

**DR. LENA EDWARDS
ACADEMIC CHARTER SCHOOL**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018



SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

DR. LENA EDWARDS
ACADEMIC CHARTER SCHOOL

Dr. Lena Edwards Academic Charter School
Board of Trustees
Jersey City, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Prepared by

*Dr. Lena Edwards Academic Charter School
Finance Department*

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DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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Introductory Section

February 26, 2019

Honorable President and
Members of the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (“CAFR”) of the Dr. Lena Edwards Academic Charter School (“Charter School”) for the fiscal year ended June 30, 2018. As you know, the responsibility for both the accuracy of this data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Dr. Lena Edwards Academic Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Single Audit. The Introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The Financial section includes the general-purpose financial statements and schedules, as well as the auditors’ report thereon. The Statistical section includes selected financial and demographic information generally presented on a multiyear basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Federal Office of Management and Budget (“OMB”) *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (“Uniform Guidance”), and the New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors’ report on the internal control instruction and compliance with applicable laws and regulations, and findings and recommendations, are included in the Single Audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: The Dr. Lena Edwards Academic Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (“GASB”) as established by GASB Statement 14 – *The Financial Reporting Entity*. All funds and account groups of the Charter School are included in this report. Dr. Lena Edwards Academic Charter School and its Board of Trustees, constitute the Charter School’s reporting entity.

The focus of education at the Charter School has always been what is best for the success of the children. With this in mind, the Charter School provides a full range of educational services appropriate to meeting the needs of all students in grades kindergarten through eight during the 2017-2018 school year. Such instructional services include regular education, special education and basic skills programs.

The Charter School ended the 2017-2018 school year with an enrollment of 378 students. The following details that student enrollment:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Average Daily Enrollment</u>
2017-2018	378	378.12

2. ECONOMIC CONDITION AND OUTLOOK: During the year ended June 30, 2018, the Charter School enrolled 378 students in kindergarten through eighth grade for the 2017-2018 school year. The Charter School offers a safe learning environment for students, causing them to look forward to coming to school each day to learn. Staff continue to build relationships with students and parents consistent with the Charter School’s ongoing theme of community. In turn, parents believe in the Charter School and trust that the staff are committed to developing their children to be productive citizens in the 21st century.

In fiscal performance, school funding is somewhat constrained as the Charter School is expanding educational programs and extracurricular activities for students, providing various professional development training for staff; and making improvements to the school building. The Charter School has also taken measures to ensure the profitability of the before-school care and after-school care programs.

It is the goal of the Board of Trustees and staff to move the Charter School to an even higher level, understanding that this move will be a continuous process. They are confident that the Charter School will soon be recognized by the state as a star school.

3. MAJOR INITIATIVES: The Charter School has developed a comprehensive strategic plan to support its mission and vision, and serve as a blueprint for the achievement of its goals. The plan includes objectives, such as pupil achievement as measured by standardized tests and teacher assessment instruments; formal professional development for the certified and noncertified staff; and the implementation of a technology plan in all classrooms.

The Charter School has developed, and is engaged in, the implementation of a Performance Improvement Action Plan; the Plan is designed to strengthen and measure the Charter School's performance in the following six areas:

- (1) curriculum and instruction
- (2) professional development programs
- (3) special services cluster
- (4) effectiveness of school leaders
- (5) Board leadership
- (6) fiscal viability

4. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles of the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) The cost of a control should not exceed the benefits likely to be derived.
- (2) The valuation of costs and benefits requires estimates and judgments by management.

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

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either cancelled or included as reappropriations of the fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2018.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statutes as detailed in “Notes to the Basic Financial Statements” Note 3. The Charter School has adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA” or “Act”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

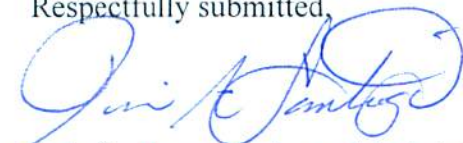
7. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to: general liability, directors’ and officers’ insurance and workers’ compensation.

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent, certified public accountants or registered municipal accountants. The accounting firm of Sobel & Co., LLC, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ report, related specifically to the single audit, is included in the single audit section of this report.

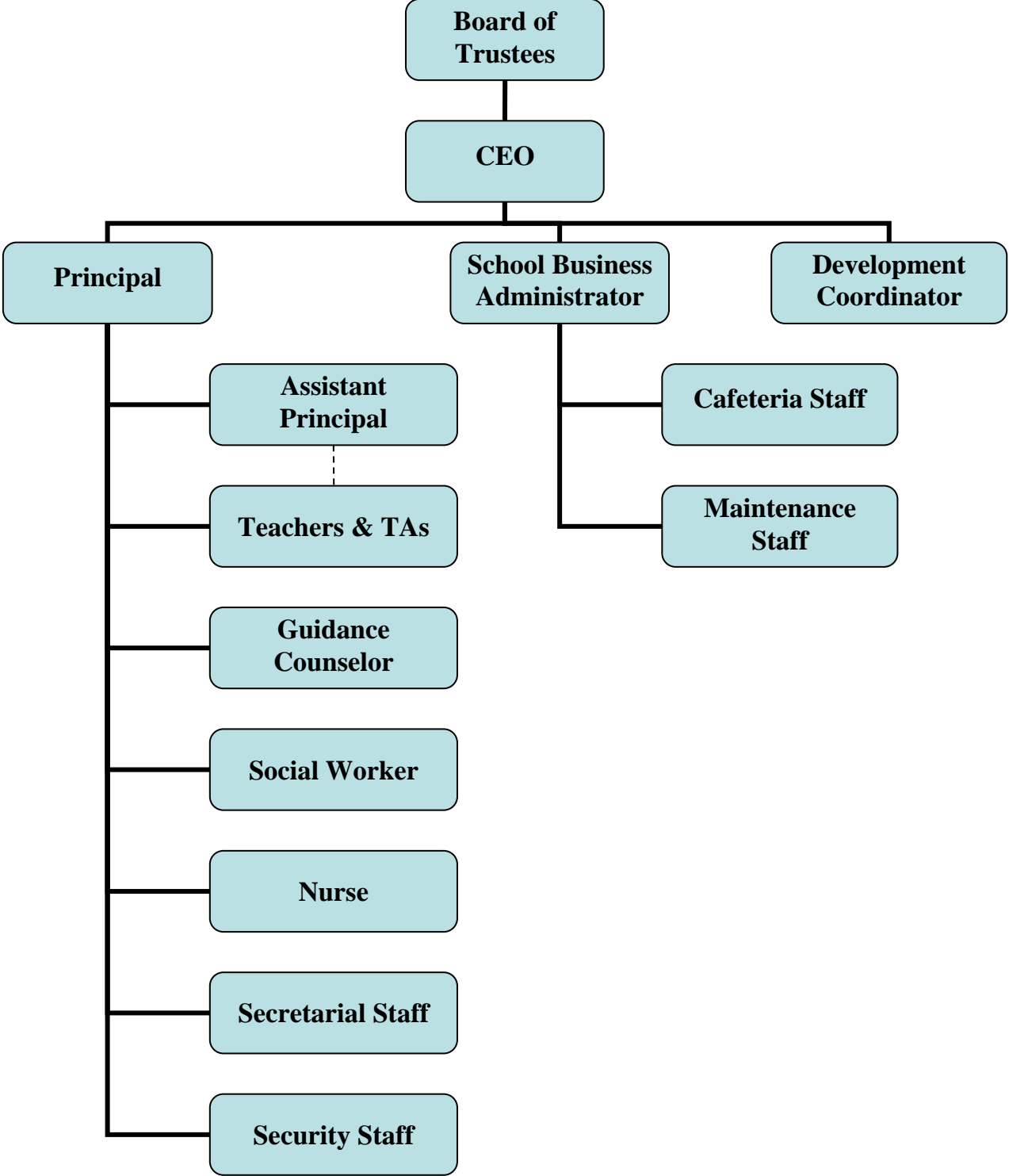
9. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Dr. Lena Edwards Academic Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and, thereby, contributing their full support to the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

Respectfully submitted,



Luis Santiago, Business Administrator

Dr. Lena Edwards Academic Charter School Organizational Chart



DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

**Roster of Officials
June 30, 2018**

MEMBERS OF THE BOARD OF TRUSTEES

Andrew Nyaboga	Board President
Joseph DiFeo	Vice President
Phyllis Fasone	Treasurer
Sondra Edwards Buesing Riley	Member
Ellen Zadroga	Member
John Seazholtz	Member
Richard Irving	Member
Patricia Madison	Member
Yvel Celestin	Member
Eugene Squeo	Member

SCHOOL OFFICIALS

Christopher Garlin	Chief School Administrator
Luis Santiago	School Business Administrator

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

CONSULTANTS AND ADVISORS

Audit Firm

Sobel & Co. LLC
Certified Public Accountants and Consultants
293 Eisenhower Parkway, Suite 290
Livingston, NJ 07039

Attorney

Connell Foley
Port Liberte
23 Chapel Avenue
Jersey City, NJ 07305

Official Depository

Provident Financial Services, Inc.
239 Washington Street
Jersey City, NJ 07302

Financial Section

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and business-type activities; the aggregate, discretely presented, component units; each major fund; and the aggregate, remaining fund information of Dr. Lena Edwards Academic Charter School ("Charter School"), in the county of Hudson, state of New Jersey, as of June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities; business-type activities; the aggregate, discretely presented, component units; each major fund; and the aggregate, remaining fund information of Dr. Lena Edwards Academic Charter School, in the county of Hudson, state of New Jersey, as of June 30, 2018, 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 (pages 14-23) and Budgetary Comparison Schedule on (pages 76-81) 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 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 State of America, which consist of inquiries of management about the method 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 an assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, other supplementary information, such as the combining and individual fund financial statements, and statistical tables are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey Office of Management and Budget Circular Letter 15-08, and are not required parts of the basic financial statements.

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

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

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

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 26, 2019, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Charter School's internal control over financial reporting and compliance.

Bridget Hartnett, CPA
Public School Accountant
License No. 20CS00243300



SOBEL & CO. LLC
Certified Public Accountants

Livingston, New Jersey
February 26, 2019

Required Supplementary Information Part I

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The discussion and analysis of Dr. Lena Edwards Academic Charter School's ("Charter School") financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis section is an element of required supplementary information specified in GASB Statement 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

Financial Highlights

Key financial highlights for 2017-2018 are as follows:

- General revenues accounted for \$6,144,876 or 89% of all revenues. Program-specific revenues, in the form of charges for services, operating grants and contributions, accounted for \$685,499 or 12% of total revenues of \$5,629,342.
- The Charter School had \$6,681,711 in expenses; \$685,499 of these expenses was offset by program-specific charges for services, grants or contributions. The Charter School recorded \$962,827 in GASB Statements No. 68 and No. 75 pension expense and is recorded in the total expenses of \$6,681,711. General revenues of \$5,459,377 were not adequate to provide for these programs.
- Among governmental funds, the General Fund had \$5,459,377 in revenues and \$5,479,553 in expenditures. The General Fund's balance totaled \$91,823.
- During the year the Charter School's enrollment decreased by 7 students, from 385 to 378.

Key financial highlights for 2016-2017 are as follows:

- General revenues accounted for \$4,892,027 or 88% of all revenues. Program-specific revenues, in the form of charges for services, operating grants and contributions, accounted for \$692,513 or 12% of total revenues of \$5,584,540.
- The Charter School had \$6,139,826 in expenses; \$692,513 of these expenses was offset by program-specific charges for services, grants or contributions. The Charter School recorded \$615,929 in GASB Statement No. 68 pension expense and is recorded in the total expenses of \$6,139,826. General revenues of \$4,892,027 were not adequate to provide for these programs.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Financial Highlights (Continued)

- Among governmental funds, the General Fund had \$4,892,027 in revenues and \$4,819,892 in expenditures. The General Fund’s balance totaled \$111,999.
- During the year the Charter School’s enrollment increased by 2 students, from 383 to 385.

Using this Comprehensive Annual Financial Report (“CAFR”)

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

The statement of net position and the statement of activities provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the Charter School’s most significant funds with all other nonmajor funds presented in total in one column. In the case of Dr. Lena Edwards Academic Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Deficit and Statement of Activities

While this document contains a large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, “How did we do financially during 2017-2018?”

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Reporting the Charter School as a Whole (Continued)

Statement of Net Deficit and Statement of Activities (Continued)

Both the statement of net deficit and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Charter School's net deficit and changes in those assets. This change in net deficit is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Nonfinancial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the statement of net deficit and the statement of activities, the Charter School is divided into two kinds of activities:

- Governmental activities - All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- Business-type activities - This service is provided on a charge-for-goods-or-services basis to recover all the expenses of the goods or services provided. The Food Service Enterprise Fund and the Aftercare Program are reported as business activities.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

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

Governmental Funds

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

Food Service Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are similar to each other.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 40 of this report.

The Charter School as a Whole

Recall that the statement of net deficit provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of the governmental financial position.

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

The Charter School's combined net deficit was \$1,696,180 on June 30, 2018.

The Charter School's combined net deficit was \$1,159,345 on June 30, 2017.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

The Charter School as a Whole (Continued)

The most significant reason for the net deficit is GASB Statement No. 68, which requires schools to record their portion of the state's pensions into the financial statements beginning with the year ended June 30, 2015.

During the fiscal year 2018, the Charter School implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("OPEB"), whereby additional on-behalf OPEB expenses were recognized and offset by a contribution for the same amount.

Governmental Activities – Revenues

The Charter School's total revenues generated from governmental activities were \$5,844,702 and \$5,349,344 for the years ended June 30, 2018 and June 30, 2017, respectively.

The total cost of all programs and services was \$5,864,878 and \$5,216,581 for 2018 and 2017, respectively. Instruction costs comprised 39.3% and 42.6% of the Charter School's expenses in 2018 and 2017, respectively.

Business-type Activities

Revenues for the Charter School's business-type activities, Food Service Enterprise Fund and Aftercare Program, were comprised of charges for services, and federal and state reimbursements.

- Food service expenses exceeded revenue by \$63,323 for 2018.
- Charges for food service represent \$6,754 of revenue for 2018. This represents amounts paid by student families for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfasts, were \$255,859 for 2018.
- Aftercare expenses exceeded revenue by \$3,878 for 2018.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

The Charter School as a Whole (Continued)

Prior Year

- Food service expenses exceeded revenue by \$52,666 for 2017.
- Charges for food service represent \$3,429 of revenue for 2017. This represents amounts paid by student families for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfasts, were \$205,759 for 2018.
- Aftercare revenue exceeded expenses by \$43,739 for 2017.

Governmental Activities – Expenses

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

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

Capital outlay represents instructional and noninstructional equipment purchases, net of depreciation expense.

All governmental funds (i.e., General Fund and Special Revenue Fund, presented in the fund-based statements) are accounted for using the modified-accrual basis of accounting. Total revenues amounted to \$5,844,702 and expenditures were \$5,864,878 for 2018.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
 JERSEY CITY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR FISCAL YEAR ENDED JUNE 30, 2018
 UNAUDITED
 (CONTINUED)**

The Charter School's Funds

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

The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018.

<u>REVENUE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Local sources	\$ 1,178,437	20.2%
State sources	4,280,940	73.2%
Federal sources	<u>385,325</u>	<u>6.6%</u>
Total	<u>\$ 5,844,702</u>	<u>100.0%</u>

The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2017.

<u>REVENUE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Local sources	\$ 1,180,100	22.3%
State sources	3,711,927	70.2%
Federal sources	<u>396,689</u>	<u>7.5%</u>
Total	<u>\$ 5,288,716</u>	<u>100.0%</u>

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2018.

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Instruction	\$ 2,302,214	39.2%
Administration	1,495,530	25.5%
Support services	2,045,845	34.9%
Capital outlay	<u>21,289</u>	<u>0.4 %</u>
Total	<u>\$ 5,864,878</u>	<u>100.0%</u>

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
 JERSEY CITY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR FISCAL YEAR ENDED JUNE 30, 2018
 UNAUDITED
 (CONTINUED)**

The Charter School's Funds (Continued)

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

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Instruction	\$ 2,221,056	42.6%
Administration	1,554,702	29.8%
Support services	1,440,823	27.6%
Capital outlay	-	-%
Total	<u>\$ 5,216,581</u>	<u>100.0%</u>

General Fund Budgeting Highlights

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

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

For the Future

The Dr. Lena Edwards Academic Charter School is in stable financial condition.

As we work to strengthen our community ties, the Charter School will continue its mission of assuring educational excellence and character development for all students in grades kindergarten through eight, cultivating both learning and empathy by providing them with a stable, rigorous, unbroken continuum of classical academic instruction and formal character education, resulting in the highest levels of student achievement, ethical behavior, and cultural literacy, delivered within a productive, consistent, and supportive school environment.

In conclusion, Dr. Lena Edwards Academic Charter School has committed itself to continued financial stability and educational excellence.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Contacting the Charter School's Financial Management

This comprehensive annual financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Luis Santiago, School Business Administrator, at Dr. Lena Edwards Academic Charter School, 509 Bramhall Avenue, Jersey City, New Jersey 07304.

Financial Statements

Section A – *Charter School-wide Financial Statements*

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF NET DEFICIT
AS OF JUNE 30, 2018

A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
Unrestricted	\$ 574,268	\$ 103,107	\$ 677,375
Miscellaneous receivables	-	4,082	4,082
Interfund receivables	298,596	-	298,596
Receivables, net	255,838	25,953	281,791
Capital assets, net	36,770	-	36,770
Total Assets	<u>1,165,472</u>	<u>133,142</u>	<u>1,298,614</u>
DEFERRED OUTFLOWS OF RESOURCES			
Differences between expected and actual experience	64,460	-	64,460
Change in pension assumptions	551,521	-	551,521
Change in pension proportion	991,384	-	991,384
Difference in pension earnings	18,641	-	18,641
Pension payment subsequent to measurement date	112,773	-	112,773
	<u>1,738,779</u>	<u>-</u>	<u>1,738,779</u>
LIABILITIES			
Accounts payable	572,442	35,828	608,270
Interfund payable	502,263	173,442	675,705
Payable to state government	74,947	-	74,947
Net pension liability	2,737,544	-	2,737,544
Total Liabilities	<u>3,887,196</u>	<u>209,270</u>	<u>4,096,466</u>
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	549,499	-	549,499
Change in pension proportion	87,608	-	87,608
	<u>637,107</u>	<u>-</u>	<u>637,107</u>
NET DEFICIT			
Net investment in capital assets	36,770	-	36,770
Unrestricted	<u>(1,656,822)</u>	<u>(76,128)</u>	<u>(1,732,950)</u>
Total Net Deficit	<u>\$ (1,620,052)</u>	<u>\$ (76,128)</u>	<u>\$ (1,696,180)</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A-2

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
Instruction	\$ 1,907,704	\$ 675,472	\$ -	\$ 344,756	\$ -	\$ (2,238,420)	\$ -	\$ (2,238,420)
Administration	1,371,342	212,631	-	-	-	(1,583,973)	-	(1,583,973)
Support services	1,936,480	187,253	-	40,569	-	(2,083,164)	-	(2,083,164)
Capital outlay	23,454	-	-	-	-	(23,454)	-	(23,454)
Total Governmental Activities	<u>5,238,980</u>	<u>1,075,356</u>	<u>-</u>	<u>385,325</u>	<u>-</u>	<u>(5,929,011)</u>	<u>-</u>	<u>(5,929,011)</u>
Business-type Activities:								
Food service	325,936	-	6,754	255,859	-	-	(63,323)	(63,323)
Aftercare	41,439	-	37,561	-	-	-	(3,878)	(3,878)
Total Business-type Activities	<u>367,375</u>	<u>-</u>	<u>44,315</u>	<u>255,859</u>	<u>-</u>	<u>-</u>	<u>(67,201)</u>	<u>(67,201)</u>
Total Primary Activities	<u>\$ 5,606,355</u>	<u>\$ 1,075,356</u>	<u>\$ 44,315</u>	<u>\$ 641,184</u>	<u>\$ -</u>	<u>(5,929,011)</u>	<u>(67,201)</u>	<u>(5,996,212)</u>
General Revenues:								
Federal and state aid not restricted						5,459,377	-	5,459,377
Transfers						-	-	-
Total General Revenues and Transfers						<u>5,459,377</u>	<u>-</u>	<u>5,459,377</u>
Change in Net Deficit						(469,634)	(67,201)	(536,835)
Net Deficit - beginning						<u>(1,150,418)</u>	<u>(8,927)</u>	<u>(1,159,345)</u>
Net Deficit - ending						<u>\$ (1,620,052)</u>	<u>\$ (76,128)</u>	<u>\$ (1,696,180)</u>

The accompanying notes are an integral part of these financial statements.

Section B – *Fund Financial Statements*

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

Governmental Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING BALANCE SHEET
AS OF JUNE 30, 2018

B-1

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 574,268	\$ -	\$ 574,268
Interfund receivables	298,596	-	298,596
Receivables	38,452	3,522	41,974
Intergovernmental accounts receivable:			
Federal	-	131,922	131,922
State	81,942	-	81,942
Total Assets	<u>\$ 993,258</u>	<u>\$ 135,444</u>	<u>\$ 1,128,702</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 446,428	\$ 13,241	\$ 459,669
Interfund payable	380,060	122,203	502,263
Payable to state government	74,947	-	74,947
Total Liabilities	<u>901,435</u>	<u>135,444</u>	<u>1,036,879</u>
FUND BALANCES:			
Unassigned:			
General fund	91,823	-	91,823
Total Fund Balances	<u>91,823</u>	<u>-</u>	<u>91,823</u>
Total Liabilities and Fund Balances	<u>\$ 993,258</u>	<u>\$ 135,444</u>	<u>\$ 1,128,702</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING BALANCE SHEET (Continued)
AS OF JUNE 30, 2018

B-1

Total Government Funds Balance (from page 30) \$ 91,823

Amounts reported for *Governmental Activities* in the *Statement of Net Position* (A-1) are different because:

The net pension liability, and associated deferred inflows and outflows of resources of the Charter School relating to its participating in the Public Employees Retirement System are not recognized in the funds using the current financial resources measurement focus, but are recognized in the statement of net position using the economic resources measurement focus. Carrying amounts are as follows:

Deferred outflows (inflows) of resources:		
Differences between expected and actual experience	\$ 64,460	
Change in pension assumptions	551,521	
Change in pension proportion	991,384	
Pension payment subsequent to measurement date	112,773	
Accounts payable for pension expense	(112,773)	
Difference in pension earnings	18,641	
Differences between expected and actual experience	(549,499)	
Change in pension proportion	(87,608)	
Additional on-behalf OPEB expense	(515,535)	
Additional on-behalf OPEB contribution	515,535	
Net pension liability	<u>(2,737,544)</u>	<u>(1,748,645)</u>
Net Assets of Governmental Activities		<u><u>\$ (1,656,822)</u></u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

B-2

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local tax levy	\$ 1,095,407	\$ -	\$ 1,095,407
Miscellaneous	83,030	-	83,030
Total Local Sources	1,178,437	-	1,178,437
State sources	4,280,940	-	4,280,940
Federal sources	-	385,325	385,325
Total Revenues	5,459,377	385,325	5,844,702
EXPENDITURES			
Instruction	1,957,458	344,756	2,302,214
Administration	1,495,530	-	1,495,530
Support services	2,005,276	40,569	2,045,845
Capital outlay	21,289	-	21,289
Total Expenditures	5,479,553	385,325	5,864,878
OTHER USES			
Transfers out	-	-	-
NET CHANGE IN FUND BALANCES	(20,176)	-	(20,176)
Fund Balance - July 1	111,999	-	111,999
Fund Balance - June 30	\$ 91,823	\$ -	\$ 91,823

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL **B-3**
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, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (20,176)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$	(2,165)
Capital outlays		<div style="display: flex; justify-content: space-between; align-items: center;"> </div>

Change in Net Position of Governmental Activities \$ (22,341)

Proprietary Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

B-4

	Business-type Activities		
	Enterprise Funds		
	Food Service	Aftercare Program	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 10,271	\$ 92,836	\$ 103,107
Miscellaneous receivables	-	4,082	4,082
Intergovernmental accounts receivables:			
Federal	25,722	-	25,722
State	231	-	231
Total Current Assets	<u>36,224</u>	<u>96,918</u>	<u>133,142</u>
Total Assets	<u>\$ 36,224</u>	<u>\$ 96,918</u>	<u>\$ 133,142</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	\$ 35,828	\$ -	\$ 35,828
Interfund payable	116,385	57,057	173,442
Total Current Liabilities	<u>152,213</u>	<u>57,057</u>	<u>209,270</u>
Total Liabilities	<u>152,213</u>	<u>57,057</u>	<u>209,270</u>
NET POSITION:			
Unrestricted	<u>(115,989)</u>	<u>39,861</u>	<u>(76,128)</u>
Total Net Position	<u>\$ 36,224</u>	<u>\$ 96,918</u>	<u>\$ 133,142</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

B-5

	Business-type Activities		
	Enterprise Fund		
	Food Service	Aftercare Program	Total
Operating revenues:			
Daily sales - reimbursable programs	\$ -	\$ -	\$ -
Daily sales - nonreimbursable programs	6,754	37,561	44,315
Total Operating Revenues	<u>6,754</u>	<u>37,561</u>	<u>44,315</u>
Operating expenses:			
Cost of sales - reimbursable programs	213,102	-	213,102
Cost of sales - nonreimbursable programs	6,754	-	6,754
Salaries	90,134	39,939	130,073
General supplies	15,946	1,500	17,446
Total Operating Expenses	<u>325,936</u>	<u>41,439</u>	<u>367,375</u>
Operating Loss	<u>(319,182)</u>	<u>(3,878)</u>	<u>(323,060)</u>
Nonoperating revenues:			
State sources:			
State school breakfast/lunch program	2,809	-	2,809
Federal sources:			
National school breakfast/lunch program	204,796	-	204,796
Fresh fruits and vegetables program	18,869	-	18,869
Child and Adult Care Food Program	29,385	-	29,385
Total Nonoperating Revenues	<u>255,859</u>	<u>-</u>	<u>255,859</u>
Change in net assets	(63,323)	(3,878)	(67,201)
Total Net Position - beginning	<u>(52,666)</u>	<u>43,739</u>	<u>(8,927)</u>
Total Net Position - ending	<u>\$ (115,989)</u>	<u>\$ 39,861</u>	<u>\$ (76,128)</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

B-6

	Business-type Activities		
	Enterprise Fund		
	Food Service	Aftercare Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to employees	\$ (90,134)	\$ (39,939)	\$ (130,073)
Receipts from customers	6,754	36,041	42,795
Receipts from interfund	86,477	86,959	173,436
Payments to suppliers	(222,301)	(1,500)	(223,801)
Net Cash (Used for) Provided by Operating Activities	<u>(219,204)</u>	<u>81,561</u>	<u>(137,643)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State sources	2,812	-	2,812
Federal sources	226,385	-	226,385
Net Cash Provided by Noncapital Financing Activities	<u>229,197</u>	<u>-</u>	<u>229,197</u>
Net Increase in Cash and Cash Equivalents	9,993	81,561	91,554
Balances - beginning of year	278	11,275	11,553
Balances - end of year	<u>\$ 10,271</u>	<u>\$ 92,836</u>	<u>\$ 103,107</u>
Reconciliation of Operating Loss to Net Cash (Used for) Provided by Operating Activities:			
Operating loss	\$ (319,182)	\$ (3,878)	\$ (323,060)
Adjustment to reconcile operating loss to net cash (used for) provided by operating activities:			
Miscellaneous receivables	-	(1,520)	(1,520)
Accounts payable	13,501	-	13,501
Interfund payable	86,477	86,959	173,436
Net Cash (Used for) Provided by Operating Activities	<u>\$ (219,204)</u>	<u>\$ 81,561</u>	<u>\$ (137,643)</u>

Fiduciary Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018

B-7

ASSETS

Cash and cash equivalents	\$ 4,439
Interfund receivables	<u>380,060</u>
Total Assets	<u>\$ 384,499</u>

LIABILITIES

Cash overdraft	\$ 1,301
Payroll deductions and withholdings	378,759
Due from student groups	1,488
Interfund payables	<u>2,951</u>
Total Liabilities	<u>\$ 384,499</u>

Notes to Basic Financial Statements

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - REPORTING ENTITY:

Dr. Lena Edwards Academic Charter School (“Charter School”) is a nonprofit corporation organized under the laws of the state of New Jersey, established in 2010, to function as an educational institution. The Charter School operates as a public school under a charter granted by the state of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criteria for including activities within the Charter School’s reporting entity is set forth in Section 2100 of the Governmental Accounting Standards Board (“GASB”) Codification of Government Statement 14 (“GASB Statement 14”) entitled *The Financial Reporting Entity*. GASB Statement 14 is codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Charter School include a kindergarten-through grade-8 school located in the city of Jersey City.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Board of Trustees (“Board”) of the Charter School have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted, standard-setting body for establishing governmental accounting and financial reporting principles. GASB’s more significant accounting policies are described below.

Basis of Presentation:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Charter School-wide Statements:

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

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

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements:

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The New Jersey Department of Education ("NJDOE") has elected to require New Jersey charter schools to treat each governmental fund as a major fund in accordance with the option noted in GASB Statement 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among charter school financial reporting models.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Charter School reports the following *governmental* funds:

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

As required by the NJDOE, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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 New Jersey state aid and appropriated fund balances. Expenditures are those that result in the acquisition of, or additions to, fixed assets for land, existing buildings, improvement of grounds, construction of buildings, additions to, or remodeling of, buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Charter School Board resolution.

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

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

Proprietary funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

The Charter School reports the following *proprietary* funds:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fiduciary funds are used to account for assets held by the Charter School on behalf of others.

The Charter School reports the following *fiduciary* funds:

Agency Funds: The agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments, or on behalf of other funds within the Charter School. The agency funds included are as follows:

Payroll and Student Activities Funds: These are agency funds used to account for the assets that the Charter School, acting as agent, holds on behalf of others. Agency funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting - Measurement Focus:

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

Charter School-wide, Proprietary, and Fiduciary Funds Financial Statements:

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

Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Measurable means that the amount of the transactions can be determined and available means that the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental Fund Financial Statements: (continued)

All governmental and business-type activities and the Enterprise Fund of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, accounting principles, Board opinions, and accounting research bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. They are submitted to the county office. 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 detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C. 6:20-2A.2(m)1*. All budget amendments and transfers must be approved by Charter School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which has been adjusted for legally authorized revisions of the annual budget during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and U.S. GAAP with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgets/Budgetary Control: (Continued)

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the U.S. GAAP-basis of accounting:

Total Revenues and Expenditures (Budgetary Basis)	\$ 385,325
Adjustments:	
Less: Encumbrances at June 30, 2018	-
Plus: Encumbrances at June 30, 2017	<u>-</u>
Total Revenues and Expenditure (U.S. GAAP Basis)	<u>\$ 385,325</u>

Encumbrance Accounting:

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

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

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

Interfund Transactions:

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

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

Prepaid Expenses:

Prepaid expenses which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as expenditures in the year of purchase.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by charter schools in the state of New Jersey is \$2,000. All reported capital assets, except for land and construction-in-progress, are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

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

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

Deferred Revenue:

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

Accrued Liabilities and Long-term Obligations:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Pensions:

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

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The Charter School is reporting three items in this category. They are pension-related items, including: change in pension assumptions; change in pension proportion; and the amounts of pension payments made to the Charter School subsequent to the pension measurement date. Deferred outflows/inflows for changes in pension assumptions are future outflows of resources resulting from changes in actuarial assumptions used in the valuation of the pension liability. Deferred outflows for subsequent pension payments reflects payments made by the Charter School to the pension system subsequent to the date of the most recent actuarial valuation, which was June 30, 2017. Change in pension proportion represents the unfavorable impact of the incline in the Charter School’s proportionate share of system-wide, net pension liability. In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The Charter School is reporting one pension-related item in this category - the difference in pension earnings. This represents the Charter School’s proportionate share of plan earnings in excess of assumed amounts.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Deficit:

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

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods.

Revenues - Exchange and Nonexchange Transactions:

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

Assets, Liabilities and Equity:

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified-accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the Charter School, these revenues are sales in the Enterprise Fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

Accrued Salaries and Wages:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

The Charter School follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Charter School's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Charter School's policy is to recognize interest and penalties on unrecorded tax benefits in income tax expense. No interest and penalties were recorded during the year ended June 30, 2018. At June 30, 2018, there are no significant income tax uncertainties that are expected to have a material impact on the Charter School's financial statements.

Subsequent Events:

The Charter School has evaluated its subsequent events and transactions occurring after June 30, 2018 through February 26, 2019, the date that the financial statements were available to be issued.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less. GASB Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements and Reverse Repurchase Agreements)*, requires disclosure of the level of custodial credit risk assumed by the Board of Trustees in its cash, cash equivalents and investments.

Deposits:

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

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

Investments:

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any federal intermediate credit bank, federal home loan bank, federal national mortgage agency or of any United States banks for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.

As of June 30, 2018, cash and cash equivalents and investments consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Operating Account	\$ 574,268	\$ -	\$ 103,107	\$ 4,439	\$ 681,814

Investments:

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB Statement 31, participating, interest-earning, investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$681,814 and the bank balance was \$766,842. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Risk Category:

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

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

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

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

As of June 30, 2018, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions as defined by GASB Statement 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund:

All investments in the fund are governed by the regulations of the Investment Council (“Council”), which prescribe specific standards designed to insure the quality of investments and to minimize the risk related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason, a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division of Investments sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2018, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Software	\$ 10,765	\$ -	\$ -	\$ 10,765
Refrigerators	2,387	-	-	2,387
Building improvements	52,400	-	-	52,400
Playground	16,222	-	-	16,222
Radiator	12,704	-	-	12,704
Totals at Historical Cost	<u>94,478</u>	<u>-</u>	<u>-</u>	<u>94,478</u>
Less: Accumulated Depreciation for -				
Software	10,765	-	-	10,765
Refrigerators	716	159	-	875
Building improvements	40,034	560	-	40,594
Playground	2,176	811	-	2,987
Radiator	1,852	635	-	2,487
Total Accumulated Depreciation	<u>55,543</u>	<u>2,165</u>	<u>-</u>	<u>57,708</u>
Governmental Activity Capital	<u>\$ 38,935</u>	<u>\$ (2,165)</u>	<u>\$ -</u>	<u>\$ 36,770</u>

In January 11, 2001, the New Jersey State Department of Education announced that, effective July 1, 2001, the capitalization threshold used by charter schools in the state of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the state regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS:

Description of Plans:

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

Teachers' Pension and Annuity Fund:

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of the *N.J.S.A. 18A:66* to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current status, 100% of employer contributions are made by the state of New Jersey on behalf of the Charter School and the system's other related, noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Summary of Significant Accounting Policies:

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

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

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Teachers' Pension and Annuity Fund: (Continued)

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended June 30, 2017, the state of New Jersey contributed \$835,850 to TPAF for normal pension benefits on behalf of the Charter School.

For the year ended June 30, 2017, the Charter School recognized a pension expense of \$835,850 and revenue of \$835,850 for support provided by the state. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2017, is based upon the changes in the collective net pension liability with a measurement period of June 30, 2016 through June 30, 2017. Accordingly, the pension expense and the related revenue associated with the support provided by the state are based upon the change in the collective net pension liability between July 1, 2016 and June 30, 2017.

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

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$ 17,581,004,496	\$ 14,353,461,035
Collective deferred inflows of resources	\$ 300,836,088	\$ 11,992,821,439
Collective net pension liability (Nonemployer – State of New Jersey)	\$ 78,666,367,052	\$ 67,670,209,171
State's portion of net pension liability that was associated with the Charter School	\$ 14,034,236	\$ 12,065,691
State's portion of net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.017758%	0.017830%

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Teachers' Pension and Annuity Fund: (Continued)

Actuarial Assumptions:

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.25%
Salary increases:	Varies based on experience
Investment rate of return:	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-term Expected Rate of Return:

In accordance with state statute, the long-term expected rate of return on plan investment is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017, are summarized in the following table:

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Teachers' Pension and Annuity Fund: (Continued)

Long-term Expected Rate of Return: (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment-grade credit	10.00%	3.78%
Public high-yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit-oriented hedge funds	1.00%	6.60%
Debt-related private equity	2.00%	10.63%
Debt-related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity-related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. development markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate:

The discount rate used to measure the state's total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt, general obligation, municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at current-member contribution rates and that contributions from employers (state of New Jersey) will be made based on the contribution rate in the most recent fiscal year. The state contributed 40% of the actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Teachers' Pension and Annuity Fund: (Continued)

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

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

Pension Plan Fiduciary Net Position:

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

Public Employees' Retirement System:

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

Summary of Significant Accounting Policies:

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

At June 30, 2018, the Charter School reported a liability of \$2,737,544 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2017.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Summary of Significant Accounting Policies: (Continued)

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the year ended June 30, 2017. At June 30, 2016, the Charter School's proportion was 0.01176%.

For the year ended June 30, 2017, the Charter School recognized a pension expense of \$556,237. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,460	\$ 549,499
Changes in assumptions	551,521	-
Net difference between projected and actual earnings on pension plan investments	18,641	-
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	991,384	87,608
Charter School contribution subsequent to the measurement date	112,773	-
Total	<u>\$ 1,738,779</u>	<u>\$ 637,107</u>

\$112,733 reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 64,444
2019	97,248
2020	58,927
2021	(78,374)
2022	(57,124)
Total	<u>\$ 85,121</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Summary of Significant Accounting Policies: (Continued)

	June 30, 2016	June 30, 2017
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 70,133,595	\$ 5,700,625,981
Collective net pension liability (Nonstate local group)	\$ 29,617,131,759	\$ 23,278,401,588
Charter School's portion of net pension liability	\$ 3,628,557	\$ 2,737,544
District's proportion percentage	0.01225%	0.01176%

Actuarial Assumptions:

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% based on age
Thereafter	2.65% - 5.15% based on age
Investment rate of return:	7.00%

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Actuarial Assumptions: (Continued)

The actuarial assumptions used in the July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-term Expected Rate of Return:

In accordance with state statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consulting with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment-grade credit	10.00%	3.78%
Public high-yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit-oriented hedge funds	1.00%	6.60%
Debt-related private equity	2.00%	10.63%
Debt-related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity-related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. development markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Boyoouts/venture capital	8.25%	13.08%

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Discount Rate:

The discount rate used to measure the state's total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at current-member contribution rates and that contributions from employers (state of New Jersey) will be made based on the contribution rate in the most recent fiscal year. The state employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return of plan investments was applied to projected benefits payments through 2034, and the municipal bond rate was applied to projections after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2017, calculated using the discount rate of 5.00%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
School's proportionate share of the net pension liability	\$3,396,109	\$2,737,544	\$2,188,878

Pension Plan Fiduciary Net Position:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - PENSION PLANS: (Continued)

Public Employees' Retirement System: (Continued)

Three-year trend information for PERS:

<u>Year Funding</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	None	100%	None
6/30/2017	None	100%	None
6/30/2016	None	100%	None

Three-year trend information for TPAF (Paid on behalf of the Charter School):

<u>Year Funding</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	None	100%	None
6/30/2017	None	100%	None
6/30/2016	None	100%	None

NOTE 6 - POST-RETIREMENT BENEFITS:

General Information about the OPEB Plan:

The State of New Jersey ("state") sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement 74 *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement 75.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

Plan Description and Benefits Provided:

The state of New Jersey sponsors and administers the following postretirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

Total OPEB Liability:

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB Statement 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the statement of net position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the Board of Education/Board of Trustees. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>)

State Health Benefit Program Fund – Local Education Retired (including Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage to qualified, retired education participants. The state of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide postretirement medical coverage to their employees. Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

Total OPEB Liability: (continued)

The state of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the above fund. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Plan Membership:

At June 30, 2016, the total plan membership for the state of New Jersey consisted of the following:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefit Payments	<u>142,331</u>
Total	<u>366,078</u>

Measurement Focus and Basis of Accounting:

The financial statements of the postretirement health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board.

The accrual basis of accounting is used for measuring financial position and changes in net position of the postemployment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using economic resources measurement focus.

Investment Valuation:

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the unfunded actuarial accrued liability for OPEB is \$69.3 billion which is made up of \$25.5 billion for State active and retired members and \$43.8 billion for education employees and retired members that become the obligation of the state of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions:

In the July 1, 2016 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50%.

Postretirement Medical Benefits Contributions:

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and the 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. As of June 30, 2017, there were 112,966 retirees receiving postretirement medical benefits, and the State contributed \$1.39 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 postretirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides employer-paid health benefits to members of PERS and ABP who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in fiscal year 2017.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

Postretirement Medical Benefits Contributions: (Continued)

The State sets the contribution rate based on a pay-as-you-go basis and not on the annual required contribution of the employers (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for TPAF retirees' postretirement benefits on behalf of the Charter School for the year ended June 30, 2018, was \$515,534, which equaled the required contributions for the year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the Charter School was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

GASB Statement 75 requires participating employers in the State Health Benefits Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows or resources, collective deferred inflows of resources and collective OPEB expense excluding the attributable-to-retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB Statement 75, the Charter School is not required to recognize an OPEB liability for the postemployment health benefit plan. The state of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the Charter School's proportionate share percentage determined under GASB Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability, attributable to the Charter School. Therefore, in addition, the Charter School does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: (Continued)

For the fiscal year ended June 30, 2018, the Charter School recognized in the Charter School-wide statement of activities (accrual basis) OPEB expense of \$515,534. This amount has been included in the Charter School-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB Statement 85.

At June 30, 2018, the State's proportionate share of the OPEB liability attributable to the Charter School is \$2,798,331. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the Charter School at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 2017, the State's share of the OPEB liability attributable to the School was 0.01% which was an increase of 0.01% from its proportion measured as of June 30, 2016 of 0.00%.

Actuarial Assumptions:

The OPEB liability for the June 30, 2017, measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate: 2.50%

	TPAF/AFP	PERS	PFRS
Salary Increases: Through 2026	1.55 – 4.55% based on years of service	2.15 – 4.15% based on age	2.10 – 8.98% based on age
Thereafter	2.00 – 5.45% based on years of service	3.15 – 5.15% based on age	3.10 – 9.98% based on age

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

Actuarial Assumptions: (Continued)

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female Mortality Table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female Mortality Table with fully generational improvement projections from the central year using the MP-2017 scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014, for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions:

For pre-Medicare preferred provider organization medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Long-term Expected Rate of Return:

As the OPEB plan only invests in the state of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate:

The discount rate for June 30, 2017 and 2016, was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

Change in the Total OPEB Liability:

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	<u>Total OPEB Liability</u>
Balance, June 30, 2016 measurement date	\$ 2,783,138
Changes for the fiscal year:	
Service cost	443,988
Interest on the total OPEB liability	91,090
Changes in assumptions or other inputs	(457,457)
Changes in proportion	-
Gross benefit payments	(64,815)
Contribution from members	2,387
Net changes	<u>15,193</u>
Balance, June 30, 2017 measurement date	<u>\$ 2,798,331</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2016 to 3.58% in 2017.

Sensitivity of OPEB Liability:

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the Charter School as of June 30, 2017, calculated using the discount rate disclosed above, as well as the State's proportionate share of the OPEB liability attributable to the Charter School that would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Charter School's proportionate share of the net pension liability	\$3,321,821	\$2,798,331	\$2,383,094

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - POSTRETIREMENT BENEFITS: (Continued)

Sensitivity of total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District as of June 30, 2017, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
State's proportionate share of the OPEB Liability attributable to the Charter School	\$2,301,357	\$2,798,331	\$3,458,307

NOTE 7 - ACCOUNTS RECEIVABLE:

Receivables at June 30, 2018, consisted of intergovernmental grants.

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

Federal and state aid receivables	<u>\$ 281,791</u>
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NOTE 8 - COMMITMENTS AND CONTINGENCIES:

Routine Litigation Matters:

The Charter School is involved with certain claims and other routine litigation matters in the normal course of business. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Charter School's financial position or results of operations.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - COMMITMENTS AND CONTINGENCIES: (Continued)

The Charter School entered into a lease agreement, dated July 1, 2011, with Saint Patrick and Assumption/All Saints Parish. The lease agreement can be renewed every five years and currently expires on June 30, 2020, and has an option to renew from July 1, 2020 to June 30, 2025, at a 5% increase or Consumer Price Index, whichever is greater for the option period. The base rent is in the amount of \$33,333 per month. The rent is triple net with the tenant responsible for heat, light, taxes, water and sewerage, insurance and service contracts for all machinery, boiler, elevator, etc. Rent expense amounted to \$457,226 for the year ended June 30, 2018.

The future minimum lease payments required under the signed leases are as follows:

<u>Year Ending</u>	
<u>June 30:</u>	<u>Amount</u>
2019	\$ 400,000
2020	<u>400,000</u>
Total	<u>\$ 800,000</u>

NOTE 9 - 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 accidents, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance:

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the state. The Charter School is billed quarterly for amounts due to the state.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - FUND BALANCE:

General Fund:

Of the \$83,844 General Fund balance in the fund financial statements at June 30, 2018, \$-0- is reserved for capital reserve and \$83,844 is unreserved and undesignated.

Required Supplementary Information Part II

Section C - *Budgetary Comparison Schedule*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1

	Original Budget	New Appropriations/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local tax levy	\$ 1,157,525	\$ (62,118)	\$ 1,095,407	\$ 1,095,407	\$ -
Miscellaneous	-	-	-	83,030	83,030
Total Local Sources	1,157,525	(62,118)	1,095,407	1,178,437	83,030
State Sources:					
Equalization aid	3,212,409	88,756	3,301,165	3,301,165	-
Special education categorical aid	174,343	(18,150)	156,193	156,193	-
Security aid	159,810	(11,541)	148,269	148,269	-
Adjustment aid	-	-	-	-	-
On-behalf TPAF contribution (nonbudgeted)					
Postretirement medical	-	-	-	515,534	515,534
Pension	-	-	-	159,779	159,779
Total State Sources	3,546,562	59,065	3,605,627	4,280,940	675,313
Total Revenues	4,704,087	(3,053)	4,701,034	5,459,377	758,343
EXPENDITURES:					
Instruction:					
Salaries of teachers - KE	117,500	(16,065)	101,435	101,435	-
Salaries of teachers grades 1-5	557,750	73,711	631,461	631,169	292
Salary of teachers	622,475	194,177	816,652	816,652	-
Other salaries for instruction	358,000	(45,851)	312,149	312,149	-
Purchased technical services	30,000	(20,827)	9,173	9,173	-
General supplies	35,000	1,940	36,940	36,940	-
Textbooks	35,000	(20,708)	14,292	14,292	-
Miscellaneous expense	40,000	(2,002)	37,998	35,648	2,350
Total Instruction	1,795,725	164,375	1,960,100	1,957,458	2,642
Administration:					
Salaries - general administration	493,500	1,285	494,785	494,785	-
Salaries of secretarial/clerical assessments	90,100	1,063	91,163	91,163	-
Purchased professional-educational services	157,000	(16,268)	140,732	140,732	-
Communications/Telephone	25,000	(7,984)	17,016	15,337	1,679
Other purchased services (400-500 series)	50,000	58,118	108,118	101,807	6,311
Supplies and materials	15,000	(9,804)	5,196	5,196	-
Miscellaneous	12,000	6,447	18,447	18,447	-
Total benefit costs	371,789	262,446	634,235	628,063	6,172
Total Administration	1,214,389	295,303	1,509,692	1,495,530	14,162

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-1

	<u>Original Budget</u>	<u>New Appropriations/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
Support Services:					
Salaries	427,125	88,890	516,015	516,015	-
Purchased professional/technical services	80,000	47,794	127,794	127,344	450
Other purchased services (400-500 series)	48,000	15,193	63,193	63,193	-
Rental of land and buildings	480,000	(22,774)	457,226	457,226	-
Insurance for property, liability and fidelity	60,000	7,085	67,085	66,794	291
Supplies and materials	30,000	(9,619)	20,381	20,381	-
Energy costs (heat and electricity)	75,000	3,275	78,275	78,275	-
Miscellaneous expense	-	735	735	735	-
Total Support Services	<u>1,200,125</u>	<u>130,579</u>	<u>1,330,704</u>	<u>1,329,963</u>	<u>741</u>
On-behalf TPAF contribution (nonbudgeted)					
Postretirement medical				515,534	(515,534)
Pension	-	-	-	159,779	(159,779)
Total On-behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,313</u>	<u>(675,313)</u>
Total	<u>1,200,125</u>	<u>130,579</u>	<u>1,330,704</u>	<u>2,005,276</u>	<u>(674,572)</u>
Capital Outlay:					
Instructional equipment	31,131	-	31,131	21,289	9,842
Noninstructional equipment	-	-	-	-	-
Total Capital Outlay	<u>31,131</u>	<u>-</u>	<u>31,131</u>	<u>21,289</u>	<u>9,842</u>
Total Expenditures	<u>4,241,370</u>	<u>590,257</u>	<u>4,831,627</u>	<u>5,479,553</u>	<u>(132,392)</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>462,717</u>	<u>(593,310)</u>	<u>(130,593)</u>	<u>(20,176)</u>	<u>890,735</u>
Other (Uses) Financing:					
Operating transfer out:					
Transfer to food service fund	-	-	-	-	-
Transfer to aftercare fund	-	-	-	-	-
Other (Uses) Financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>462,717</u>	<u>(593,310)</u>	<u>(130,593)</u>	<u>(20,176)</u>	<u>890,735</u>
	<u>462,717</u>	<u>(593,310)</u>	<u>(130,593)</u>	<u>(20,176)</u>	<u>890,735</u>
FUND BALANCE JULY 1	<u>202,764</u>	<u>(1,868,714)</u>	<u>(1,649,422)</u>	<u>111,999</u>	<u>519,858</u>
FUND BALANCE JUNE 30	<u>\$ 665,481</u>	<u>\$ (2,462,024)</u>	<u>\$ (1,780,015)</u>	<u>\$ 91,823</u>	<u>\$ 1,410,593</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under)					
Expenditures Budgeted Fund Balance	<u>\$ 665,481</u>	<u>\$ (2,462,024)</u>	<u>\$ (1,780,015)</u>	<u>\$ 91,823</u>	<u>\$ 1,410,593</u>
Total	<u>\$ 665,481</u>	<u>\$ (2,462,024)</u>	<u>\$ (1,780,015)</u>	<u>\$ 91,823</u>	<u>\$ 1,410,593</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

C-2

	Original Budget	New Appropriations/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Federal	\$ 389,999	\$ 32,905	\$ 422,904	\$ 385,325	\$ 37,579
Total - Federal Sources	<u>389,999</u>	<u>32,905</u>	<u>422,904</u>	<u>385,325</u>	<u>37,579</u>
TOTAL REVENUES	<u>389,999</u>	<u>32,905</u>	<u>422,904</u>	<u>385,325</u>	<u>37,579</u>
EXPENDITURES:					
Instruction:					
Salaries	304,612	-	304,612	294,861	9,751
General supplies	27,499	-	27,499	12,240	15,259
Purchased services	16,017	32,879	48,896	37,654	11,242
Total Instruction	<u>348,128</u>	<u>32,879</u>	<u>381,007</u>	<u>344,755</u>	<u>36,252</u>
Support Services:					
Personal services - employee benefits	41,871	26	41,897	40,570	1,327
Total Support Services	<u>41,871</u>	<u>26</u>	<u>41,897</u>	<u>40,570</u>	<u>1,327</u>
Capital Outlay:					
Instructional equipment	-	-	-	-	-
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>389,999</u>	<u>32,905</u>	<u>422,904</u>	<u>385,325</u>	<u>37,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Required Supplementary Schedule

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
REQUIRED SUPPLEMENTARY SCHEDULE
BUDGET TO U.S. GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C-3

Note 1 - Explanation of Differences Between Budgetary Inflows and Outflows and U.S. GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "total revenue"		
from the budgetary comparison schedule	[C-1] \$ 5,459,377	[C-2] \$ 385,325
Differences - budget to U.S. GAAP:		
Grant accounting budgetary basis differs from U.S. GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	-	-
State aid payment(s) recognized for budgetary purposes, not recognized for U.S. GAAP statements	-	-
Total revenue as reported on the statement of revenue, expenditures and changes in fund balances - governmental funds	[B-2] <u>\$ 5,459,377</u>	[B-2] <u>\$ 385,325</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	[C-1] \$ 5,479,553	[C-2] \$ 385,325
Differences - budget to U.S. GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes		
Net transfers (outflows) to General Fund	-	-
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2] <u>\$ 5,479,553</u>	[B-2] <u>\$ 385,325</u>

Required Supplementary Information Part III

Section L – *Schedules Related to Accounting and Reporting for Pensions*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM

L-1

	Fiscal Year Ended June 30,		
	2017	2016	2015
Charter School's proportion of the net pension liability	0.0117600172%	0.0122515477%	0.0109767953%
Charter School's proportionate share of the net pension liability	\$ 2,737,544	\$ 3,628,557	\$ 2,464,071
Charter School's covered-employee payroll	\$ 965,801	\$ 1,041,687	\$ 1,410,648
Charter School's proportionate share of the net pension liability as a percentage of the covered-employee payroll	35.28%	28.71%	57.25%

** Amounts presented for each fiscal year were determined as of June 30.*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

L-2

	Fiscal Year Ended June 30,		
	2017	2016	2015
Contractually required contribution	\$ 112,773	\$ 108,841	\$ 94,371
Contribution in relation to contractually required contribution	<u>(112,773)</u>	<u>(108,841)</u>	<u>(94,371)</u>
Contribution deficiency (excess)	-	-	-
Charter School's proportionate share of the covered-employee payroll	\$ 2,413,251	\$ 1,757,933	\$ 2,137,932
Contributions as a percentage of the covered-employee payroll	4.67%	6.19%	4.41%

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION ANNUITY FUND

L-3

	Fiscal Year Ended June 30,		
	2017	2016	2015
Charter School's proportion of the net pension liability	0.017895352%	0.017840199%	0.015384641%
Charter School's proportionate share of the net pension liability	\$ 12,065,691	\$ 14,034,236	\$ 9,723,750
Charter School's Covered-employee Payroll	\$ 2,413,251	\$ 1,057,478	\$ 593,722
Charter School's proportionate share of the net pension liability as a percentage of the covered-employee payroll	20.00%	7.53%	6.11%

** Amounts presented for each fiscal year were determined as of June 30.*

Section M – *Schedules Related to Accounting and Reporting for OPEB*

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL'S
TOTAL OPEB LIABILITY AND RELATED RATIOS

M-1

	<u>June 30,</u> <u>2018</u>
OPEB Liability, July 1, 2016	\$ 2,783,138
Service cost	443,988
Interest	91,090
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(457,457)
Member contributions	2,387
Benefit payments	(64,815)
Net change in total OPEB liability	<u>15,193</u>
OPEB Liability, June 30, 2017	<u>\$ 2,798,331</u>
Covered-employee payroll	2,865,750
Total OPEB Liability as a percentage of covered-employee payroll	97.65%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement 75. However, until a 10-year trend is compiled, the Charter School will only present information for those years for which information is available.

Other Supplementary Information

Section E - *Special Revenue Fund*

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY BASIS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

E-1

	NCLB Title I Part A	Title II Part A	Title IV Part A	IDEA Part B	Grand Total
REVENUES:					
Federal sources	\$ 281,220	\$ 11,150	\$ 6,478	\$ 86,477	\$ 385,325
Total Revenues	281,220	11,150	6,478	86,477	385,325
EXPENDITURES:					
Instruction:					
Salaries of teachers	227,321	-	-	67,540	294,861
General supplies	12,241	-	-	-	12,241
Purchased services	20,026	11,150	6,478	-	37,654
Total Instruction	259,588	11,150	6,478	67,540	344,756
Support Services:					
Employee benefits	21,632	-	-	18,937	40,569
Total Support Services	21,632	-	-	18,937	40,569
Total Expenditures	281,220	11,150	6,478	86,477	385,325
Total Outflows	281,220	11,150	6,478	86,477	385,325
Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Section F - *Capital Projects Fund*

Section G - *Proprietary Fund*

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Charter School's Board of Trustees is that the costs of providing goods or services be financed through user charges.

Food Service Fund - This fund provides for the operation of food service in the Charter School.

Aftercare Fund - This fund provides the operation of the after-school program in the Charter School.

This section has already been included in Schedules B-4, B-5, and B-6.

Section H - *Fiduciary Fund*

Fiduciary funds are used to account for funds received by the Charter School for a specific purpose.

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

Payroll Agency Fund - This agency fund is used to account for payroll deductions and withholdings of the Charter School.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018

H-1

	<u>Agency Fund</u>		
	<u>Payroll Agency</u>	<u>Student Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,439	\$ 4,439
Interfund receivables	380,060	-	380,060
Total Assets	<u>\$ 380,060</u>	<u>\$ 4,439</u>	<u>\$ 384,499</u>
LIABILITIES			
Cash overdraft	\$ 1,301	\$ -	\$ 1,301
Payroll deductions and withholdings	378,759	-	378,759
Due to student groups	-	1,488	1,488
Interfund payables	-	2,951	2,951
Total Liabilities	<u>\$ 380,060</u>	<u>\$ 4,439</u>	<u>\$ 384,499</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITIES AGENCY FUND
AS OF JUNE 30, 2018

H-3

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
Cash and cash equivalents	\$ 4,279	\$ 8,876	\$ 8,716	\$ 4,439
Total	<u>\$ 4,279</u>	<u>\$ 8,876</u>	<u>\$ 8,716</u>	<u>\$ 4,439</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

H-4

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents	\$ 12,162	\$ 3,489,856	\$ 3,502,018	\$ -
Interfund receivables	250,617	3,617,998	3,488,555	380,060
Total Assets	<u>\$ 262,779</u>	<u>\$ 7,107,854</u>	<u>\$ 6,990,573</u>	<u>\$ 380,060</u>
LIABILITIES				
Cash overdraft	\$ -	\$ 1,301	\$ -	\$ 1,301
Payroll deductions and withholdings	262,779	7,106,553	6,990,573	378,759
Total Liabilities	<u>\$ 262,779</u>	<u>\$ 7,107,854</u>	<u>\$ 6,990,573</u>	<u>\$ 380,060</u>

Statistical Section (Unaudited)

Dr. Lena Edwards Academic Charter School has been in operation for seven years. GASB requires that ten years of statistical data be presented. Therefore, only statistical data for seven years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.

Introduction to Statistical Section

Contents

Financial Trends

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

Revenue Capacity (Not Applicable to Charter School)

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

Debt Capacity (Not Applicable)

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

Demographic and Economic Information (Not Applicable)

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Charter School implemented GASB Statement 34 in the fiscal year ending June 30, 2012; schedules presenting Charter School-wide information include information beginning in that year.*

Financial Trends

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NET POSITION BY COMPONENT

J-1

	Fiscal Year Ended June 30,						
	2018	2017	2016	2015	2014	2013	2012
Governmental Activities:							
Unrestricted	\$ (1,656,822)	\$ (1,189,353)	\$ (645,559)	\$ (70,967)	\$ 834,467	\$ 884,764	\$ 825,365
Total Governmental Activities Net Assets	<u>\$ (1,656,822)</u>	<u>\$ (1,189,353)</u>	<u>\$ (645,559)</u>	<u>\$ (70,967)</u>	<u>\$ 834,467</u>	<u>\$ 884,764</u>	<u>\$ 825,365</u>
Business-type Activities:							
Unrestricted	\$ -	\$ -	\$ (76,128)	\$ 34,746	\$ 4,884	\$ -	\$ (111,787)
Total Business-type Activities Net Deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (76,128)</u>	<u>\$ 34,746</u>	<u>\$ 4,884</u>	<u>\$ -</u>	<u>\$ (111,787)</u>
Charter School-wide:							
Unrestricted	\$ (1,656,822)	\$ (1,189,353)	\$ (721,687)	\$ (36,221)	\$ 839,351	\$ 884,764	\$ 713,578
Total Charter School-wide Net Assets	<u>\$ (1,656,822)</u>	<u>\$ (1,189,353)</u>	<u>\$ (721,687)</u>	<u>\$ (36,221)</u>	<u>\$ 839,351</u>	<u>\$ 884,764</u>	<u>\$ 713,578</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
CHANGES IN NET POSITION

J-2

	Fiscal Year Ended June 30,						
	2018	2017	2016	2015	2014	2013	2012
Expenses:							
Governmental Activities:							
Instruction	\$ 2,583,176	\$ 2,611,300	\$ 2,572,716	\$ 2,424,837	\$ 2,729,811	\$ 2,160,995	\$ 1,737,184
Administration	1,583,973	1,676,366	1,526,627	1,461,557	1,227,872	1,326,297	846,697
Support services	2,123,733	1,544,844	1,531,040	1,480,916	1,308,304	1,197,048	915,826
Capital outlay	23,454	2,565	89,316	62,440	110,505	117,729	14,150
Total Governmental Activities Expenses	<u>6,314,336</u>	<u>5,835,075</u>	<u>5,719,699</u>	<u>5,429,750</u>	<u>5,376,492</u>	<u>4,802,069</u>	<u>3,513,857</u>
Business-type Activities:							
Food service	325,936	261,854	298,013	288,368	284,774	254,761	247,620
Aftercare	41,439	42,897	40,391	40,375	54,504	63,406	19,284
Total Business-type Activities Expenses	<u>367,375</u>	<u>304,751</u>	<u>338,404</u>	<u>328,743</u>	<u>339,278</u>	<u>318,167</u>	<u>266,904</u>
Total Charter School Expenses	<u>\$ 6,681,711</u>	<u>\$ 6,139,826</u>	<u>\$ 6,058,103</u>	<u>\$ 5,758,493</u>	<u>\$ 5,715,770</u>	<u>\$ 5,120,236</u>	<u>\$ 3,780,761</u>
Program Revenues:							
Governmental Activities:							
Operating grants and contributions	\$ 385,325	\$ 396,689	\$ 433,779	\$ 371,602	\$ 713,363	\$ 183,516	\$ 146,399
Total Governmental Activities Program Revenues	<u>385,325</u>	<u>396,689</u>	<u>433,779</u>	<u>371,602</u>	<u>713,363</u>	<u>183,516</u>	<u>146,399</u>
Business-type Activities:							
Charges for services	44,315	90,065	63,355	14,776	19,608	6,707	26,977
Operating grants and contributions	6,754	205,759	248,802	196,436	213,867	199,624	128,140
Total Business-type Activities Program Revenues	<u>51,069</u>	<u>295,824</u>	<u>312,157</u>	<u>211,212</u>	<u>233,475</u>	<u>206,331</u>	<u>155,117</u>
Total Charter School Program Revenues	<u>\$ 436,394</u>	<u>\$ 692,513</u>	<u>\$ 745,936</u>	<u>\$ 582,814</u>	<u>\$ 946,838</u>	<u>\$ 389,847</u>	<u>\$ 301,516</u>
Net Expense:							
Governmental activities	\$ (5,929,011)	\$ (5,438,386)	\$ (5,285,920)	\$ (5,058,148)	\$ (4,663,129)	\$ (4,618,553)	\$ (3,367,458)
Business-type activities	(316,306)	(8,927)	(26,247)	(117,531)	(105,803)	(111,836)	(111,787)
Total District-wide Net Expense	<u>\$ (6,245,317)</u>	<u>\$ (5,447,313)</u>	<u>\$ (5,312,167)</u>	<u>\$ (5,175,679)</u>	<u>\$ (4,768,932)</u>	<u>\$ (4,730,389)</u>	<u>\$ (3,479,245)</u>
General Revenues and Other Changes in Net Position:							
Governmental Activities:							
Federal and state aid not restricted	\$ 5,459,377	\$ 4,892,027	\$ 4,725,810	\$ 4,615,099	\$ 4,710,172	\$ 4,938,467	\$ 4,192,823
Total Charter School Net Expense	<u>5,459,377</u>	<u>4,892,027</u>	<u>4,725,810</u>	<u>4,615,099</u>	<u>4,710,172</u>	<u>4,938,467</u>	<u>4,192,823</u>
Total Charter School-wide General Revenues	<u>\$ 5,459,377</u>	<u>\$ 4,892,027</u>	<u>\$ 4,725,810</u>	<u>\$ 4,615,099</u>	<u>\$ 4,710,172</u>	<u>\$ 4,938,467</u>	<u>\$ 4,192,823</u>
Change in Net Position (Deficit):							
Governmental activities	\$ (469,634)	\$ (546,359)	\$ (560,110)	\$ (443,049)	\$ 47,043	\$ 319,914	\$ 825,365
Business-type activities	(316,306)	(8,927)	(26,247)	(117,531)	(105,803)	(111,836)	(111,787)
Total District Change in Net (Deficit) Position	<u>\$ (785,940)</u>	<u>\$ (555,286)</u>	<u>\$ (586,357)</u>	<u>\$ (560,580)</u>	<u>\$ (58,760)</u>	<u>\$ 208,078</u>	<u>\$ 713,578</u>

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS

J-3

	Fiscal Year Ended June 30,						
	2018	2017	2016	2015	2014	2013	2012
General Fund:							
Unreserved	\$ (1,656,822)	\$ (1,189,353)	\$ (645,559)	\$ (70,967)	\$ 834,467	\$ 884,764	\$ 825,365
Total General Fund	\$ (1,656,822)	\$ (1,189,353)	\$ (645,559)	\$ (70,967)	\$ 834,467	\$ 884,764	\$ 825,365

Source: Charter School's Records

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

J-4

	Fiscal Year Ended June 30,						
	2018	2017	2016	2015	2014	2013	2012
Revenues:							
Local sources	\$ 1,178,437	\$ 1,180,100	\$ 1,195,204	\$ 1,174,944	\$ 1,244,648	\$ 1,214,144	\$ 1,798,251
State sources	4,280,940	3,711,927	3,530,606	3,440,155	3,465,524	3,724,323	2,394,572
Federal sources	385,325	396,689	433,779	371,602	713,363	183,516	146,399
Total Revenues	<u>5,844,702</u>	<u>5,288,716</u>	<u>5,159,589</u>	<u>4,986,701</u>	<u>5,423,535</u>	<u>5,121,983</u>	<u>4,339,222</u>
Expenditures:							
Instruction	2,302,214	2,221,056	2,317,559	2,424,837	2,729,811	2,160,995	1,737,184
Administration	1,495,530	1,554,702	1,446,603	1,461,557	1,227,872	1,313,430	844,903
Support services	2,045,845	1,440,823	1,466,193	1,480,916	1,308,304	1,197,048	915,826
Capital outlay	21,289	-	77,425	92,163	97,158	158,516	24,915
Total Expenditures	<u>5,864,878</u>	<u>5,216,581</u>	<u>5,307,780</u>	<u>5,459,473</u>	<u>5,363,145</u>	<u>4,829,989</u>	<u>3,522,828</u>
(Excess of Expenditures Over Revenues)							
Excess of Revenues Over Expenditures	<u>(20,176)</u>	<u>72,135</u>	<u>(148,191)</u>	<u>(472,772)</u>	<u>60,390</u>	<u>291,994</u>	<u>816,394</u>
Other (Uses) Financing:							
Transfers out	-	-	(26,247)	(147,393)	(110,687)	(223,624)	-
Net Change in Fund Balance	<u>\$ (20,176)</u>	<u>\$ 72,135</u>	<u>\$ (174,438)</u>	<u>\$ (620,165)</u>	<u>\$ (50,297)</u>	<u>\$ 68,370</u>	<u>\$ 816,394</u>

Source: Charter School Records

Operating Information

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FULL-TIME EQUIVALENT
CHARTER SCHOOL EMPLOYEES BY FUNCTION

J-16

<u>Function/Program</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction	39	37	37	38	39	38	35
Support services	11	12	10	13	7	8	8
Administrative	8	8	8	7	11	12	7
Total	58	57	55	58	57	58	50

Source: Charter School Personnel Records

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
OPERATING STATISTICS

J-17

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2018	378	\$ 5,864,878	\$ 15,516	15%	39	10%	378.12	359.5	-1%	95.07%
2017	385	5,216,581	13,550	-1%	38	10%	382.88	363.0	0%	94.82%
2016	383	5,230,355	13,656	-5%	38	10%	382.47	363.7	4%	95.09%
2015	375	5,367,310	14,313	2%	38	10%	371.81	349.7	1%	94.04%
2014	377	5,265,987	13,968	16%	39	10%	367.80	345.9	-4%	94.05%
2013	387	4,671,473	12,071	28%	38	10%	377.00	358.6	10%	95.12%
2012	370	3,497,913	9,454	N/A	35	9%	349.10	326.0	N/A	93.38%

Sources: Charter School Records

Note: Enrollment based on annual final Charter School count.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHOOL BUILDING INFORMATION

J-18

	2018	2017	2016	2015	2014	2013	2012
<u>Charter School Building</u>							
<u>All Grades - (K-8)</u>							
Main building							
Square feet	33,450	33,450	33,450	33,450	33,450	33,450	33,450
Capacity (students)	396	396	396	396	396	396	396
Enrollment	375	375	375	375	377	387	370
<u>Other</u>							
Gymnasium							
Square feet	8,050	8,050	8,050	8,050	8,050	8,050	8,050
Science lab, music room, office space							
Square feet	3,064	3,064	3,064	3,064	3,064	-	-

Source: Charter Schools Facilities Office

Note: Enrollment is based on the annual October Charter School count.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Unaudited

J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy Declaration		
New Jersey School Boards Association Insurance Group		
Article I - Property		
Real and Personal Property	\$500,000,000 per occurrence	\$1,000 per occurrence
Extra Expense	\$50,000,000 per occurrence	\$1,000 per occurrence
Valuable Papers and Records	\$10,000,000 per occurrence	\$1,000 per occurrence
Demolition and Increased Cost of Construction	\$25,000,000 per occurrence	
Loss of Rents	Not Covered	
Loss of Business Income/Tuition	\$3,000,000	
Limited Builders Risk	\$10,000,000 per occurrence	
Fire Department Service Charge	\$10,000 per occurrence	
Arson Reward	\$10,000 per occurrence	
Pollutant Cleanup and Removal	\$250,000 per occurrence	
Fine Arts	Not Covered	
Sublimits: Special Flood Hazard		
Area Flood Zones (SFHA)	\$25,000,000 per occurrence	\$500,000 per building \$500,000 per building contents
Accounts Receivable	\$250,000 per occurrence	
All Other Flood Zones	\$75,000,000 per occurrence	\$10,000 per member/occurrence
Earthquake	\$50,000,000 per occurrence	
Terrorism	\$1,000,000 per occurrence	
Article II - Electronic Data Processing		
Hardware/Software	\$400,000 per occurrence	
Extra Expense	Included	
Coverage Extension: Transit	Hardware/Software	
Loss of Income	Hardware/Software	
Terrorism	Included in Property	
Computer Virus	\$250,000	

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Unaudited

J-20

	<u>Coverage</u>	<u>Deductible</u>
Article III - Equipment Breakdown		
Combined Single Limit per Accident per Property Damage and	\$100,000,000	\$1,000 per Accident for Property Damage; 12 Hours for Indirect Coverages Service Interruption Waiting Period 24 Hours
Sublimits: Property Damage	Included	
Off Premises Property Damage	\$100,000	
Business Income	Included	
Extra Expense	\$10,000,000	
Service Interruption	\$10,000,000	
Perishable Goods	\$500,000	
Data Restoration	\$100,000	
Contingent Business Income	\$100,000	
Demolition	\$1,000,000	
Ordinance or Law	\$1,000,000	
Expediting Expenses	\$500,000	
Hazardous Substances	\$500,000	
Newly Acquired Locations (120 Days Notice)	\$250,000	
Terrorism	Included	
Article IV - Crime		
Public Employee Dishonesty with Faithful Performance	\$500,000	\$1,000
Theft, Disappearance and Destruction, - Loss of Money and Securities On or Off Premises	\$100,000	\$500
Theft, Disappearance and Destruction, - Loss of Money Orders and Counterfeit Paper Currency	\$25,000	\$500
Forgery or Alteration	\$100,000	\$500
Computer Fraud	\$100,000	\$500
Public Officials Bond: Board Secretary	\$135,000	\$1,000
Article V - Comprehensive General Liability		
Bodily Injury and Property Damage	\$10,000,000 per occurrence	
Products and Completed Operations	\$10,000,000 annual aggregate	
Sexual Abuse	\$10,000,000 per occurrence \$17,000,000 annual NJSIG aggregate	
Personal Injury and Advertising Injury	\$10,000,000 per occurrence/annual aggregate	
Employee Benefits Liability	\$10,000,000 per occurrence/annual aggregate	\$1,000 each claim
Premises Medical Payments	\$10,000 each accident	\$5,000 limit per person
Terrorism	\$1,000,000 per occurrence/annual NJSIG aggregate	

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
Unaudited

J-20

	<u>Coverage</u>	<u>Deductible</u>
Article VI- Automobile		
Liability		
Hired/Non-owned		
Bodily Injury and Property Damage	\$10,000,000 per accident	
Uninsured/Underinsured Motorists - Private Passenger Auto	Not Covered per accident	
Uninsured/Underinsured Motorists - All Other Vehicles	Not Covered Bodily Injury per person Not Covered Bodily Injury per accident Not Covered Property Damage per accident	
Personal Injury Protection (including pedestrians)	Not Covered	
Medical Payments	Not Covered Private Passenger Vehicles Not Covered All Other Vehicles	
Terrorism	\$1,000,000 per occurrence/annual NJSIG aggregate	
Deductible	N/A	
Physical Damage		
Comprehensive	Not Covered	
Collision	Not Covered	
Hired Car Physical Damage \$110,000 Limit	Not Covered	
Replacement Cost	Not Covered	
Garage Keepers	Not Covered	
Workers' Compensation and Employers' Liability Declarations		
New Jersey School Boards Association Insurance Group		
Limit of Liability under Part II, Employer's Liability Agreement		
Bodily Injury by Accident	\$2,000,000 each accident	
Bodily Injury by Disease	\$2,000,000 each employee	
Bodily Injury by Disease	\$2,000,000 each aggregate limit	
School Leaders Errors & Omissions Liability Policy Declarations		
New Jersey School Boards Association Insurance Group		
Coverage A		
Limit of Liability	\$10,000,000 each policy period	\$5,000 each claim
Coverage B		
Limit of Liability	\$100,000 each claim \$300,000 each policy period	\$5,000 each claim

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FINANCIAL PERFORMANCE (Unaudited)
JUNE 30, 2018

J-21

	Year Ended June 30,			
	2018	2017	2016	
Cash and cash equivalents	\$ 677,375	\$ 755,862	\$ 737,185	
Current assets	584,469	208,752	148,835	
Capital assets, net	36,770	38,935	41,500	
Total assets	<u>1,298,614</u>	<u>1,003,549</u>	<u>927,520</u>	
Current liabilities	<u>4,096,466</u>	<u>4,606,079</u>	<u>3,419,068</u>	
Total liabilities	<u>4,096,466</u>	<u>4,606,079</u>	<u>3,419,068</u>	
Net position	<u>\$ (1,696,180)</u>	<u>\$ (1,159,345)</u>	<u>\$ (609,059)</u>	
Total revenue	\$ 6,144,876	\$ 5,584,540	\$ 5,471,746	
Total expenses	<u>6,681,711</u>	<u>6,139,826</u>	<u>6,058,103</u>	
Change in net (deficit) position	<u>\$ (536,835)</u>	<u>\$ (555,286)</u>	<u>\$ (586,357)</u>	
Depreciation expense	\$ 2,165	\$ 2,565	\$ 11,891	
Final Average Daily Enrollment	378	385	375	
March 30th Budgeted Enrollment	387	387	373	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>3-Year Cumulative</u>
Near-term Indicators:				
Current ratio	0.31	0.21	0.26	0.26
Unrestricted days cash	37.01	44.95	44.50	42.16
Enrollment variance	98%	99%	101%	99%
Sustainability Indicators:				
Total margin	-8.74%	-9.94%	-10.72%	(0.10)
Debt to asset	3.15	4.59	3.69	3.81
Cash flow	\$ (78,487)	\$ 18,677	\$ 422,831	\$ 121,007

Source: Charter School Records

Single Audit Section

K-1

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

To the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, 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 of America, and audit requirements as prescribed by the Office of School Finance, Department of Education, state of New Jersey, the financial statements of government activities and business-type activities, of Dr. Lena Edwards Academic Charter School (“Charter School”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying of findings and questioned costs as item 2018-1 to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
February 26, 2019

K-2**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08**

To the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Dr. Lena Edwards Academic Charter School (“Charter School”), in the county of Hudson, state of New Jersey, in compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the Charter School’s major federal and state programs for the year ended June 30, 2018. The Charter School’s major federal and state programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

Our responsibility is to express an opinion on the compliance for the Charter School’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 Federal Awards* (“Uniform Guidance”); and New Jersey OMB Circular Letter 15-08. Those standards, the Uniform Guidance, and New Jersey OMB Circular Letter 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

Opinion on Each Major Federal and State Program

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures did not disclose instances of noncompliance, that are required to be reported in accordance with the Uniform Guidance and New Jersey OMB Circular Letter 15-08 that are described in the accompanying schedule of findings and questioned costs. Our opinion on the major federal and state programs is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on major federal and state programs to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular Letter 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 federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a major federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
February 26, 2019

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K-3
Schedule A

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	FAIN #	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2017	Carryover Amount	Cash Received	Budgetary Expenditure	Repayment of Prior Years' Balance	Balance at June 30, 2018		
											(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education													
Passed through State													
Department of Education													
Special Revenue Fund:													
<u>No Child Left Behind:</u>													
Title I Part A	84.010	S010A160030	NCLB752011	\$ 281,220	7/1/2017 - 6/30/2018	\$ -	-	\$ 182,081	\$ 281,220	\$ -	\$ (99,249)	\$ -	\$ -
Title II Part A	84.367A	S010A160030	NCLB752011	11,150	7/1/2017 - 6/30/2018	-	-	-	11,150	-	(11,150)	-	-
Title IV Part A	84.424A	S424A170031	NCLB752011	6,478	7/1/2017 - 6/30/2018	-	-	3,522	6,478	-	(2,956)	-	-
Total No Child Left Behind								185,603	298,848	-	(113,355)	-	-
<u>Individuals with Disabilities:</u>													
I.D.E.A. Part B Basic	84.027	H027A170100	IDEA752011	86,477	7/1/2017 - 6/30/2018	-	-	67,910	86,477	-	(18,567)	-	-
Total Special Revenue Fund								253,513	385,325	-	(131,922)	-	-
U.S. Department of Agriculture													
Passed through State													
Department of Education													
Enterprise Fund:													
School Breakfast Program	10.553	16161NJ304N1099	N/A	42,133	7/1/2016 - 6/30/2017	3,174	-	3,174	-	-	-	-	-
School Breakfast Program	10.553	171NJ304N1099	N/A	61,307	7/1/2017 - 6/30/2018	-	-	56,151	61,307	-	(5,156)	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	155,194	7/1/2016 - 6/30/2017	13,312	-	13,312	-	-	-	-	-
National School Lunch Program	10.555	171NJ304N1099	N/A	143,490	7/1/2017 - 6/30/2018	-	-	130,493	143,490	-	(12,998)	-	-
Child and Adult Care Food Program	10.558	16161NJ04N1099	N/A	22,794	7/1/2016 - 6/30/2017	1,440	-	1,440	-	-	-	-	-
Child and Adult Care Food Program	10.558	171NJ304N1099	N/A	29,385	7/1/2017 - 6/30/2018	-	-	24,417	29,385	-	(4,968)	-	-
Fresh Fruits and Vegetables	10.582	171NJ304L1603	N/A	18,869	7/1/2017 - 6/30/2018	-	-	16,907	18,869	-	(1,962)	-	-
Total Enterprise Fund								245,894	253,051	-	(25,084)	-	-
Total Federal Financial Awards								\$ 499,407	\$ 638,376	\$ -	\$ (157,006)	\$ -	\$ -

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K-4
Schedule B

Federal Grantor/ Pass-through Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2017	Carryover Amount	Cash Received	Budgetary Expenditure	Repayment of Prior Years' Balance	Balance at June 30, 2018			MEMO Cumulative Total Expenditures
									(Accounts Receivable)	Deferred Revenue	Due to Grantor	
State Department of Education												
General Fund:												
"Local Levy" State Share -												
Charter School Aid	18-495-034-5120-078	\$ 3,962,407	7/1/2017 - 6/30/2018	\$ (58,049)	-	\$ 3,903,447	\$ 3,962,407	\$ (58,049)	\$ (74,947)	\$ -	\$ 64,453	\$ 4,026,860
Security Aid	18-495-034-5120-084	148,269	7/1/2017 - 6/30/2018	(10,449)	-	174,343	174,343	(10,449)	-	-	5,683	180,026
Special Education Aid	18-495-034-5120-089	156,193	7/1/2017 - 6/30/2018	(3,846)	-	159,810	159,810	(3,846)	-	-	4,811	164,621
On-Behalf TPAF - Post-Retirement	18-495-034-5094-001	515,534	7/1/2017 - 6/30/2018	-	-	-	515,534	-	-	-	-	-
On-Behalf TPAF pension contribution	17-495-034-5094-002	148,993	7/1/2016 - 6/30/2017	14,097	-	14,097	-	-	-	-	-	-
On-Behalf TPAF pension contribution	18-495-034-5094-002	159,779	7/1/2017 - 6/30/2018	-	-	145,682	159,779	-	(6,995)	-	-	159,779
Total General Fund						4,397,379	4,971,873	(72,344)	(81,942)	-	74,947	4,531,286
State Department of Agriculture												
Enterprise Fund:												
National School Lunch Program												
(State Share)	17-100-010-3350-023	2,746	7/1/2016 - 6/30/2017	234	-	234	-	-	-	-	-	-
(State Share)	18-100-010-3350-023	2,809	7/1/2017 - 6/30/2018	-	-	2,575	2,809	-	(234)	-	-	2,809
Total Enterprise Fund						2,809	2,809	-	(234)	-	-	2,809
Total State Financial Assistance						\$ -	\$ 4,974,682	\$ (72,344)	\$ (82,176)	\$ -	\$ 74,947	\$ 4,534,095
Less: On-Behalf TPAF Pension System Contributions												
On-Behalf TPAF pension contribution	18-495-034-5094-002		7/1/2017 - 6/30/2018				(159,779)					
On-Behalf TPAF - Post-Retirement Medical	18-495-034-5094-001		7/1/2017 - 6/30/2018				(515,534)					
Total for State Financial Assistance-Major Program Determination							\$ 4,299,369					

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2018

NOTE 1 - GENERAL:

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Dr. Lena Edwards Academic Charter School. The Board of Trustees (“Board”) is defined in Note 2 to the Charter School’s basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 - BASIS OF ACCOUNTING:

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Charter School’s basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS:

The basic financial statements present the General Fund and Special Revenue Funds on a U.S. GAAP basis. Budgetary comparison statements or schedules 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 U.S. GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB Statement 34).

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (Continued)
JUNE 30, 2018

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS: (Continued)

The net adjustment to reconcile from the budgetary basis to U.S. GAAP basis is \$26,247 for the General Fund and none for the Special Revenue Fund. See Note 1 of the Notes to Required Supplementary Schedule for a reconciliation of the budgetary basis to the U.S. GAAP basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a U.S. GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$4,456,339	\$4,456,339
Special Revenue Fund	385,325	-	385,325
Proprietary Fund	253,051	2,809	255,860
Total Awards and Financial Assistance	<u>\$ 638,376</u>	<u>\$4,459,148</u>	<u>\$5,097,524</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 LOAN OUTSTANDING:

Dr. Lena Edwards Academic Charter School has no loan balances outstanding at June 30, 2018.

NOTE 6 - OTHER:

Revenues and expenditures reported under the Food Distribution Program represent current-year values received and current-year distributions, respectively. 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, 2018.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (Continued)
JUNE 30, 2018

NOTE 7 - SUBRECIPIENTS:

During the year ended June 30, 2018, the Charter School did not provide any funds relating to their federal or state programs to subrecipients.

NOTE 8 - INDIRECT COSTS:

The Charter School did not elect to use the de minimis cost rate when allocating indirect costs to federal or state programs. The Charter School is operating under an approved cost allocation plan.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified? X Yes None

Noncompliance material to financial statements noted? Yes X No

Federal Awards

N/A – Federal Awards are below single audit threshold

State Awards

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

Auditee qualified as a low-risk auditee? X Yes No

Internal control over major programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified? Yes X No

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and NJ OMB Circular Letter 15-08 Yes X No

The following state program was designated as a major program:

<u>Grant Number</u>	<u>Name of Federal or State Program</u>
18-495-034-5120-078	State Department of Education General Fund: "Local Levy" – State Share – Charter School Aid

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II -- Financial Statement Findings

Finding 2018-01: Significant Deficiency – Oversight of Payroll

Criteria:

Employees are paid according to their contract.

Condition:

Payroll duties are primarily performed by one person, School Business Administrator, without any oversight or review prior to submission to the payroll company. Due to this, one employee was paid approximately \$11,000 in excess of their contract. This continued into fiscal year 2019 (approximately \$5,000 in 2019) before the School Business Administrator corrected the issue.

Context:

The Charter School does not have a second review of payroll prior to submission of the information to the payroll company.

Effect or Potential Effect:

Without approval or oversight, errors or irregularities in the preparation of payroll could occur without being detected in a timely fashion.

Recommendation:

It is recommended that a policy and procedure be implemented to ensure the payrolls are reviewed in detail prior to submission against the contracts to ensure accuracy.

Management's Response:

Upon realization of error prior to the audit, the School Business Administrator met with the employee and set up a payment plan for the employee to pay back the School through payroll deductions.

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

NONE

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Status of Prior-year Audit Findings

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

Findings:

There were no matters reported.