821,111	213,944
Expenditures:						
Instruction:						
Salaries of Teachers	11-120-100-101	712,645	(33,671)	678,974	617,135	61,839
Other Salaries for Instruction	11-190-100-106	236,100	-	236,100	221,464	14,636
Purchased Professional - Educational Services	11-190-100-320	32,975	10,691	43,666	43,666	-
Other Purchased Services - (400-500 Series)	11-190-100-500	27,500	(9,441)	18,059	17,284	775
General Supplies	11-190-100-610	62,500	-	62,500	42,957	19,543
Other Objects	11-190-100-800	25,000	-	25,000	15,158	9,842
Total Instruction		1,096,720	(32,421)	1,064,299	957,664	106,635
Learning Disabilities:						
Salaries of Teachers	11-204-100-101	55,132	-	55,132	49,252	5,880
Total Learning Disabilities		55,132	-	55,132	49,252	5,880
Health Services:						
Salaries	11-000-213-100	61,055	-	61,055	59,697	1,358
Supplies	11-000-213-600	5,000	-	5,000	683	4,317
Total Health Services		66,055	-	66,055	60,380	5,675
Child Study Team:						
Salaries	11-000-219-110	18,690	-	18,690	17,944	746
Purchased Professional & Technical Services	11-000-219-320	44,500	8,671	53,171	44,198	8,973
Total Child Study Team		63,190	8,671	71,861	62,142	9,719
Administration:						
Salaries - General Administration	11-000-230-100	351,715	45,720	397,435	372,283	25,152
Purchased Professional & Technical Services	11-000-230-340	59,200	-	59,200	47,760	11,440
Legal Services	11-000-230-331	2,500	-	2,500	276	2,224
Communication/Telephone	11-000-230-530	15,600	-	15,600	4,022	11,578
Other Purchased Services - (400-500Series)	11-000-230-500	36,200	-	36,200	22,950	13,250
Supplies and Materials	11-000-230-610	15,000	-	15,000	11,338	3,662
Miscellaneous	11-000-230-890	2,500	-	2,500	727	1,773
Total Administration		482,715	45,720	528,435	459,356	69,079

**HOPE COMMUNITY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBERS	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Support Services:						
Salaries	11-000-262-100	54,320	4,000	58,320	51,975	6,345
Purchased Professional & Technical Services	11-000-262-300	78,100	(4,000)	74,100	73,528	572
Rent on Land & Buildings	11-000-262-441	237,715	-	237,715	237,715	-
Insurance	11-000-262-520	45,100	-	45,100	43,602	1,498
Supplies and Materials	11-000-262-610	15,000	-	15,000	13,290	1,710
Energy Costs	11-000-262-620	65,000	-	65,000	43,374	21,626
Miscellaneous Expense	11-000-262-890	5,000	-	5,000	267	4,733
Transportation	11-000-270-512	40,000	6,065	46,065	40,230	5,835
Other Purchased Services	11-000-290-500	83,225	(25,026)	58,199	58,199	-
Café Assistant	11-000-310-110	14,500	(6,065)	8,435	8,298	137
Total Support Services		637,960	(25,026)	612,934	570,478	42,456
Unallocated Benefits - Employee Benefits:						
Social Security Contributions	11-000-291-220	100,000	9,182	109,182	109,182	-
PERS Contributions	11-000-291-241	6,000	-	6,000	4,117	1,883
Unemployment Compensation	11-000-291-250	30,000	4,322	34,322	24,782	9,540
Workmen's Compensation	11-000-291-260	55,765	-	55,765	50,509	5,256
Health Benefits	11-000-291-270	145,840	(9,198)	136,642	114,583	22,059
Other Employee Benefits	11-000-291-290	25,000	-	25,000	504	24,496
Total Unallocated Benefits		362,605	4,306	366,911	303,677	63,234
Capital Outlay:						
Land and Improvements	12-000-400-710	4,251	23,749	28,000	27,856	144
Total Capital Outlay		4,251	23,749	28,000	27,856	144
Nonbudgeted:						
On-Behalf TPAF Medical Contributions		-	-	-	60,740	(60,740)
On-Behalf TPAF Pension Contributions		-	-	-	72,898	(72,898)
On-Behalf TPAF Long-Term Disability Contributions		-	-	-	835	(835)
Reimbursed TPAF Social Security Contributions		-	-	-	103,353	(103,353)
Total Expenditures		2,768,628	24,999	2,793,627	2,728,631	64,996
Excess/(Deficiency) of Revenues						
Over/(Under) Expenditures		(161,461)	(24,999)	(186,460)	92,480	278,940
Fund Balances, July 1		246,254	(308,715)	(62,461)	585,245	647,706
Fund Balances, June 30		\$ 84,793	\$ (333,714)	\$ (248,921)	\$ 677,725	\$ 926,646

RECAPITULATION OF FUND BALANCE:

Restricted Fund Balance:	
Escrow Reserve	\$ 75,000
Assigned Fund Balance:	
Reserve for Encumbrances	602,725
Unassigned Fund Balance:	
Total	<u>\$ 677,725</u>

**HOPE COMMUNITY CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

REVENUES	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Federal Sources	\$ 445,696	\$ -	\$ 445,696	\$ 445,696	\$ -
Total Revenues	445,696	-	445,696	445,696	-
EXPENDITURES:					
Instruction:					
Salaries of Teachers	326,908	-	326,908	326,908	-
Purchased Professional - Educational Services	698	-	698	698	-
General Supplies	17,909	-	17,909	17,909	-
Total Instruction	345,515	-	345,515	345,515	-
Support Services:					
Personal Services - Employee Benefits	100,181	-	100,181	100,181	-
Total Support Services	100,181	-	100,181	100,181	-
Total Expenditures	445,696	-	445,696	445,696	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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**HOPE COMMUNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 2,821,111	\$ 445,696
	<u> </u>	<u> </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$ 2,821,111</u>	<u>\$ 445,696</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 2,728,631	\$ 445,696
	<u> </u>	<u> </u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 2,728,631</u>	<u>\$ 445,696</u>

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)
Not Applicable

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**HOPE COMMUNITY CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	TITLE I PART A	TITLE II PART A	TEACHER INCENTIVE FUND	I.D.E.A. PART B BASIC	TOTALS
Revenues:					
Federal Sources	\$ 219,509	\$ 698	\$ 189,115	\$ 36,374	\$ 445,696
Total Revenues	\$ 219,509	\$ 698	\$ 189,115	\$ 36,374	\$ 445,696
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 160,000	\$ -	\$ 138,040	\$ 28,868	\$ 326,908
Purchased Professional Services	-	698	-	-	698
General Supplies	17,909	-	-	-	17,909
Total Instruction	177,909	698	138,040	28,868	345,515
Support Services: Personal Services/ Employee Benefits	41,600	-	51,075	7,506	100,181
Total Support Services	41,600	-	51,075	7,506	100,181
Total Expenditures	\$ 219,509	\$ 698	\$ 189,115	\$ 36,374	\$ 445,696

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F. Capital Projects Fund

Not Applicable

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G. Proprietary Funds
See Exhibits B-4 through B-6

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Enterprise Funds
See Exhibits B-4 through B-6

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Internal Service Fund

Not Applicable

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H. Fiduciary Fund

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**HOPE COMMUNITY CHARTER SCHOOL
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	AGENCY PAYROLL FUND
ASSETS	
Cash & Cash Equivalents	\$ 18,521
Total Assets	18,521
LIABILITIES	
Payroll Deductions & Withholdings	15,226
Accrued Salary & Wages	3,295
Total Liabilities	\$ 18,521

**HOPE COMMUNITY CHARTER SCHOOL
FIDUCIARY FUND
SCHEDULE OF CHANGE IN PAYROLL AGENCY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ASSETS	BALANCE JULY 1, 2016	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2017
Cash & Cash Equivalents	\$ 126,578	\$ 1,946,780	\$ 2,054,837	\$ 18,521
	<u>\$ 126,578</u>	<u>\$ 1,946,780</u>	<u>\$ 2,054,837</u>	<u>\$ 18,521</u>
LIABILITIES				
Net Payroll	\$ -	\$ 1,215,026	\$ 1,215,026	\$ -
Accrued Salaries & Wages	4,682	47,000	48,387	3,295
Payroll Deductions & Withholdings	121,896	684,754	791,424	15,226
Total Liabilities	<u>\$ 126,578</u>	<u>\$ 1,946,780</u>	<u>\$ 2,054,837</u>	<u>\$ 18,521</u>

I. Long-Term Debt

Not Applicable

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STATISTICAL SECTION (Unaudited)

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HOPE COMMUNITY CHARTER SCHOOL
NET POSITION BY COMPONENT
LAST FOUR FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,			
	2017	2016	2015	2014
Governmental Activities:				
Assigned	\$ -	\$ 24,999	\$ 10,210	\$ -
Restricted	75,000	75,000	-	-
Unrestricted	602,725	485,246	667,916	234,473
Total Governmental Activities Net Position	\$ 677,725	\$ 585,245	\$ 678,126	\$ 234,473
Business-Type Activities:				
Unrestricted	\$ 15,913	\$ 12,351	\$ 15,068	\$ 506
Total Business-Type Activities Net Position	\$ 15,913	\$ 12,351	\$ 15,068	\$ 506
Government-Wide:				
Assigned	\$ -	\$ 24,999	\$ 10,210	\$ -
Restricted	75,000	75,000	-	-
Unrestricted	618,638	497,597	692,984	234,979
Total Charter School Net Position	\$ 693,638	\$ 597,596	\$ 703,194	\$ 234,979

**HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST FOUR FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,			
	2017	2016	2015	2014
Expenses:				
Governmental Activities				
Instruction	\$ 1,303,179	\$ 1,400,792	919,627	643,994
Administration	459,356	495,785	369,880	341,603
Support Services	842,433	752,617	775,048	392,059
Unallocated Benefits	407,030	341,524	200,673	37,248
On Behalf TPAF Pension and Social Security Contributions	134,473	-	-	-
Capital Outlay	27,856	1,955	22,602	-
Total Governmental Activities Expenses	<u>3,174,327</u>	<u>2,992,673</u>	<u>2,287,830</u>	<u>1,414,904</u>
Business-Type Activities:				
Food Service	<u>109,752</u>	<u>117,645</u>	<u>113,893</u>	<u>110,119</u>
Total Business-Type Activities Expense	<u>109,752</u>	<u>117,645</u>	<u>113,893</u>	<u>110,119</u>
Total Charter School Expenses	<u>\$ 3,284,079</u>	<u>\$ 3,110,318</u>	<u>\$ 2,401,723</u>	<u>\$ 1,525,023</u>
Program Revenues:				
Governmental Activities:				
Capital Grants & Contributions	<u>\$ 683,522</u>	<u>\$ 532,108</u>	<u>410,766</u>	<u>296,387</u>
Total Governmental Activities Program Revenues	<u>683,522</u>	<u>532,108</u>	<u>410,766</u>	<u>296,387</u>
Business-Type Activities:				
Charges for Services:				
Food Service	-	-	5,761	459
Capital Grants & Contributions	113,314	114,928	122,694	74,271
Transfers	-	-	-	25,895
Total Business Type Activities Program Revenues	<u>113,314</u>	<u>114,928</u>	<u>128,455</u>	<u>100,625</u>
Total Charter School Program Revenues	<u>\$ 796,836</u>	<u>\$ 647,036</u>	<u>\$ 539,221</u>	<u>\$ 397,012</u>
Net/(Expense)/Revenue:				
Governmental Activities	\$ (2,490,805)	\$ (2,460,565)	\$ (1,877,064)	\$ (1,118,517)
Business-Type Activities	<u>3,562</u>	<u>(2,717)</u>	<u>14,562</u>	<u>(9,494)</u>
Total Charter School Net Expense	<u>\$ (2,487,243)</u>	<u>\$ (2,463,282)</u>	<u>\$ (1,862,502)</u>	<u>\$ (1,128,011)</u>

**HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST FOUR FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,			
	2017	2016	2015	2014
General Revenues & Other Changes in Net Position:				
Governmental Activities:				
Property Taxes Levied for General Purposes	\$ 92,824	\$ 79,186	72,474	42,748
Grants & Contributions	2,462,328	2,250,796	2,232,360	1,325,584
Miscellaneous Income	28,133	27,702	25,883	10,553
Transfers	-	-	-	(25,895)
Total Governmental Activities	<u>2,583,285</u>	<u>2,357,684</u>	<u>2,330,717</u>	<u>1,352,990</u>
Total Government-Wide	<u>\$ 2,583,285</u>	<u>\$ 2,357,684</u>	<u>\$ 2,330,717</u>	<u>\$ 1,352,990</u>
Change in Net Position:				
Governmental Activities	\$ 92,480	\$ (102,881)	\$ 453,653	\$ 234,473
Business-Type Activities	3,562	(2,717)	14,562	(9,494)
Total Charter School	<u>\$ 96,042</u>	<u>\$ (105,598)</u>	<u>\$ 468,215</u>	<u>\$ 224,979</u>

Source: Charter School's Records

HOPE COMMUNITY CHARTER SCHOOL
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,			
	2017	2016	2015	2014
General Fund				
Restricted	\$ 75,000	\$ 75,000	\$ -	\$ -
Assigned	-	24,999	10,210	-
Unassigned	602,725	485,246	677,916	234,473
Total General Fund	\$ 677,725	\$ 585,245	\$ 688,126	\$ 234,473

Source: Charter School Records

HOPE COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST FOUR FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014
Revenues:				
Federal	\$ 445,696	\$ 438,730	\$ 349,626	\$ 289,594
State	2,700,154	2,344,174	2,293,500	1,332,377
Local	120,957	106,888	98,357	53,301
Total Revenue	<u>3,266,807</u>	<u>2,889,792</u>	<u>2,741,483</u>	<u>1,675,272</u>
Current Expense:				
Instruction	1,303,179	1,400,792	919,627	629,619
Administrative Services	459,356	495,785	369,880	341,603
Support Services	842,433	752,617	775,048	392,059
Capital Outlay:				
Instructional Equipment	27,856	1,955	22,602	14,375
Unallocated Benefits	541,503	341,524	200,673	37,248
Total Expenditures	<u>3,174,327</u>	<u>2,992,673</u>	<u>2,287,830</u>	<u>1,414,904</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>92,480</u>	<u>(102,881)</u>	<u>453,653</u>	<u>260,368</u>
Net Change in Fund Balances	<u>\$ 92,480</u>	<u>\$ (102,881)</u>	<u>\$ 453,653</u>	<u>\$ 260,368</u>

Source: Charter School Records

EXHIBITS J-5 THROUGH J-13

NOT APPLICABLE

EXHIBIT J-14

**HOPE COMMUNITY CHARTER SCHOOL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST THREE FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME(b)	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2017	N/A	N/A	N/A	N/A
2016	74,420	N/A	N/A	10.10%
2015	75,751	\$3,642,411,084	48,084	11.10%
2014	76,504	3,586,966,544	46,886	12.70%

Source:

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

b Personal income is estimated - population times estimated per capita personal income.

c Per Capita Per County from US Bureau of Economic Analysis

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

EXHIBIT J-15 NOT APPLICABLE

**HOPE COMMUNITY CHARTER SCHOOL
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FOUR FISCAL YEARS**

Function/Program	2017	2016	2015	2014
Number of Classes:				
Kindergarten	2	2	2	3
Grade 1	2	3	3	2
Grade 2	1	3	3	-
Grade 3	2	-	-	-
Grade 4	2	-	-	-
Resource 2, 3, 4	2	-	-	-
	<hr/>			
Total Number of Classes	11	8	8	5
	<hr/> <hr/>			
Full-Time Employees:				
School Director	1	1	1	1
Teachers	22	11	11	6
Special Education Teacher	3	1	1	1
Special Education Coordinator	1	-	-	-
Teacher Aides	2	11	11	6
School Nurse	1	1	1	1
Human Resource/Family Coordinator	1	-	-	-
Custodian	1	-	-	-
Administrative Assistant	2	1	1	1
	<hr/>			
Total Employees	34	26	26	16
	<hr/> <hr/>			
Teacher/Student Ratio	1:7	1:8	1:17	1:17
	<hr/> <hr/>			
Student Count at June 30	177	192	201	101
	<hr/> <hr/>			

Source: Charter School's Personnel Records

**HOPE COMMUNITY CHARTER SCHOOL
OPERATING STATISTICS
LAST THREE FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (d)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2017	183	\$ 2,700,775	\$ 14,758	-11%	28	1:7	186	161	-13%	88%
2016	192	2,551,988	13,292	-38%	27	1:8	190	186	25%	97%
2015	201	1,938,204	9,643	6%	12	1:17	176	149	74%	74%
2014	109	1,118,517	10,262	100%	6	1:17	106	86	100%	100%

Sources: District 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 are obtained from the School Register Summary (SRS)

**HOPE COMMUNITY CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
LAST FOUR FISCAL YEARS**

DISTRICT BUILDING	2017	2016	2015	2014
School Building:				
Square Feet	16,821	16,821	16,821	16,821
Capacity (Students)	320	320	320	320
Enrollment	183	192	201	109

Number of Schools at June 30, 2017:
 School Building - 1

Source: District Facilities Office
Note: Enrollment is based on the annual October District count.

**EXHIBIT J-19
NOT APPLICABLE**

**HOPE COMMUNITY CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2017**

	COVERAGE	DEDUCTIBLE
PROPERTY		
Location #1	\$ 3,977,200	
Location #1 Contents	475,000	
Location #2	1,729,800	
Location #2 Contents	50,000	
Blanket Extra Expense	50,000,000	
Blanket Records	10,000,000	
Flood	25,000,000	\$ 500,000
Earthquake	50,000,000	
Terrorism	1,000,000	
 EDP		
Blanket Hardware/Software	475,000	
Transit	25,000	
Loss of Income	10,000	
 EQUIPMENT		
Property Damage & Business Income	100,000,000	
 CRIME		
Public Employee Dishonesty	250,000	500
Loss of Money	50,000	500
Forgery	250,000	500
Computer Fraud	250,000	500
 GENERAL LIABILITY		
Each Occurrence	16,000,000	
Sexual Abuse	16,000,000	
Personal & Advertising	16,000,000	
Employee Benefits	16,000,000	
Medical Payments	10,000	
 BUSINESS AUTO		
Hired & Non-Owned Auto Liability	16,000,000	
 WORKERS COMPENSATION		
Bodily Injury by Accident	2,000,000	
Bodily Injury by Disease	2,000,000	

Source: District Records

HOPE COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE
FISCAL RATIOS
JUNE 30, 2017

	2015		2016		2017		Source
	Audit		Audit		Audit		
Cash	\$ 630,877	\$	493,619	\$	793,849		Audit: Exhibit A-1
Current Assets	788,164		739,648		880,917		Audit: Exhibit A-1
Total Assets	788,164		739,648		880,917		Audit: Exhibit A-1
Current Liabilities	84,970		142,052		211,179		Audit: Exhibit A-1
Total Liabilities	84,970		142,052		211,179		Audit: Exhibit A-1
Net Position	703,194		597,596		669,738		Audit: Exhibit A-1
Total Revenue	2,869,938		3,004,720		3,380,121		Audit: Exhibit A-2
Total Expenses	2,401,723		3,110,318		3,284,079		Audit: Exhibit A-2
Change in Net Position	468,215		(105,598)		96,042		Audit: Exhibit A-2
Depreciation Expense	-		-		-		Financial Statements/Audit Workpapers
Interest Expense	-		-		-		Financial Statements/Audit Workpapers
Principal Payments	-		-		-		Financial Statements/Audit Workpapers
Interest Payments	-		-		-		Financial Statements/Audit Workpapers
Final Average Daily Enrollment	149		186		161.10		DOE Enrollment Reports
March 30th Budgeted Enrollment	194		178		183		Charter School Budget

RATIOS ANALYSIS...

Near Term Indicators	2015	2016	2017	3 YR CUM	Source
1a. Current Ratio	9.28	5.21	4.17	6.22	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	95.88	57.93	88.23	80.68	Cash/(Total Expenses/365)
1c. Enrollment Variance	77%	104%	88%	90%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	No	No	No	N/A	Audit
Sustainability Indicators					
2a. Total Margin	16%	-4%	3%	0	Change in Net Assets/Total Revenue
2b. Debt to Asset	11%	19%	24%	0	Total Liabilities/Total Assets
2c.** Cash Flow	N/A	(137,258)	300,230	54,324	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes **0**
 ** 2017-2017 Cash-2016 Cash; 2016-2016 Cash-2015 Cash; 2015-2015 Cash-2014 Cash;

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SINGLE AUDIT SECTION

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EXHIBIT 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

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
Camden, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial 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 and business-type activities, each major fund and the aggregate remaining fund information of the Hope Community Charter School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Hope Community Charter School's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weakness as Finding No 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hope Community Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as Finding No's 2017-002 and 2017-003.

We also noted certain administrative findings that we reported to management of the Hope Community Charter School, as described in a separate auditor's management report dated December 1, 2017.

The Hope Community Charter School's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 District'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, and federal and state awarding agencies and pass-through entities, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
December 1, 2017

EXHIBIT K-2

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

Honorable President and Members
of the Board of Trustees
Hope Community Charter School
County of Camden
Camden, New Jersey

Report on Compliance for Each Major State Program

We have audited the Hope Community Charter School’s compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District’s major state programs for the fiscal year ended June 30, 2017. The Hope Community 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Hope Community 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards (Uniform Guidance); *the New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB’s Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Hope Community 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 Hope Community Charter School's compliance.

Opinion on Each Major State Program

In our opinion, Hope Community Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and New Jersey OMB's Circular 15-08 which are described in the accompanying schedule of findings and questioned costs as items Finding No's 2017-002 and 2017-003. Our opinion on each major state program is not modified with respect to these matters.

Hope Community Charter School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hope Community Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Hope Community 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 New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
December 1, 2017

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**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	FEDERAL AWARD IDENTIFICATION NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	ADJUSTMENTS	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2017	UNEARNED REVENUE AT JUNE 30, 2017
U.S. Department of Agriculture												
Passed Through New Jersey Department of Agriculture												
Child Nutrition Cluster:												
School Breakfast Program	10.553	171NJ304N1099	100-010-3350-028	\$ 28,185	7/1/16-6/30/17	\$ -	\$ 21,351	\$ (28,185)	\$ -	\$ -	\$ (6,834)	\$ -
School Breakfast Program	10.553	1616NJ304N1099	100-010-3350-028	30,475	7/1/15-6/30/16	(5,644)	5,644	-	-	-	-	-
National School Lunch Program	10.555	171NJ304N1099	100-010-3350-026	82,183	7/1/16-6/30/17	-	59,182	(82,183)	-	-	(23,001)	-
National School Lunch Program	10.555	1616NJ304N1099	100-010-3350-026	80,550	7/1/15-6/30/16	(15,002)	15,002	-	-	-	-	-
Healthy Hunger Free Kids Act	10.555	171NJ304N1099	100-010-3350-026	1,537	7/1/16-6/30/17	-	1,103	(1,537)	-	-	(434)	-
Healthy Hunger Free Kids Act	10.555	171NJ304N1099	100-010-3350-026	1,564	7/1/15-6/30/16	(291)	291	-	-	-	-	-
Total Child Nutrition Cluster												
Total U.S. Department of Agriculture												
U.S. Department of Education												
Passed Through New Jersey Department of Education												
No Child Left Behind (N.C.L.B.)												
Title I - Part A	84.010	S010A160030	100-034-5064-194	219,509	7/1/16-6/30/17	-	203,393	(219,509)	-	16,116	-	-
Title I - Part A	84.010	S010A150030	100-034-5064-194	243,152	7/1/15-6/30/16	(149,019)	149,019	-	-	-	-	-
Total U.S. Department of Education												
Total Federal Financial Assistance												
U.S. Department of Education												
Passed Through New Jersey Department of Education												
Special Education Cluster:												
Title II - Part A, Supporting Effective Instruction	84.367	S367A160029	100-034-5063-290	698	7/1/16-6/30/17	-	698	(698)	-	-	-	-
Title II - Part A, Supporting Effective Instruction	84.367	S367A150029	100-034-5063-290	1,130	7/1/15-6/30/16	(1,130)	1,130	-	-	-	-	-
Title II - Part A, Supporting Effective Instruction	84.367	S367A140029	100-034-5063-290	962	7/1/13-6/30/14	(962)	-	-	-	962	-	-
Total U.S. Department of Education												
U.S. Department of Education												
Passed Through New Jersey Department of Education												
I.D.E.A. Part B (Special Education Cluster)												
I.D.E.A. Part B, Basic	84.027	H027A160100	100-04-5065-016	36,374	7/1/16-6/30/17	-	36,527	(36,374)	-	(153)	-	-
I.D.E.A. Part B, Basic	84.027	H027A150100	100-04-5065-016	21,758	7/1/15-6/30/16	(20,867)	20,867	-	-	-	-	-
Total U.S. Department of Education												
U.S. Department of Education												
Passed Through New Jersey Department of Education												
Teacher Incentive Fund												
Teacher Incentive Fund	84.374A	S374A120060	N/A	156,880	10/1/12-9/30/17	(9,265)	156,880	(189,115)	-	10,402	(31,098)	-
Charter School Implementation- Phase II	84.282A	U282A10025	N/A	100,000	11/1/14-10/31/15	100	-	-	-	-	-	100
Total U.S. Department of Education												
U.S. Department of Education												
Passed Through New Jersey Department of Education												
Subtotal												
Subtotal						100	-	-	-	-	-	100
Total U.S. Department of Education												
U.S. Department of Education												
Passed Through New Jersey Department of Education												
Total Federal Financial Assistance												
Total Federal Financial Assistance						(181,143)	568,514	(445,696)	-	27,327	(31,098)	100
Total Federal Financial Assistance						\$ (202,080)	\$ 671,087	\$ (557,601)	\$ -	\$ 27,327	\$ (61,367)	\$ 100

HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

GRANT OR STATE PROJECT NUMBER	STATE GRANTOR/PROGRAM TITLE OR CLUSTER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	REPAYMENT OF PRIOR YEARS BALANCE	(ACCOUNTS RECEIVABLE) 2017	UNEARNED REVENUE 2017	DUE TO GRANTOR 2017	MEMO		
												BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
New Jersey Department of Education:														
General Fund:														
495-034-5120-078	State Aid Public:	\$ 2,029,890	7/1/16-6/30/17	\$ -	\$ 2,084,379	\$ (2,029,890)	\$ -	\$ -	\$ (14,124)	\$ -	\$ 68,613	\$ -	\$ -	\$ 2,029,890
495-034-5120-078	Equalization Aid	2,116,532	7/1/15-6/30/16	87,693	13,934	-	-	-	-	-	101,627	-	-	-
495-034-5120-089	Equalization Aid	91,244	7/1/16-6/30/17	-	91,244	(91,244)	-	-	-	-	-	-	-	91,244
495-034-5120-084	Special Education Categorical Aid	55,306	7/1/16-6/30/17	-	55,306	(55,306)	-	-	-	-	-	-	-	55,306
495-034-5120-085	Security Aid	285,888	7/1/16-6/30/17	-	285,888	(285,888)	-	-	-	-	-	-	-	285,888
495-034-5120-085	Adjustment Aid	285,888	7/1/16-6/30/17	-	285,888	(285,888)	-	-	-	-	-	-	-	285,888
Total State Aid Public														
495-034-5094-001	TPAF - Post Retirement Medical (Noncash Assistance)	60,740	7/1/16-6/30/17	-	60,740	(60,740)	-	-	-	-	-	-	-	60,740
495-034-5094-002	TPAF - Pension Contributions (Noncash Assistance)	72,898	7/1/16-6/30/17	-	72,898	(72,898)	-	-	-	-	-	-	-	72,898
495-034-5094-004	TPAF - Long-Term Disability Insurance (Noncash Assistance)	835	7/1/16-6/30/17	-	835	(835)	-	-	-	-	-	-	-	835
495-034-5095-003	Reimbursed TPAF Social Security Contributions	103,353	7/1/16-6/30/17	-	93,764	(103,353)	-	-	(9,589)	-	-	-	-	103,353
495-034-5095-003	Reimbursed TPAF Social Security Contributions	93,378	7/1/15-6/30/16	(14,213)	14,213	-	-	-	-	-	-	-	-	-
Total General Fund														
100-010-3330-023	Enterprise Fund:	1,409	7/1/16-6/30/17	-	1,011	(1,409)	-	-	(398)	-	-	-	-	1,409
100-010-3330-023	National School Lunch Program	1,434	7/1/15-6/30/16	(267)	267	-	-	-	-	-	-	-	-	-
Total Enterprise Fund														
Total State Financial Assistance														
					\$ 73,213	\$ 2,774,479	\$ (2,701,563)	\$ -	\$ -	\$ (24,111)	\$ -	\$ 170,240	\$ -	\$ 2,701,563

State Financial Assistance Programs not subject to Calculation for Major Program Determination:

TPAF - Post Retirement Medical (Noncash Assistance)	\$ 60,740
TPAF - Pension Contributions (Noncash Assistance)	72,898
TPAF - Long-Term Disability Insurance (Noncash Assistance)	835
Total State Financial Assistance subject to Calculation for Major Program Determination	\$ (2,567,090)

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

**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Hope Community Charter School. The Charter School is defined in Note 1 of the 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 New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2. Summary of Significant Accounting Policies

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in this schedule 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* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Charter School did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

Note 3. Relationship to Basic Financial Statements

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

**HOPE COMMUNITY CHARTER SCHOOL
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note 3. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0 for the general fund and \$0 for the special revenue fund. See Exhibit C-3 Note A of the basic financial statements, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures reported in the Charter School's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,700,154	\$ 2,700,154
Special Revenue Fund	445,696	-	445,696
Food Service Fund	<u>111,905</u>	<u>1,409</u>	<u>113,314</u>
Total Awards & Financial Assistance	<u>\$ 557,601</u>	<u>\$ 2,701,563</u>	<u>\$ 3,259,164</u>

Note 4. Relationship to Federal and State Financial Reports

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

Note 5. Federal and State Loans Outstanding

The Hope Community Charter School had no loan balances outstanding at June 30, 2017.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? X yes no

2) Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

SECTION IS N/A - NOT REQUIRED

Internal control over major programs:

1) Material weakness(es) identified? yes no

2) Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

Dollar threshold used to determine Type A programs

Auditee qualified as low-risk auditee? yes no

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding 2017-001

Criteria or specific requirement:

General and subsidiary ledgers should be maintained by the Charter School in accordance with general accepted accounting principles.

Condition:

It was noted during our audit that a proper general and subsidiary ledgers were not properly maintained.

Context:

There was material adjustments needed to properly record the Charter School's operations for the fiscal year.

Effect or potential effect:

The Charter School's records do not accurately reflect the activity for the fiscal year.

Cause:

Lack of oversight by Charter School officials.

Recommendation:

That the Charter School maintain proper general and subsidiary ledgers for all funds.

View of responsible official:

The responsible official agrees with this finding and will address the matter as part of their corrective action plan.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 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's Circular 15-08.

FEDERAL AWARDS

N/A – Federal single audit not required

STATE FINANCIAL ASSISTANCE

Finding 2017-002

Information on the state program:

Equalization Aid, Special Education Categorical Aid, Security Aid, and Adjustment Aid

Criteria or specific requirement:

The Charter School appropriately record State Aid revenue.

Condition:

It was noted during our review of the Board Secretary's records that State Aid revenue was not properly recorded in the General Fund.

Context:

State revenue was not properly recorded in the General Fund.

Questioned Costs:

None.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs
(continued):**

Finding 2017-002 (continued):

Cause:

Lack of oversight by Charter School officials.

Effect or potential effect:

The Charter School risks a reduction in State Aid for failure to comply with state statutes.

Recommendation:

That the Charter School implements controls surrounding the recording of revenue.

View of Responsible Official:

The Charter School management agrees with this finding and will take the appropriate steps to follow this compliance requirement.

Finding 2017-003

Information on the state program:

Equalization Aid, Special Education Categorical Aid, Security Aid, and Adjustment Aid

Criteria or specific requirement:

The Board Secretary must certify monthly that budget appropriations are not over expended.

Condition:

It was noted during our review of the Board Secretary's Records that the Board Secretary was not certifying the report as required by N.J.A.C. 6A:23A-16.10.

Context:

Appropriate internal controls should be in place and followed in order to ensure that monthly board secretary reports are certified as set forth in N.J.A.C. 6A:23A-16.10.

**HOPE COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs
(continued):**

Finding 2017-003 (continued):

Questioned Costs:

Not determinable.

Cause:

Lack of oversight by Charter School officials.

Effect or potential effect:

The Charter School risks a reduction in State Aid for failure to comply with state statutes.

Recommendation:

That the Charter School implement controls that follow guidelines set forth by N.J.A.C. 6A:23A-16.10.

View of Responsible Official:

The Charter School management agrees with this finding and will take the appropriate steps to follow this compliance requirement.

**HOPE COMMUNITY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, 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's Circular 15-08.

Financial Statement Findings

Finding No. 2016-001

Condition:

It was noted during our audit that the Charter School's June net payroll and payroll agency account reconciliations did not reconcile to the Treasurer's Report.

Current Status:

This finding has been corrected.

Federal Awards

N/A – No Federal Single Audit in prior year.

State Financial Assistance

Finding No. 2016-002

Condition:

It was noted during our audit that the employees of the Charter School did not follow policies in relation to travel and reimbursement policies as set forth in N.J.A.C. 6A:23A.

Current Status:

This finding has been corrected.