

***HOPE COMMUNITY CHARTER SCHOOL***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2018***

***HOPE COMMUNITY CHARTER SCHOOL***

***Hope Community Charter School  
Board of Trustees  
Camden, New Jersey***

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

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

***Prepared By***

***Hope Community Charter School  
Finance Department***

***And***

***Barre & Company LLC, CPA's***

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**Secretary, State Board of Ed**

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***INTRODUCTORY SECTION***



# HOPE COMMUNITY CHARTER SCHOOL • CAMDEN, NJ

836 South 4<sup>th</sup> Street, Camden, New Jersey, 08103 | tel. (856) 379-3448

February 28, 2019

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

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Hope Community Charter School (“Charter School”) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Hope Community Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the charter school as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United State of America. All disclosures necessary to enable the reader to gain an understanding of the charter school’s financial activities have been included.

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

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

- **The Introductory Section:** Contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- **The Financial Section:** Begins with the Independent Auditors’ Report and includes the Management’s Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School’s financial position and operating results, and other schedules providing detailed budgetary information;
- **The Statistical Section:** Includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

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

## **1. REPORTING ENTITY AND ITS SERVICES**

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

The Charter School provides a full range of educational services appropriate to grade Levels Kindergarten through Grade 5. The Charter School's enrollment, as of October 15<sup>th</sup>, for the current and past five fiscal years are detailed below:

### Average Daily Enrollment (ADE)

<u>Fiscal Year</u>	<u>Actual Student Enrollment</u>	<u>Percent Change - ADE</u>
2017-2018	206	6.18%
2016-2017	183	-2.11%
2015-2016	192	7.95%
2014-2015	201	66.04%
2013-2014	109	100.00%

## **2. ECONOMIC CONDITION AND OUTLOOK**

The State of New Jersey continues to face serious budgetary constraints. This impact the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general state fund for 2017-2018. Nothing was done to compromise the quality of the programs in place in the Charter School during the regular instructional day. The budget of was prepared to ensure that all students have textbooks, materials, supplies, equipment and program they need to meet New Jersey's Core Curriculum Content Standard.

## **3. MAJOR INITIATIVES**

Hope Community Charter School continues to focus on the school's mission. Hope Community Charter School's mission is to provide a safe, caring, literacy rich learning environment that guides and inspires students in building a solid academic foundation. Literacy will be the path to a solid academic foundation by developing, in each student, a highly literate and effective communicator who is self-reflective, responsible decision-maker. To fulfill this mission, Hope Community Charter School deliberately works to improve instruction and student outcomes by growing and developing our staff, providing new resources and programs for our students and providing remedial instruction when needed.

#### **4. INTERNAL ACCOUNTING CONTROLS**

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

As a recipient of federal 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 control is 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 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, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or included as re-appropriations of fund balance in the subsequent year.

#### **6. ACCOUNTING SYSTEM AND REPORTS**

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

#### **7. FINANCIAL POLICIES**

The intent of the School Board is to ensure that the Charter School manages its budget and finance in a fiscally prudent and responsible way by establishing financial policies for the Budget, Fund Balance, and the maintenance of adequate reserves. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual that is when they become measurable and available. Property taxes, interest and General Fund revenues are the significant revenue sources considered susceptible to accrual.

## **OTHER INFORMATION**

### *INDEPENDENT AUDIT*

State statutes require an annual audit by independent certified public accountants. The accounting firm of Barre & Company, LLC, Certified Public Accountants, was appointed by the Board of Education. In addition to *meeting* the requirements set forth in the State statutes, the audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditor's report on the basic financial statements and combining statements and related major fund supporting statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section of this report.

## **8. ACKNOWLEDGEMENTS**

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

Respectfully submitted,

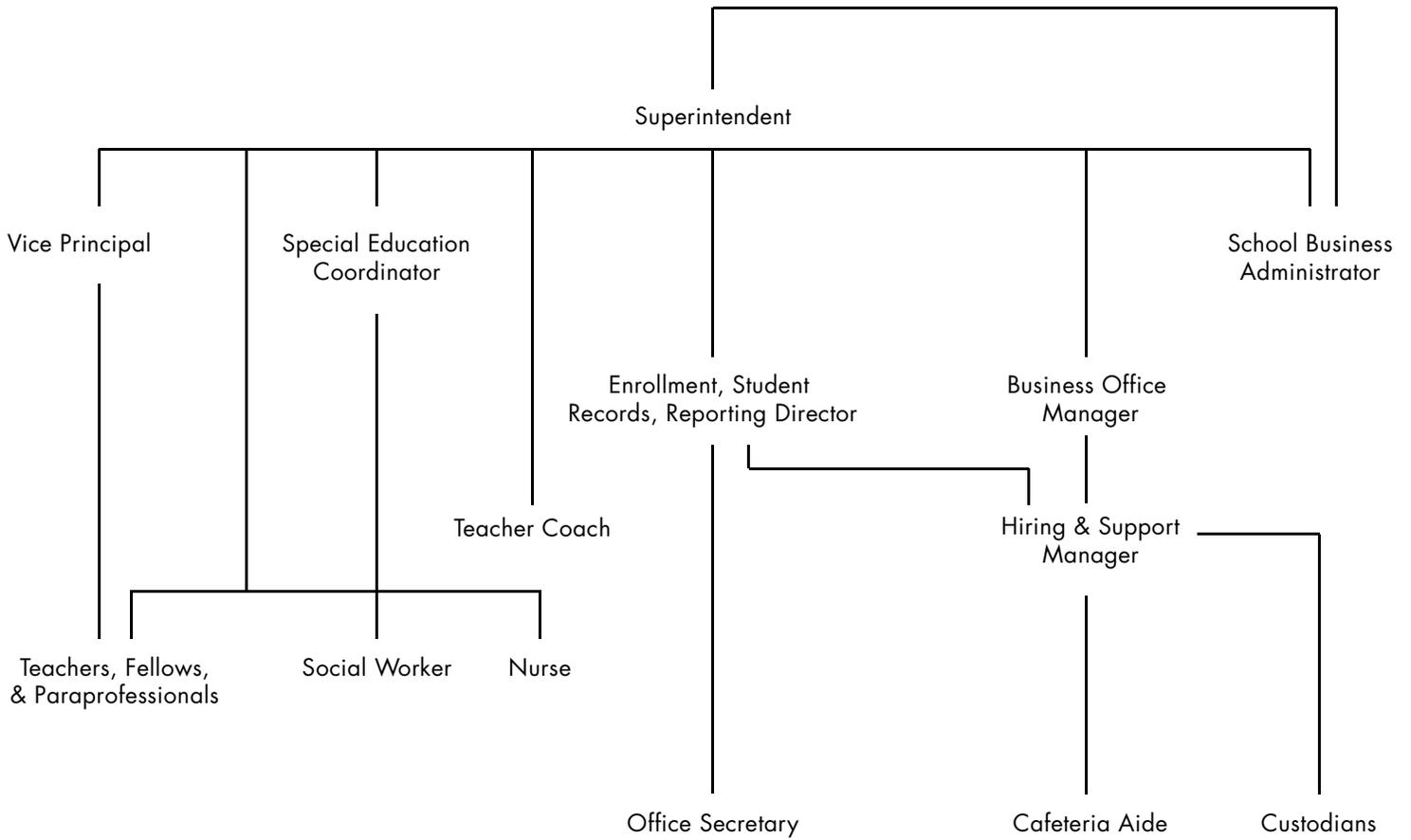


Glenn Richardson  
School Business Administrator  
Board Secretary



# HOPE COMMUNITY CHARTER SCHOOL

Board of Trustees



**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2018**

**MEMBERS OF THE BOARD OF TRUSTEES**

**Term Expires**

Robert Delengowski	Board Chair	2020
Robert Rozzelle	Board Vice-Chair	2021
Christian Gallietta	Trustee	2021
Matthew Myers	Trustee	2020
Barbara Wallace	Trustee	2020

**OTHER OFFICIALS**

Glenn Richardson	Board Secretary/Business Administrator
Robin-Ruiz	Executive Director
Patricia Johnston	Assistant Business Administrator
Derek Mead	Treasurer

**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company LLC  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, New Jersey 07083

***Attorney***

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

***Official Depository***

BB&T Bank  
Camden, New Jersey

***Insurance***

G.R. Murray Insurance  
Princeton, New Jersey

***FINANCIAL SECTION***

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*(908) 686-3484*  
*FAX – (908) 686-6055*  
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Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hope Community Charter School (Charter School), in the County of Camden, State of New Jersey, as of and for the fiscal year ended 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.

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hope Community Charter School, in the County of Camden, State of New Jersey, as of June 30, 2018, and the respective changes in the 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.

### ***Emphasis of Matter***

As discussed in Note 4 to the basic financial statements, the Charter School implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, and M-1, and the related Notes be presented to supplement the basic financial statements and budgetary comparison information in Exhibits C-1 through C-3. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and other information, such as the introductory and statistical sections are presented for purposes of

additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and 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 use 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 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 it.

**Other Reporting Required by *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey***

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated November 19, 2018 on our consideration of the Hope Community Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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 the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
February 28, 2019

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

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

The discussion and analysis of Hope Community Charter School's 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.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- ❖ General revenues accounted for \$3,429,666 or 97% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$116,127 or 3% of total revenues of \$3,545,793.
- ❖ The Charter School had \$3,708,346 in expenses; only \$116,127 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,429,666 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$3,180,432 in revenues and \$3,232,483 in expenditures. The General Fund's fund balance decreased \$52,051 over 2017. This decrease was anticipated by the Board of Trustees.

**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 Hope Community 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 *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 non-major funds presented in total in one column. In the case of Hope Community Charter School, the General Fund is by far the most significant fund.

**Reporting the Charter School as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2018?" The *Statement of*

**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

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

**Statement of Net Position and the Statement of Activities (Continued)**

*Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position 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. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the 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 Activity — 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 is reported as a business activity.

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

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's 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 Special Revenue Fund.

**Governmental Funds**

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

**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

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

**Enterprise Fund**

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

**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 36 of this report.

**The Charter School as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's 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 Position were \$426,788 for **2018** and \$693,638 for 2017.

**Governmental Activities**

The Charter School's total revenues were \$3,419,814 for 2018 and \$3,266,807 for 2017, this includes \$101,215 for **2018** and \$103,353 for 2017 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$3,572,172 for 2018 and \$3,174,327 for 2017. Instruction comprises 43% for **2018** and 41% for 2017 of Charter School expenses.

**Business-Type Activities**

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

- ❖ Food service expenses exceeded revenues by -\$10,195 for 2018 while revenues exceeded expenses by \$3,562 for 2017.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$116,127 for 2018 and \$113,314 for 2017.

**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

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

**Governmental Activities**

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/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$3,419,814 for **2018** and \$3,266,807 for 2017 and expenditures were \$3,471,865 for 2018 and \$3,174,327 for 2017. The net change in fund balance was most significant in the general fund, a decrease of \$52,051 in 2018 where there was an increase of \$92,480 in 2017.

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 schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Local Sources	\$ 219,005	6.40%	\$ 98,048	81.06%
State Sources	2,961,427	86.60%	261,273	9.68%
Federal Sources	239,382	7.00%	(206,314)	-46.29%
<b>Total</b>	<b>\$ 3,419,814</b>	<b>100.00%</b>	<b>\$ 153,007</b>	

**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, 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, 2018, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Instruction	\$ 1,310,673	37.75%	\$ 7,494	0.58%
Administration	1,046,633	30.15%	(18,621)	-1.75%
Support Services	1,109,485	31.96%	331,447	42.60%
Capital Outlay	5,074	0.14%	(22,782)	-81.78%
<b>Total</b>	<b>\$ 3,471,865</b>	<b>100.00%</b>	<b>\$ 297,538</b>	

**General Fund Budgeting Highlights**

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

Over the course of the year, the 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 Hope Community Charter School is in stable financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Hope Community Charter School has committed itself to financial stability for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**HOPE COMMUNITY CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

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

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Glenn Richardson, Business Administrator/Board Secretary at Hope Community Charter School, 836 South 4th Street, Camden, New Jersey 08103.

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

*The statement of net position 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.*

**HOPE COMMUNITY CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents:			
Cash and Cash Equivalents	\$ 785,681	\$ -	\$ 785,681
Interfund Receivables	115,321		115,321
Receivables	63,434	21,540	84,974
Restricted Assets:			
Cash and Cash Equivalents	75,137		75,137
Total Assets	1,039,573	21,540	1,061,113
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	470,250		470,250
Total Deferred Outflows of Resources	470,250	-	470,250
<b>LIABILITIES:</b>			
Cash Deficit			-
Interfund Payable	91,904	6,085	97,989
Payable to State Government	284,371		284,371
Accounts Payable	37,028	9,737	46,765
Deferred Revenue	596		596
Net Pension Liability	562,038		562,038
Total Liabilities	975,937	15,822	991,759
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	112,816		112,816
Total Deferred Inflows of Resources	112,816	-	112,816
<b>NET POSITION:</b>			
Restricted for:			
General Fund	75,137		75,137
Unrestricted	345,933	5,718	351,651
Total Net Position	\$ 421,070	\$ 5,718	\$ 426,788

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

**HOPE COMMUNITY CHARTER SCHOOL**  
 Statement of Activities  
 For The Fiscal Year Ended June 30, 2018

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
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 1,124,833	\$ 426,186	\$ -	\$ -	\$ -	\$ (1,551,019)	\$ -	\$ (1,551,019)
Administration	1,017,600	206,790				(1,224,390)		(1,224,390)
Support Services	1,109,485	48,376				(1,157,861)		(1,157,861)
Capital Outlay	5,074					(5,074)		(5,074)
<b>Total Governmental Activities</b>	<b>3,256,992</b>	<b>\$ 681,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,938,344)</b>	<b>-</b>	<b>(3,938,344)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	136,174			116,127			(20,047)	(20,047)
Total Business-Type Activities	136,174			116,127			(20,047)	(20,047)
Total Primary Government	\$ 3,393,166			\$ 116,127		\$ (3,938,344)	\$ (20,047)	\$ (3,958,391)
<b>GENERAL REVENUES</b>								
General Purposes						\$ -	\$ -	\$ -
Federal and State Aid Not Restricted						3,566,981		3,566,981
Miscellaneous Income						219,005	9,852	228,857
Total General Revenues						3,785,986	9,852	3,795,838
Change in Net Position						(152,358)	(10,195)	(162,553)
Net Position - Beginning of Year						677,725	15,913	693,638
Prior Period Adjustment - GASB 68						(104,297)		(104,297)
Net Position - Ending						\$ 421,070	\$ 5,718	\$ 426,788

**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 fund type.*

***GOVERNMENTAL FUNDS***

**HOPE COMMUNITY CHARTER SCHOOL**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2018

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 738,098	\$ 47,583	\$ 785,681
Restricted	75,137		75,137
Receivables:			
Interfund Receivables	115,321		115,321
Receivables From Other Governments	18,333	44,917	63,250
	946,889	92,500	1,039,389
Total Current Assets			
Total Assets	\$ 946,889	\$ 92,500	\$ 1,039,389
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 91,904	\$ 91,904
Payable to State Government	284,371		284,371
Accounts Payable	37,028		37,028
Deferred Revenue		596	596
	321,399	92,500	413,899
Total Current Liabilities			
Total Liabilities	321,399	92,500	413,899
Fund Balances:			
Restricted For:			
Charter School Escrow	75,137		75,137
Unassigned:			
General Fund	550,353		550,353
	625,490	-	625,490
Total Fund Balances			
Total Liabilities and Fund Balances	\$ 946,889	\$ 92,500	
<b>NET ASSETS:</b>			
Net pension liability of \$562,038, deferred inflows of resources of \$112,816 less deferred outflows of resources of \$470,250 related to pensions are not reported in the governmental funds			(204,604)
Net Position of Governmental Activities			\$ 420,886

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

**HOPE COMMUNITY CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ 109,548	\$ -	\$ 109,548
Interest on Investments	638		638
Miscellaneous	108,635		108,635
Total Local Sources	218,821	-	218,821
State Sources	2,961,427		2,961,427
Federal Sources		239,382	239,382
Total Revenues	3,180,248	239,382	3,419,630
<b>EXPENDITURES:</b>			
Current:			
Instruction	1,124,833	185,840	1,310,673
Administration	1,046,633		1,046,633
Support Services	1,055,943	53,542	1,109,485
Capital Outlay	5,074		5,074
Total Expenditures	3,232,483	239,382	3,471,865
NET CHANGE IN FUND BALANCES BEFORE STATE AID REPAYMENT	(52,235)	-	(52,235)
STATE AID REPAYMENT			-
NET CHANGE IN FUND BALANCES	(52,235)	-	(52,235)
FUND BALANCES, JULY 1	677,725	-	677,725
FUND BALANCES, JUNE 30	\$ 625,490	\$ -	\$ 625,490

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

**HOPE COMMUNITY CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental fund (from B-2)	\$	(52,235)
<p>Amounts reported for governmental activities in the statement                  of activities (A-2) are different because:</p>		
<p style="padding-left: 20px;">Pension costs associated with the PERS pension plan are reported in the governmental funds                  as expenditures in the year the school pension contribution is paid. However, on the statement                  of activities, the net difference between the current and prior year net pension liability is                  recognized.</p>		
		<u>(100,307)</u>
Change in net position of governmental activities	\$	<u><u>(152,542)</u></u>

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

***PROPRIETARY FUNDS***

**HOPE COMMUNITY CHARTER SCHOOL**
 Proprietary Fund  
 Statement of Net Position  
 June 30, 2018

	Business-Type Activities <u>Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Receivables:	
Receivables From Other Governments	\$ 21,540
Total Current Assets	<u>21,540</u>
Total Assets	<u>\$ 21,540</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Interfund Accounts Payable	\$ 6,085
Accounts Payable	<u>9,737</u>
Total Current Liabilities	<u>15,822</u>
Total Liabilities	<u>15,822</u>
<b>NET ASSETS:</b>	
Unrestricted	<u>5,718</u>
Total Net Assets	<u>5,718</u>
Total Liabilities and Net Assets	<u>\$ 21,540</u>

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

**HOPE COMMUNITY CHARTER SCHOOL**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2018

	Business-Type Activities Enterprise Fund
	Food Service
<b>OPERATING REVENUES:</b>	
Charges for Services:	
Daily Sales Reimbursable Program	\$ -
Total Operating Revenues	-
<b>OPERATING EXPENSES:</b>	
Salaries	9,852
Cost of Sales- Reimburseable Programs	126,322
Cost of Sales- Non-Reimburseable Programs	-
Total Operating Expenses	136,174
<b>OPERATING LOSS</b>	<b>(136,174)</b>
<b>NONOPERATING REVENUES:</b>	
Board Contributions	9,852
State Source:	
State School Lunch Program	1,296
Federal Source:	
Federal Breakfast Program	30,639
Federal Lunch Program	83,981
Federal Snack Program	211
Total Nonoperating Revenues	125,979
<b>CHANGE IN NET ASSETS</b>	<b>(10,195)</b>
<b>TOTAL NET ASSET, JULY 1</b>	<b>15,913</b>
<b>TOTAL NET ASSET, JUNE 30</b>	<b>\$ 5,718</b>

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

**HOPE COMMUNITY CHARTER SCHOOL**  
 Proprietary Funds  
 Statement of Cash Flows  
 For The Fiscal Year Ended June 30, 2018

	Business-Type Activities
	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Payments to Suppliers and Employees	(125,979)
Net Cash Provided / (Used) by Operating Activities	(125,979)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received from State and Federal Reimbursements	116,127
Operating Transfers In	9,852
Net Cash Provided by Noncapital Financing Activities	125,979
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss Used for Operating Activities	\$ (136,174)
Depreciation	
Changes in Assets and Liabilities:	
Decrease in Interfund Accounts Receivable	185
Increase in Intergovernmental Accounts Receivable	9,127
Increase in Other Receivables	
Increase in Interfund Accounts Payable	6,085
Increase in Accounts Payable	(5,202)
Net Cash Used by Operating Activities	\$ (125,979)

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

***FIDUCIARY FUNDS***

**HOPE COMMUNITY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2018

	Trusts Flexible Spending Account	Payroll Agency	Payroll Account	Total Agency Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 4,921	\$ 13,847	\$ 190	\$ 14,037
<b>Total Assets</b>	\$ 4,921	\$ 13,847	\$ 190	\$ 14,037
<b>LIABILITIES:</b>				
Liabilities:				
Interfund Payable	\$ 3,295	\$ 13,847	\$ 190	\$ 14,037
<b>Total Liabilities</b>	3,295	\$ 13,847	\$ 190	\$ 14,037

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

**HOPE COMMUNITY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For Fiscal Year Ended June 30, 2018

	Trusts Flexible Spending Account
ADDITIONS:	
Contributions:	
Board	\$ 39,499
Total Additions	39,499
DEDUCTIONS:	
Payments	37,873
Total Deductions	37,873
CHANGE IN NET POSITION	1,626
NET POSITION, JULY 1	-
NET POSITION, JUNE 30	\$ 1,626

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

***NOTES TO THE FINANCIAL STATEMENTS***

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**A. Basis of Presentation**

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

**B. Reporting Entity**

The Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School is governed by an independent Board of Trustees, which consists of parents, founders, and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School. Hope Community Charter School has an approximate enrollment at June 30, 2018 of 206.

The primary criterion for including activities within the Charter School’s reporting entity are set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, is whether:

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

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

**C. Component Units**

GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnis – an Amendment of GASB Statements No. 14 and No. 34*. The Charter School had no component units as of for the year ended June 30, 2018.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**D. Basis of Accounting, Measurement Focus and Financial Statement Presentation**

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

**A. Government-Wide Financial Statements**

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

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

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

**B. Governmental Fund Financial Statements**

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

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)**

Governmental Fund Financial Statements (Continued)

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

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

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

The Charter School funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Charter School’s policy to consider restricted

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)**

Governmental Fund Financial Statements (Continued)

fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance, Unassigned fund balance is applied last.

The Charter School reports the following major governmental funds:

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

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

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

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

C. Proprietary Fund Financial Statements

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

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Basis of Accounting, Measurement Focus and Financial Statement Presentation (Continued)**

Governmental Fund Financial Statements (Continued)

Under the accrual basis of accounting, revenue are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

The Charter School reports the following major proprietary fund:

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

**D. Fiduciary Fund Financial Statements**

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

The Charter School reports the following fiduciary funds:

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

**E. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the New Jersey Department of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C. 6:20-2A(m)1*. All budget amendments must be approved by Charter School Board resolutions.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Budgets/Budgetary Control (Continued)**

substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrances accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

**F. Encumbrances**

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

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

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

**G. Cash, Cash Equivalents and Investments**

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

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

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Cash, Cash Equivalents and Investments (Continued)**

*N.J.S.A. 17:9-41 et. Seq.* establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

**H. Inventories**

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

**I. Interfund Receivable/Payables**

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

**J. Unearned Revenue**

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Accrued Liabilities and Long-Term Obligations (Continued)**

financial statements. In general, government fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

**L. Accounting Estimates**

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

**M. Interfund Activity**

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

**N. Deferred Outflows and Deferred Inflows of Resources**

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

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

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**O. Pensions**

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

**P. Fund Balance**

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

- **Non-Spendable**: This classification includes amounts that cannot be spend because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted**: This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislations.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned**: This classification includes amounts that are constrained by the Charter School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Fund Balance (Continued)**

- Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

**Q. Net Position**

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

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

**R. Impact of Recently Issued Accounting Principles**

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended **June 30, 2018**:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Impact of Recently Issued Accounting Principles (Continued)**

Adopted Accounting Pronouncements (Continued)

decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the Charter School's financial Statements.

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

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

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

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

Recently Issued Accounting Pronouncements

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

Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation for certain component units. This Statement amends the blending requirements established in Paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Impact of Recently Issued Accounting Principles (Continued)**

Recently Issued Accounting Pronouncements (Continued)

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

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

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

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

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

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Impact of Recently Issued Accounting Principles (Continued)**

Recently Issued Accounting Pronouncements (Continued)

refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting period beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the Charter school's financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement will be effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the Charter School's financial statements.

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**

A. Deposits and Investments

Deposits

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

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

General Fund	Special Revenue	Fiduciary Funds	Total
\$ 813,235	\$ 47,583	\$ 18,958	\$ 879,776

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

A. Deposits and Investments (Continued)

Deposits (Continued)

The Charter School had no investments at June 30, 2018.

The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$879,776 and the bank balance was \$913,723. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2018, none of the cash and cash equivalents for Hope Community Charter School were exposed to custodial credit risk.

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

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
  - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
  - (2) Government money market mutual funds;
  - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

**B. Deposits and Investments (Continued)**

**Investments (Continued)**

- (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
- (8) Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2018.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2018.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2018.

**C. Receivables**

Accounts receivable at June 30, 2018 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the Charter School's governmental and business-type activities as of June 30, 2018, consisted of the following:

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

D. Receivables (continued)

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 22,600	\$ 22,766
Federal Aid	-	21,374
Other	40,831	40,831
Gross Receivables	63,431	84,971
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 63,431	\$ 84,971

Interfund Receivables and Payables

Transfers between funds are used to repay expenses paid by another fund. The following interfund balances remained on the fund financial statements at June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 115,321	\$ -
Special Revenue Fund		91,904
Proprietary Fund		6,085
Fiduciary Fund		17,332
Total	\$ 115,321	\$ 115,321

A. Capital Assets

On January 11, 2001, the NJ 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. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

As of June 30, 2018, the Charter School had no capital assets.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES  
(CONTINUED)**

Rental Lease

In June, 2017, Hope Community Charter School entered into a Lease Agreement with The Parish of The Cathedral of the Immaculate Conception, of Camden, NJ. The term of the Lease was for five (5) years, beginning on July 1, 2017, and extending through June 30, 2022. The lease requires future annual rental payments as follows:

Year Ended	Amount
June 30, 2019	\$ 242,469
June 30, 2020	247,318
June 30, 2021	252,265
June 30, 2022	256,485
Total future rental payments	\$ 998,536

**NOTE 3: PENSION PLANS**

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

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

**Plan Description**

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

**Benefits Provided**

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

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (Continued)**

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

**Benefits Provided (Continued)**

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Basis of Presentation**

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ration of the contributions of an individual employer to the total

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (Continued)**

**Allocation Methodology and Reconciliation to Financial Statements  
(Continued)**

contributions to PERS during the measurement period July 1, 2015 through June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 22,367 for fiscal year 2016.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (Continued)**

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

At June 30, 2018, the Charter School reported a liability of \$ 562,038 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, which was rolled forward to June 30, 2017. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Charter School's proportion was 0.00241442% which was an increase of 0.00063985% from its proportion measured as of June 30, 2016. For the fiscal year ended June 30, 2018, the Charter School recognized pension expense of \$ 129,276 . At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 113,231	\$ 112,816
Difference Between Expected and Actual Experience	\$ 13,234	
Changes in Proportion	\$ 339,958	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 3,827	-
	\$ 470,250	\$ 112,816

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Changes in Proportion (Continued)**

Fiscal Year Ending June 30,	Total
2018	\$ 13,231
2019	19,966
2020	12,098
2021	(16,091)
2022	(11,728)
	\$ 17,476

**Actuarial Assumptions**

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

Inflation Rate	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%

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are setback 2 years for males and females and in addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 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 the 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 disable retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 01, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

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 pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed 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 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

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3: PENSION PLANS (CONTINUED)**

**Discount Rate (Continued)**

average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension 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 on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2017, calculated using the discount rate as disclosed below, 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:

Fiscal Year Ended June 30, 2017			
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School proportionate share of the Net Pension Liability	\$ 697,246	\$ 562,038	\$ 449,393
Fiscal Year Ended June 30, 2016			
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School proportionate share of the Net Pension Liability	\$ 644,032	\$ 525,576	\$ 427,780

**Pension Plan Fiduciary Net Position**

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

**B. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (CONTINUED)**

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

**Pension Description (Continued)**

employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefit Provided**

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

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

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

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the

**HOPE COMMUNITY CHARTER SCHOOL  
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JUNE 30, 2018**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Allocation Methodology (Continued)**

collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

**Contributions**

The contributions policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

**Special Funding Situation**

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

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 2018, the State of New Jersey contributed \$ 16,062 . to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 72,776 .

As June 30, 2017, the State's proportionate share of the net pension liability associated with the Charter School was \$ 4,369,706 .

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Special Funding Situation (Continued)**

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Charter School's proportion was 0.6480974%. Since this was the Charter School's first year of participation, there is no comparison as to increase or decrease from the preceding year.

Charter School's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with the District		4,369,706
Total	\$	4,369,706

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the Charter School in the amount of \$ 302,711 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 13,378,255,364	\$ 11,684,858,458
Difference Between Expected and Actual Experience	441,116,389	115,381,203
Changes in Proportion and differences between employer contributions and proportionate share of contributions	192,581,778	192,581,778
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	341,507,504	
	\$ 14,353,461,035	\$ 11,992,821,439

The \$ 14,353,461,035 . reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 11,992,821,439 reported as deferred inflow of resources resulted from the difference between projected and actual.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Special Funding Situation (Continued)**

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

**Actuarial Assumptions**

The total pension 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

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

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% as of June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2017 is summarized in the following table:

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**Discount Rate – TPAF**

The discount rate used to measure the 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, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rates in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension 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.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3: PENSION PLANS (CONTINUED)**

**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 collective net pension liability as of June 30, 2016, calculated using the discount rate as disclosed below, 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:

	Fiscal Year Ended June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School proportionate share of the Net Pension Liability	\$ 697,246	\$ 562,038	\$ 449,393

**Pension Plan Fiduciary Net Position - TPAF**

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

**C. Defined Contribution Retirement Program (DCRP)**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (DCRP) (Continued)**

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School did not recognize any pension expense for the fiscal year ended June 30, 2018. There were not employee contributions to DCRP for the fiscal year ended

**NOTE 4: POST-RETIREMENT BENEFITS**

**General Information about the OPEB Plan**

**Plan Description and Benefits Provided**

The school is in a “special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). 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 care 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.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4: POST-RETIREMENT BENEFITS (Continued)**

**Plan Description and Benefits Provided (Continued)**

**Employees covered by benefit terms:**

At June 30, 2018, the following employees were covered by the benefit terms:

**TPAF participant retirees:**

As of June 30, 2018, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

**PERS participant retirees:**

The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

**Total Nonemployer OPEB Liability**

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

**Actuarial Assumptions and Other Inputs**

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%			
		<b><u>TPAF/ABP</u></b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Salary Increases				
Through 2026		1.55% to 4.55% based on years of service	2.15% to 4.15% based on age	2.10% to 8.98% based on age
Rate thereafter		2.00% to 5.45% based on years of service	3.15% to 5.15% based on age	3.15% to 9.98% based on age

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 the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy 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.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4: POST-RETIREMENT BENEFITS (Continued)**

**Plan Description and Benefits Provided (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

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 (PPO) 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 (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend 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.

Discount rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. 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.

Changes in the State's Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 57,831,784,184
Service cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Effect of Changes of Assumptions	(7,086,599,129)
Contributions - Employee	45,748,749
Gross Benefits Paid by the State	<u>(1,242,412,566)</u>
Net Changes	<u>(4,191,942,326)</u>
Balance at June 30, 2017	<u>53,639,841,858</u>

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4: POST-RETIREMENT BENEFITS (CONTINUED)**

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	At 1%	At current	At 1%
	Decrease (2.58%)	discount rate (3.58%)	Increase (4.58%)
Total OPEB Liability	\$ 63,674,362,200	\$ 53,639,841,858	\$ 45,680,364,953

	Fiscal Year Ended June 30, 2016		
	At 1%	At current	At 1%
	Decrease (1.58%)	discount rate (2.58%)	Increase (3.58%)
Total OPEB Liability	\$ 69,383,705,084	\$ 57,831,784,184	\$ 48,817,654,566

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, 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:

	Fiscal Year Ended June 30, 2017		
	At 1%	Trend Rate	At 1%
	decrease		Increase
Total OPEB Liability	\$ 44,113,584,560	\$ 53,639,841,858	\$ 66,290,599,457

	Fiscal Year Ended June 30, 2016		
	At 1%	Trend Rate	At 1%
	decrease		Increase
Total OPEB Liability	\$ 47,452,589,164	\$ 57,831,784,184	\$ 71,707,778,970

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the Charter School recognized OPEB expense of \$336,172 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4: POST-RETIREMENT BENEFITS (CONTINUED)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	\$ -	\$ -
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	-	(6,343,769,032)
Sub Total	-	(6,343,769,032)
Contributions Made in Fiscal Year 2018 after June 30, 2017 Measurement Date	1,190,373,242	N/A
Total	<u>1,190,373,242</u>	<u>(6,343,769,032)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB will be recognized in OPEB expense as follows:

Fiscal Year ending June 30	
2018	\$ 742,830,097
2019	\$ 742,830,097
2020	\$ 742,830,097
2021	\$ 742,830,097
2022	\$ 742,830,097
Total Thereafter	<u>\$ 2,629,618,547</u>
	<u>\$ 6,343,769,032</u>

**NOTE 5: ON BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES**

As previously mentioned, the Charter School receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The Charter School is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2018, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$169,003 , \$109,156 , and \$1,129 , respectively.

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6: RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**NOTE 7: CONTINGENCIES**

**State and Federal Grantor Agencies**

The Charter School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Charter School has not complied with the rules and regulations governing the grants refund of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combines financial statements for such contingencies.

**Litigation**

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

**Economic Dependency**

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

**NOTE 8: DEFERRED COMPENSATION**

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

**HOPE COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9: TAX ABATEMENTS**

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

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at

*N.J.S.A. 18A:7F-5(b)*, the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

**NOTE 10: FUND BALANCES**

**General Fund**

A. Charter School Escrow Reserve

In accordance with the New Jersey Charter School agreement, the Charter School has established an escrow that is restricted for the possible costs associated with the dissolution of the charter school. Within five years of the signing of the agreement, the reserve must reach a balance of \$75,000. The current balance of the escrow maintained by the Charter School is \$75,137

B. Unassigned

As of June 30, 2018, \$550,537 of general fund balance was unassigned.

**NOTE 11: SUBSEQUENT EVENTS**

The Hope Community Charter School's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

**HOPE COMMUNITY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Equalization Aid-Local	\$ 123,489	\$ -	\$ 123,489	\$ 109,548	\$ (13,941)
Total Local Sources	123,489	-	123,489	109,548	(13,941)
Categorical Aid:					
Equalization Aid-State	2,475,449		2,475,449	2,384,281	(91,168)
Special Education	113,563		113,563	111,966	(1,597)
Security Aid	88,567		88,567	84,677	(3,890)
Total Categorical Aid	2,677,579	-	2,677,579	2,580,924	(96,655)
Revenues From Other Sources:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				169,003	169,003
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				109,156	109,156
On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted)				1,129	1,129
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				101,215	101,215
Other Local Sources				10,992	10,992
Interest Income				638	638
Miscellaneous Revenue				97,827	97,827
Total Revenues From Other Sources	-	-	-	489,960	489,960
Total Revenues	2,801,068	-	2,801,068	3,180,432	379,364
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	951,377	(223,000)	728,377	673,694	54,683
Other Salaries for Instruction	451,115	(46,369)	404,746	330,323	74,423
Purchased Prof/Tech Services	16,500		16,500	6,675	9,825
Other Purchased Services	27,500		27,500	11,754	15,746
General Supplies	60,000	20,000	80,000	76,759	3,241
Other Objects	10,000	20,000	30,000	25,628	4,372
Total Instruction	1,516,492	(229,369)	1,287,123	1,124,833	162,290
Administration:					
Salaries - General Administration					
Salaries - Technical	321,630	5,016	326,646	326,646	-
Salaries of Secretarial/Clerical Assistants	116,409	44,216	160,625	160,625	-
Total Benefits Cost	372,675	109,225	481,900	411,134	70,766
Purchases Prof/Tech Services	69,290	34,092	103,382	92,553	10,829
Other Purchased Services	26,200	15,080	41,280	32,432	8,848
Communications/Telephone	15,600	(10,500)	5,100	3,473	1,627
Supplies and Materials	15,000	(8,000)	7,000	5,963	1,037
Miscellaneous Expenses	2,500	2,000	4,500	4,318	182
Total Administration	939,304	191,129	1,130,433	1,037,144	93,289

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

**HOPE COMMUNITY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	39,500	(22,000)	17,500	5,400	12,100
Salaries - Nurse	67,428		67,428	59,393	8,035
Salaries - Custodial	55,678		55,678	49,167	6,511
Purchased Prof/Tech Services	128,700	82,806	211,506	180,349	31,157
Rental of Land and Buildings	249,600	115	249,715	240,715	9,000
Transportation-Other Than To/From School	43,500	7,320	50,820	45,042	5,778
Insurance for Property, Liability and Fidelity	48,100	(15,000)	33,100	25,613	7,487
Supplies and Materials	33,949	(7,000)	26,949	14,145	12,804
Energy Costs (Heat and Electricity)	72,000		72,000	51,951	20,049
Travel	28,500	(15,000)	13,500	9,489	4,011
Miscellaneous Expenses		3,665	3,665	3,665	-
<b>Total Support Services</b>	<b>766,955</b>	<b>34,906</b>	<b>801,861</b>	<b>684,929</b>	<b>116,932</b>
Capital Outlay:					
Purchased of Land/Improvements		6,000	6,000	5,074	926
<b>Total Capital Outlay</b>	<b>-</b>	<b>6,000</b>	<b>6,000</b>	<b>5,074</b>	<b>926</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				169,003	(169,003)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				109,156	(109,156)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				101,215	(101,215)
On Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				1,129	(1,129)
<b>Total Expenditures</b>	<b>3,222,751</b>	<b>2,666</b>	<b>3,225,417</b>	<b>3,232,483</b>	<b>103,219</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(421,683)	(2,666)	(424,349)	(52,051)	372,298
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(421,683)	(2,666)	(424,349)	(52,051)	372,298
<b>FUND BALANCE, JULY 1</b>	<b>677,725</b>	<b>-</b>	<b>677,725</b>	<b>677,725</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 256,042</b>	<b>\$ (2,666)</b>	<b>\$ 253,376</b>	<b>\$ 625,674</b>	<b>\$ 372,298</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 256,042	\$ (2,666)	253,376	\$ 625,674	\$ 372,298
<b>Total</b>	<b>\$ 256,042</b>	<b>\$ (2,666)</b>	<b>\$ 253,376</b>	<b>\$ 625,674</b>	<b>\$ 372,298</b>

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

**HOPE COMMUNITY CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Federal Sources	\$ 235,475	\$ 3,907	\$ 239,382	\$ 239,382	\$ -
Total Revenues	235,475	3,907	239,382	239,382	-
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	178,340		178,340	178,340	-
Purchased Prof/Tech Services		7,500	7,500	7,500	-
Total Instruction	178,340	7,500	185,840	185,840	-
Support Services:					
Personal Services - Employee Benefits	47,135	(3,593)	43,542	43,542	-
Other Purchased Professional Services	10,000		10,000	10,000	-
Total Support Services	57,135	(3,593)	53,542	53,542	-
Total Expenditures	235,475	3,907	239,382	239,382	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

**HOPE COMMUNITY CHARTER SCHOOL**  
 Budgetary Comparison Schedule  
 Budget-To-GAAP Reconciliation  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2018

Note A - Explanation of differences between Budgetary Inflows and GAAP Revenues and Expenditures

		General Fund		Special Revenue Fund
<b>Sources/Inflows of Resources</b>				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b>	\$ 3,180,248	<b>[C-2]</b>	239,382
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				(1,809)
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b>	\$ 3,180,248	<b>[B-2]</b>	\$ 237,573
 <b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b>	\$ 3,232,483	<b>[C-2]</b>	239,382
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				(1,809)
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b>	\$ 3,232,483	<b>[B-2]</b>	\$ 237,573

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***

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

**HOPE COMMUNITY CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST TWO FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year ending June 30,	
	2017	2018
Charter School's proportion of the net pension liability	0.001774567%	0.002414418%
Charter School's proportionate share of the net pension liability	\$ 525,576	\$ 562,038
Charter School's covered employees payroll	\$ 178,422	\$ 209,796
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	295%	268%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	36.79%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**HOPE COMMUNITY CHARTER SCHOOL  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS  
 PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 TWO FOUR FISCAL YEARS  
 UNAUDITED**

	Fiscal Year Ending June 30,	
	2017	2018
Contractually required contribution	15,765	22,367
Contributions in relation to the contractually required contribution	<u>(15,765)</u>	<u>(22,367)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 178,422	\$ 209,796
Contributions as a percentage of covered employee payroll	8.84%	10.66%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**HOPE COMMUNITY CHARTER SCHOOL  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER'S PENSION AND ANNUITY FUND  
 LAST FISCAL YEAR (CHARTER DID NOT PARTICIPATE IN PRIOR YEARS)  
 UNAUDITED**

	<u>Fiscal Year Ending June 30,</u>	
	<u>2018</u>	
State's proportion of the net pension liability attributable of the Charter School		0.64809736%
State's proportionate share of the net pension liability attributable to the Charter School	\$	4,369,706
Charter School's covered employees payroll	\$	1,171,906
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll		372.87%
Plan fiduciary net position as a p ercentage of the total pension liability		25.41%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

***SCHEDULE M - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS***

**Hope Community Charter School**  
**Required Supplementary Information Schedules**  
**Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios**  
**Last Two Fiscal Years**  
**(Unaudited)**

	Fiscal Years Ending	
	June 30, 2017	June 30, 2018
OPEB Liability at Beginning of Measurement Period		\$ 1,123,526
Service cost		323,935
Interest on Total OPEB Liability		40,860
Effect on Changes of Benefit Terms	NOT AVAILABLE	-
Effect of Changes of Assumptions		(217,362)
Contributions - Employee		1,060
Gross Benefits Paid by the State		(28,796)
		<u>119,697</u>
Net Change in Total OPEB Liability	NOT AVAILABLE	119,697
OPEB Liability at Beginning of Measurement Period		<u>1,123,526</u>
		<u>1,243,223</u>
	<u>1,123,526</u>	<u>1,243,223</u>
The Charter School's Proportionate Share of the Total OPEB Liability		
Charter School's Covered-Employee Payroll	\$ 1,277,304	\$ 1,381,702
Total Charter School's OPEB liability as a percentage of covered-employee payroll	87.961%	89.978%
Charter School's Contribution	None	None

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III***

**HOPE COMMUNITY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2018**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from (3.98%) as of June 30, 2016 to (5.00%) as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

**HOPE COMMUNITY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2018**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from (3.22%) as of June 30, 2016 to (4.25%) as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

**HOPE COMMUNITY CHARTER SCHOOL**  
 Special Revenue Fund  
 Combining Schedule of Revenues and Expenditures  
 Budgetary Basis  
 For the Fiscal Year Ended June 30, 2018

	Title I Part A	Title II Part D	Title II	Title IV	IDEA Part B	Total
<b>Revenues:</b>						
Federal Sources	\$ 176,294	\$ 7,500	10,000	10,000	\$ 35,588	\$ 239,382
<b>Total Revenues</b>	<u>\$ 176,294</u>	<u>\$ 7,500</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 35,588</u>	<u>\$ 239,382</u>
<b>Expenditures:</b>						
Instruction:						
Salaries of Teachers	\$ 140,149	\$ -	\$ -	\$ -	\$ 28,191	\$ 168,340
Purchased Prof/Tech Services		7,500				7,500
<b>Total Instruction</b>	<u>140,149</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>28,191</u>	<u>175,840</u>
Support Services:						
Personal Services/Employee Benefits	36,145		10,000	10,000	7,397	43,542
Other Purchased Professional Services						20,000
<b>Total Support Services</b>	<u>36,145</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>7,397</u>	<u>63,542</u>
<b>Total Expenditures</b>	<u>176,294</u>	<u>7,500</u>	<u>10,000</u>	<u>10,000</u>	<u>35,588</u>	<u>239,382</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

*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 is that the costs of providing goods or services be financed through user charges.*

*Food Services Fund – This fund provides for the operation of food services in all schools within the school district.*

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

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENT**

***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.***

***Student Activity Fund – This agency fund is used to account for students funds held at the schools.***

***Payroll Agency Fund – This agency fund is used to account for payroll transactions of the Charter School.***

**HOPE COMMUNITY CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2018

	<u>Agency</u>
	<u>Payroll Agency</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>\$ 13,847</u>
Total Assets	<u><u>\$ 13,847</u></u>
<b>LIABILITIES:</b>	
Liabilities:	
Interfund Payable	<u>\$ 13,847</u>
Total Liabilities	<u><u>\$ 13,847</u></u>

**HOPE COMMUNITY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 Trust Funds  
 For the Fiscal Year Ended June 30, 2018

	<u>Flexible Spending Account</u>
ADDITIONS:	
Contributions:	
Employees	\$ 39,499
Donations	
	<hr/>
Total Additions	<u>39,499</u>
DEDUCTIONS:	
Payments	37,873
Miscellaneous Expenses	
	<hr/>
Total Deductions	<u>37,873</u>
CHANGE IN NET POSITION	1,626
NET POSITION, JULY 1	<hr/> -
NET POSITION (DEFICIT), JUNE 30	<u><u>\$ 1,626</u></u>

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

**HOPE COMMUNITY CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 18,521	\$ 804,755	\$ 809,429	\$ 13,847
<b>Total Assets</b>	<b>\$ 18,521</b>	<b>\$ 804,755</b>	<b>\$ 809,429</b>	<b>\$ 13,847</b>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 3,295	\$ 763,499	\$ 752,947	\$ 13,847
Payroll Deductions and Withholdings	15,226	-	15,226	-
<b>Total Liabilities</b>	<b>\$ 18,521</b>	<b>\$ 763,499</b>	<b>\$ 768,173</b>	<b>\$ 13,847</b>

**STATISTICAL SECTION  
(UNAUDITED)**

***Hope Community Charter School has been in operation for five (5) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for five (5) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.***

**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**

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**

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 (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

***FINANCIAL TRENDS***

**HOPE COMMUNITY CHARTER SCHOOL**

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

	2018	2017	2016	2015	2014
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities					
Net Investment in Capital Assets/					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 24,999	\$ 10,210	\$ -
Restricted	75,137	75,000	75,000		
Unrestricted	<u>345,933</u>	<u>602,725</u>	<u>485,246</u>	<u>667,916</u>	<u>234,473</u>
Total Governmental Activities Net Assets/ Position	<u>\$ 421,070</u>	<u>\$ 677,725</u>	<u>\$ 585,245</u>	<u>\$ 678,126</u>	<u>\$ 234,473</u>
Business-Type Activities					
Unrestricted	<u>\$ 5,718</u>	<u>\$ 15,913</u>	<u>\$ 12,351</u>	<u>\$ 15,068</u>	<u>\$ 506</u>
Total Business-Type Activities Net Assets/Position	<u>\$ 5,718</u>	<u>\$ 15,913</u>	<u>\$ 12,351</u>	<u>\$ 15,068</u>	<u>\$ 506</u>
Charter School-Wide					
Net Investment in Capital Assets/					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 24,999	\$ 10,210	\$ -
Restricted	75,137	75,000	75,000		
Unrestricted	<u>351,651</u>	<u>618,638</u>	<u>497,597</u>	<u>682,984</u>	<u>234,979</u>
Total Charter School Net Position	<u>\$ 426,788</u>	<u>\$ 693,638</u>	<u>\$ 597,596</u>	<u>\$ 693,194</u>	<u>\$ 234,979</u>

**Source: Comprehensive Annual Financial Report**

**HOPE COMMUNITY CHARTER SCHOOL**  
 Changes in Net Position  
 Last Five Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	2018	2017	2016	2015	2014
<b>Expenses</b>					
Governmental Activities:					
Instruction	\$ 1,551,019	\$ 2,606,358	\$ 1,400,792	\$ 919,627	\$ 643,994
Administration	1,224,390.00	1,460,215	495,785	369,880	341,603
Support Services	1,157,861	1,684,866	752,617	775,048	392,059
Capital Outlay	5,074	55,712	1,955	22,602	-
On Behalf TPAF Pension and Social Security Contribution		134,473			
Unallocated	-	407,030	341,524	200,673	37,248
Total Governmental Activities Expenses	<u>3,938,344</u>	<u>6,348,654</u>	<u>2,992,673</u>	<u>2,287,830</u>	<u>1,414,904</u>
Business-Type Activities:					
Food Service	136,174	109,752	117,645	113,893	110,119
Total Business-Type Activities Expenses	<u>136,174</u>	<u>109,752</u>	<u>117,645</u>	<u>113,893</u>	<u>110,119</u>
Total Charter School Expenses	<u>\$ 4,074,518</u>	<u>\$ 6,458,406</u>	<u>\$ 3,110,318</u>	<u>\$ 2,401,723</u>	<u>\$ 1,525,023</u>
<b>Program Revenues</b>					
Governmental Activities:					
Operating Grants and Contributions	\$ -	\$ 683,522	\$ 532,108	\$ 410,766	\$ 296,387
Total Governmental Activities Expenses	<u>-</u>	<u>683,522</u>	<u>532,108</u>	<u>410,766</u>	<u>296,387</u>
Business-Type Activities:					
Charges for Services	-	-	-	5,761	459
Operating Grants and Contributions	116,127	113,314	114,928	122,694	74,271
Transfers	-	-	-	-	25,895
Total Business-Type Activities Expenses	<u>116,127</u>	<u>113,314</u>	<u>114,928</u>	<u>128,455</u>	<u>100,625</u>
Total Charter School Program Revenue	<u>\$ 116,127</u>	<u>\$ 796,836</u>	<u>\$ 647,036</u>	<u>\$ 539,221</u>	<u>\$ 397,012</u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (3,938,344)	\$ (5,665,132)	\$ (2,460,565)	\$ (1,877,064)	\$ (1,118,517)
Business-Type Activities	(20,047)	3,562	(2,717)	14,562	(9,494)
Total Charter School Net Expense	<u>\$ (3,958,391)</u>	<u>\$ (5,661,570)</u>	<u>\$ (2,463,282)</u>	<u>\$ (1,862,502)</u>	<u>\$ (1,128,011)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
General Purposes	\$ -	\$ 92,824	\$ 79,186	\$ 72,474	\$ 42,748
Federal and State Aid Not Restricted	3,566,981	5,608,178	2,250,796	2,232,360	1,325,584
Miscellaneous Income	219,005	149,090	27,702	25,883	10,553
Transfers	-	-	-	-	(25,895)
Total Governmental Activities	<u>3,785,986</u>	<u>5,850,092</u>	<u>2,357,684</u>	<u>2,330,717</u>	<u>1,352,990</u>
Total Charter School Wide	<u>\$ 3,795,838</u>	<u>\$ 5,850,092</u>	<u>\$ 2,357,684</u>	<u>\$ 2,330,717</u>	<u>\$ 1,352,990</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ (152,358)	\$ 184,960	\$ (102,881)	\$ 453,653	\$ 234,473
Business-Type Activities	(10,195)	3,562	(2,717)	14,562	(9,494)
Total Charter School	<u>\$ (162,553)</u>	<u>\$ 188,522</u>	<u>\$ (105,598)</u>	<u>\$ 468,215</u>	<u>\$ 224,979</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund					
Restricted	75,137	\$ 75,000	\$ 75,000	\$ -	\$ -
Assigned			\$ 24,999	\$ 10,210	
Unassigned	<u>550,537</u>	<u>602,725</u>	<u>485,246</u>	<u>677,916</u>	<u>234,473</u>
Total General Fund	<u>\$ 625,674</u>	<u>\$ 677,725</u>	<u>\$ 585,245</u>	<u>\$ 688,126</u>	<u>\$ 234,473</u>

**Source: Comprehensive Annual Financial Report**

**HOPE COMMUNITY CHARTER SCHOOL**  
 Changes in Fund Balances - Governmental Funds  
 Last Five Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

	2018	2017	2016	2015	2014
<b>Revenues:</b>					
Local Sources	\$ 219,005	\$ 241,914	106,888	98,357	53,301
State Sources	2,961,427	5,503,661	2,344,174	2,293,500	1,332,377
Federal Sources	239,382	891,392	438,730	349,626	289,594
Total Revenues	<u>3,419,814</u>	<u>6,636,967</u>	<u>2,889,792</u>	<u>2,741,483</u>	<u>1,675,272</u>
<b>Expenditures:</b>					
Instruction	1,310,673	2,606,358	1,400,792	919,627	629,619
Administration	1,046,633	1,524,610	495,785	369,880	341,603
Support Services	1,109,485	1,620,471	752,617	775,048	392,059
Capital Outlay	5,074	55,712	1,955	22,602	14,375
Unallocated Benefits		541,503	341,524	200,673	37,248
Total Expenditures	<u>3,471,865</u>	<u>6,348,654</u>	<u>2,992,673</u>	<u>2,287,830</u>	<u>1,414,904</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,051)	288,313	(102,881)	453,653	260,368
Net Change in Fund Balance	<u>\$ (52,051)</u>	<u>\$ 288,313</u>	<u>\$ (102,881)</u>	<u>\$ 453,653</u>	<u>\$ 260,368</u>

**Source: Comprehensive Annual Financial Report**

**HOPE COMMUNITY CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
 Last Five Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

Fiscal Year Ending June 30,	Interest	Miscellaneous Revenue	Total
2018	\$ 638	\$ 108,819	\$ 109,457
2017		28,133	28,133
2016		-	-
2015		-	-
2014	-	-	-

**Source: Charter School records**

***OPERATING INFORMATION***

**HOPE COMMUNITY CHARTER SCHOOL**  
 Full-Time Equivalent Charter School Employees by Function  
 Last Five Fiscal Years

Function	2018	2017	2016	2015	2014
Instruction	31	27	23	23	13
Administrative	5	5	2	2	2
Support Services	3	2	1	1	1
Food Service	-	-	-	-	-
Total	39	34	26	26	16

Source: Charter School's Records

**HOPE COMMUNITY CHARTER SCHOOL**  
 Operating Statistics  
 Last Five Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2018	206	\$ 3,466,791	\$ 16,829	-2.12%	31	1:7	197.5	177.4	6.18%	89.82%
2017	183	3,146,471	17,194	29.36%	28	1:7	186	161	-2.11%	86.56%
2016	192	2,551,988	13,292	37.84%	27	1:8	190	186	7.95%	97.89%
2015	201	1,938,204	9,643	-6.03%	12	1:17	176	149	66.04%	84.66%
2014	109	1,118,517	10,262	0.00%	6	1:17	106	86	100.00%	81.13%

**HOPE COMMUNITY CHARTER SCHOOL**  
 School Building Information  
 Last Five Fiscal Years

<u>Charter School Building</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Square Feet	16,821	16,821	16,821	16,821	16,821
Capacity (students)	320	320	320	320	320
Enrollment	206	183	192	201	109

Number of Schools at June 30, 2018  
 School Building - 1

**Source: Charter School Facilities Office**

## HOPE COMMUNITY CHARTER SCHOOL

Insurance Schedule  
June 30, 2018

	<u>Coverage</u>	<u>Deductible</u>
<b>PACKAGE POLICY (NJSBAIG)</b>		
<b>Property Section</b>		
Location #1	\$ 3,977,200	
Location #1 Contents	475,000	
Location #2	1,729,800	
Location #2 Contents	50,000	
Blanket Extra Expense	50,000,000	
Blanket Records	10,000,000	
Flood	25,000,000	\$ 500,000
Earthquake	50,000,000	
Terrorism	1,000,000	
<b>EDP</b>		
Blanket Hardware/Software	\$ 475,000	
Transit	25,000	
Loss of Income	10,000	
<b>Boiler &amp; Machinery</b>		
Property Damage & Business Income	\$ 100,000,000	
<b>Crime</b>		
Public Employee Dishonesty	\$ 250,000	\$ 500
Loss of Money	50,000	500
Forgery or Alteration	250,000	500
Computer Fraud	250,000	500
<b>General Liability</b>		
Each Occurrence	\$ 16,000,000	
Sexual Abuse	16,000,000	
Personal & Advertising	16,000,000	
Employment Benefits	16,000,000	
Medical Payments	10,000	
<b>Business Auto Section</b>		
Hired & Non-Owned Auto Liability	\$ 16,000,000	
<b>WORKERS COMPENSATION (NJSBAIG)</b>		
Bodily Injury by Accident	\$ 2,000,000	
Bodily Injury by Disease	2,000,000	

Source: Charter School's Records

**HOPE COMMUNITY CHARTER SCHOOL**  
 Charter School Performance Framework Financial Indicators  
 Fiscal Ratios  
 Last Three Fiscal Years

	2016 Audit	2017 Audit	2018 Audit	Source
Cash	493,619	793,849	860,818	Audit: Exhibit A-1
Current Assets (includes CASH)	739,648	880,917	1,061,113	Audit: Exhibit A-1
Total Assets	739,648	880,917	1,061,113	Audit: Exhibit A-1
Current Liabilities	142,052	211,179	429,721	Audit: Exhibit A-1
Total Liabilities	142,052	211,179	991,759	Audit: Exhibit A-1
Net Assets	597,596	693,638	426,788	Audit: Exhibit A-1
Total Revenue	3,004,720	3,266,807	3,911,965	Audit: Exhibit A-2
Total Expenses	3,110,318	3,174,327	4,074,518	Audit: Exhibit A-2
Change in Net Assets	(105,598)	92,480	(162,553)	Audit: Exhibit A-2
Depreciation Expense	0	0	0	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	190,00	186,00	197,50	DOE Enrollment Reports
March, 30th Budgeted Enrollment	178	183	190	Charter School Budget

Near Term Indicators	RATIOS ANALYSIS...			Changes
	2016	2017	2018	
1a. Current Ratio	5.21	4.17	2.47	3.43 Current Assets/Current Liabilities
1b. Unrestricted Days Cash	57.93	91.28	77.11	75.44 Cash/(Total Expenses/365)
1c. Enrollment Variance	107%	102%	104%	104.11% Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	No	Audit not in default
<b>Sustainability Indicators</b>				
2a. Total Margin	-4%	3%	-4%	-2% Change in Net Assets/Total Revenue
2b. Debt to Asset	0.19	0.24	0.93	0.50 Total Liabilities/Total Assets
2c.** Cash Flow	493,619	300,230	66,969	860,818 Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments) >1.10

\* is school in default of loan covenant(s) and/or is delinquent with debt service paym No

\*\* 2018 = 2018 Cash - 2017 Cash; 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash

***SINGLE AUDIT SECTION***

**BARRE & COMPANY LLC**  
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**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**

***INDEPENDENT AUDITOR'S REPORT***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental and business-type activities, each major fund, and the aggregate remaining fund information of Hope Community Charter School (Charter School), in the , State of New Jersey, as of and for the fiscal year ended **June 30, 2018**, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated February 28, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
February 28, 2019

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM  
GUIDANCE AND NEW JERSEY CIRCULAR 15-08 OMB**

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

***Report on Compliance for Each Major State Program***

We have audited the Hope Community Charter School’s (Charter School) compliance with the types of compliance requirements described in the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of its major state programs for the fiscal year ended **June 30, 2018**. The Charter School’s major state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management’s Responsibility***

The Charter School’s management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of Hope Community Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and the State of New Jersey’s 15-08 OMB Circular, *Single Audit Policy for Recipients of State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB’s Circular 15-08 require that we plan and perform the audit to obtain reasonable

assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major State Program***

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

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

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

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

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

***Purpose of this Report***

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

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
February 28, 2019

**HOPE COMMUNITY CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2017	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2018 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education</b>														
Special Revenue Fund:														
No Child Left Behind:														
Title I Part A	84.01	S010A170030	NCLB - - 18	\$ 179,391	7/1/17	6,300/18	\$ -	172,475	(176,294)	\$ -	\$ -	(3,819)	\$ -	\$ -
Title III	84.365		NCLB - - 18	10,000	7/1/17	6,300/18	-	10,000	(10,000)	-	-	-	-	-
Title I Part A	84.367	S367A170029	NCLB - - 18	7,500	7/1/17	6,300/18	-	7,500	(7,500)	-	-	(10,000)	-	-
Title IV State & Drug Free	84.186		NCLB - - 18	10,000	7/1/17	6,300/18	-	189,975	(203,799)	-	-	(13,819)	-	-
Total No Child Left Behind														
Individuals with Disabilities Cluster:														
IDE A, Part B Basic:	84.027	H027A150100	IDEA - - 18	36,084	7/1/17	6,300/18	-	36,084	(35,588)	-	-	-	496	-
Total Individuals with Disabilities Cluster														
Other Special Revenue Funds:														
Teacher Incentive Grant	84.374A	S374A120060	N/A	156,880	10/1/12	9/30/17	(31,098)	-	-	-	-	(31,098)	-	-
Charter School Implementation-Phase II	84.282A		N/A	100,000	9/1/16	8/31/17	(30,999)	-	-	-	-	(31,099)	100	-
Total Other Special Revenue Funds														
Total Special Revenue Fund							(30,999)	226,059	(239,882)	-	-	(44,917)	586	-
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Agriculture</b>														
Enterprise Fund:														
Food Distribution Program														
Food Distribution Program	10.550		N/A	-	7/1/17	6/30/18	-	-	-	-	-	-	-	-
Food Distribution Program	10.550		N/A	-	7/1/16	6/30/17	-	-	-	-	-	-	-	-
Child Nutrition Cluster:														
School Breakfast Program	10.553	16161NJ304N1089	N/A	30,639	7/1/17	6/30/18	-	25,249	(30,639)	-	-	(6,390)	-	-
School Breakfast Program	10.553		N/A	28,185	7/1/16	6/30/17	(6,834)	6,834	-	-	-	-	-	-
National School Lunch Program	10.555	16161NJ304N1089	N/A	83,981	7/1/17	6/30/18	-	67,997	(63,981)	-	-	(15,984)	-	-
National School Lunch Program	10.555		N/A	82,183	7/1/16	6/30/17	(23,435)	23,435	-	-	-	-	-	-
Child Care Food Program	10.558		N/A	211	7/1/17	6/30/18	-	211	(211)	-	-	-	-	-
Child Care Food Program	10.558		N/A	-	7/1/16	6/30/17	(30,269)	123,726	(114,837)	-	-	21,374	-	-
Total Child Nutrition Cluster							(30,269)	123,726	(114,837)	-	-	(21,374)	-	-
Total Enterprise Fund							(30,269)	123,726	(114,831)	-	-	(21,374)	-	-
Total Federal Financial Awards							(61,267)	349,785	(354,213)	\$ -	\$ -	(66,291)	\$ 586	\$ -

**HOPE COMMUNITY CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2018

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Balance at June 30, 2018			MEMO						
			From	To	Unearned Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance		(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
<b>State Department of Education</b>																	
<b>General Fund</b>																	
State A&P-Public Cluster																	
Equalization Aid	18-495-034-5120-078	\$ 2,384,281	7/1/17	6/30/18	\$ -	\$ -	\$ -	\$ 2,488,412	(2,384,281)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Equalization Aid	17-495-034-5120-071	2,029,890	7/1/16	6/30/17	(14,124)	68,613	-	-	(14,124)	-	-	114,131	-	-	68,613	2,384,281	
Equalization Aid	16-495-034-5120-078	2,116,532	7/1/15	6/30/16	101,627	-	-	111,966	(111,966)	-	-	101,627	-	-	-	2,116,532	
Special Education Categorical Aid	18-495-034-5120-089	111,966	7/1/17	6/30/18	-	-	-	111,966	-	-	-	-	-	-	-	111,966	
Special Education Aid	17-495-034-5120-089	-	7/1/16	6/30/17	-	-	-	84,677	(84,677)	-	-	-	-	-	-	84,677	
Special Education Aid	16-495-034-5120-084	84,677	7/1/17	6/30/18	87,503	-	-	2,686,655	(2,580,324)	-	-	(14,124)	-	-	-	2,686,655	
Special Education Aid	17-495-034-5120-084	-	7/1/17	6/30/18	-	-	-	-	-	-	-	-	-	-	-	-	
Nonpublic Aid	18-100-034-50688-042	-	7/1/17	6/30/18	-	-	-	-	-	-	-	-	-	-	-	-	
Nonpublic Aid	17-100-034-50688-042	-	7/1/16	6/30/17	-	-	-	-	-	-	-	-	-	-	-	-	
Other State Aid	18-495-034-5120-078	-	7/1/17	6/30/18	-	-	-	-	-	-	-	-	-	-	-	-	
Other State Aid	17-495-034-5120-071	-	7/1/16	6/30/17	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Reimbursed TPAF - Social Security</b>																	
Reimbursed TPAF - Social Security	18-495-034-5095-002	101,215	7/1/17	6/30/18	-	-	-	97,006	(101,215)	-	-	-	-	-	-	97,006	101,215
Reimbursed TPAF - Social Security	17-495-034-5095-002	103,353	7/1/16	6/30/17	(9,589)	-	-	9,589	-	-	-	-	-	-	-	9,589	103,353
Total Reimbursed TPAF - Social Security Cluster																	
[OTHER GRANT]	18-XXX-XXX-XXX-XXX	-	7/1/17	6/30/18	-	-	-	106,595	(101,215)	-	-	-	-	-	-	106,595	106,595
[OTHER GRANT CARRYOVER]	17-XXX-XXX-XXX-XXX	-	7/1/16	6/30/17	-	-	-	-	-	-	-	-	-	-	-	-	-
Total General Fund					77,914	68,613	-	2,801,650	(2,682,139)	-	-	284,371	-	(18,333)	-	2,801,650	2,682,139
<b>State Department of Agriculture</b>																	
<b>Enterprise Fund:</b>																	
National School Lunch Program (State Share)	18-100-010-3350-023	1,236	7/1/17	6/30/18	(398)	-	-	1,130	(1,236)	-	-	-	-	-	-	1,130	1,236
National School Lunch Program (State Share)	17-100-010-3350-023	1,409	7/1/16	6/30/17	-	-	-	398	-	-	-	-	-	-	-	398	1,409
Total Enterprise Fund					(398)	-	-	1,528	(1,236)	-	-	-	-	(166)	-	1,528	1,236
Total State Financial Assistance Subject to Major Program Determination for State Single Audit					\$ 77,516	\$ 68,613	\$ -	\$ 2,803,178	\$ (2,683,435)	\$ -	\$ -	\$ 284,371	\$ -	\$ (18,499)	\$ -	\$ 2,803,178	\$ 2,683,435
<b>State Financial Assistance Not Subject to Major Program Determination:</b>																	
TPAF Post-Retirement Medical Contributions	18-495-034-5095-001	109,156	7/1/17	6/30/18	-	-	-	109,156	(109,156)	-	-	-	-	-	-	109,156	109,156
On-Benefit TPAF Pension Contributions	18-495-034-5095-006	169,003	7/1/17	6/30/18	-	-	-	169,003	(169,003)	-	-	-	-	-	-	169,003	169,003
Long-Term Disability Insurance Premium	18-495-034-5094-004	1,129	7/1/17	6/30/18	-	-	-	270,288	(270,288)	-	-	-	-	-	-	270,288	270,288
Total General Funds (Non-Cash Assistance)					\$ -	\$ -	\$ -	\$ 3,082,466	\$ (2,962,723)	\$ -	\$ -	\$ 284,371	\$ -	\$ (18,499)	\$ -	\$ 3,082,466	\$ 2,962,723
Total State Financial Assistance					\$ 77,516	\$ 68,613	\$ -	\$ 3,082,466	\$ (2,962,723)	\$ -	\$ -	\$ 284,371	\$ -	\$ (18,499)	\$ -	\$ 2,803,178	\$ 2,683,435

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

**HOPE COMMUNITY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
**June 30, 2018**

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**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, Hope Community Charter School. The Charter School is defined in Note 1 to the basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey OMB's Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". All federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in this schedule is presented in accordance with the requirement of Title 2. U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Awards, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For

**HOPE COMMUNITY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
**June 30, 2018**

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ -	\$ 2,961,427	\$ 2,961,427
Special Revenue Fund	239,382	-	239,382
Food Service Fund	114,831	1,296	116,127
Total Awards & Financial Assistance	\$ 354,213	\$ 2,962,723	\$ 3,316,936

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

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

**NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING**

Hope Community Charter School has no loan balances outstanding at **June 30, 2018**.

**NOTE 6. OTHER INFORMATION**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the charter school for the year ended **June 30, 2018**. 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**.

**HOPE COMMUNITY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
**June 30, 2018**

**NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

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

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 176,293
Title II, Part D: <i>Enhancing Education Through Technology</i>	7,500
Title III: <i>English Language Acquisition</i>	10,000
Title IV, Part A: <i>Safe and Drug-Free Schools and Communities</i>	<u>10,000</u>
 Total	 <u>\$ 203,793</u>

**NOTE 9. DE MINIMIS INDIRECT COST RATE**

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

**HOPE COMMUNITY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended **June 30, 2018**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u>  X  </u> No

**Federal Awards**

Not Applicable

**State Awards**

Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u>  X  </u>
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08-OMB, as applicable?	_____ Yes	<u>  X  </u> No
Identification of major state programs:		

**State Grant / Project Numbers**

**Name of State Program**

<u>18-495-034-5120-078</u>	<u>EQUALIZATION AID</u>
<u>18-495-034-5120-089</u>	<u>SPECIAL EDUCATION CATEGORICAL AID</u>
<u>18-495-034-5120-084</u>	<u>SECURITY AID</u>

**HOPE COMMUNITY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended **June 30, 2018**

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

The section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

***Part III – Schedule of Federal and State Award Findings and Questioned Costs***

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

**CURRENT YEAR FEDERAL AWARDS**

No Current Year Findings

**CURRENT YEAR STATE AWARDS**

No Current Year Findings

**HOPE COMMUNITY CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended **June 30, 2018**

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**STATUS OF PRIOR-YEAR FINDINGS**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

**Finding 2017-001**

Condition:

Per the prior year audit report, it was noted that proper general and subsidiary ledgers were not properly maintained in accordance with general accepted accounting principles, necessitating material adjustments to properly record the Charter School's operations for the fiscal year.

Current Status:

This finding has been corrected.

**Finding 2017-002**

Per the prior year audit report, it was noted that during review of the Board Secretary's records, State Aid revenue was not properly recorded in the General Fund. It was recommended that the Charter School implement controls surrounding the recording of revenue.

Current Status:

This finding has been corrected.

**Finding 2017-003**

Per the prior year audit report, it was noted that during review of the Board Secretary's records, that the Board Secretary was not certifying the report as required by N.J.A.C. 6A:23A-16.10, and to insure that budget appropriations are not over expended.

Current Status:

This finding has been corrected.