

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

NEW HORIZON COMMUNITY CHARTER SCHOOL
JUNE 30, 2018
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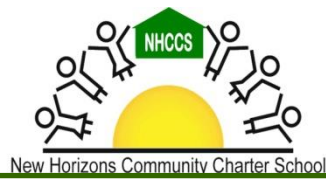
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February 7, 2019

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN 500
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the New Horizons Community 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 school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** New Horizons Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

New Horizons Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

The New Horizons Community Charter School currently serves 756 students from the cities of Newark, East Orange, Elizabeth, and Irvington. The main facility, a three story newly constructed brick building, houses main academic classes, including Computers, Spanish, and Basic Skills. The second facility, NCC Recreational Center is located directly across the street from the school and is used to conduct classes in Art, Music and Physical Education. The third property houses the Business Office.

The New Horizons Community Charter School is a community-based school focusing on the overall growth and development of each child and the school community. The school is affiliated with the New Community Corporation of Newark, UMDNJ, Liberty Science Center, Franklin Institute, Girl Scouts of New Jersey, Kids Camp, North Fork Bank, Scholastic Books, Newark Police Department, Newark Fire Department, Newark Service Bureau and Loyola University.

- 2) **ENROLLMENT OUTLOOK:** The school’s charter authorized a maximum enrollment of 756 students in grades kindergarten through eight. At the beginning of the 2017-2018 school year, the enrollment was 585 students. At the end of the year the enrollment was 591 students. Class size is approximately 21 students per class.

Fiscal Year – June 30, 2018	
Grade	Student Enrollment (June 2018)
K	70
1	74
2	80
3	67
4	83
5	77
6	66
7	73

- 3) **MAJOR ACCOMPLISHMENTS** – New Horizons Community Charter School provided a challenging core curriculum for all students that is well aligned to the Common Core standards. Under the NHCCS administration the school continues to improve student performance, character development and life skills. The following are some of the accomplishments:

Academic Progress and Achievement –

Students at New Horizons Community Charter School made strides in terms of absolute progress on the 2017-2018 Partnership for Assessment of Readiness for College and Careers (PARCC) assessment.

In grades 3-7, there was a school-wide gain of **4%** in the area of English Language Arts (ELA).

The overall PARCC passing rates for the Spring 2018 were as follows (% in Level 4 and 5- College and Career Ready):

Grade 3- ELA- 49%	Grade 3- Math- 36%
Grade 4- ELA- 38%	Grade 4- Math- 23%
Grade 5- ELA- 38%	Grade 5- Math- 11%
Grade 6- ELA- 24%	Grade 6- Math- 27%
Grade 7*- ELA- 32%	Grade 7*- Math- 10%

Data from the 2017-2018 school year in comparison to the 2016-2017 school year in relationship to passing rates, is as follows:

2016-2017:

Grade 3- ELA- 27.4%	Grade 3- Math- 23.8%
Grade 4- ELA- 39.5%	Grade 4- Math- 22.2%
Grade 5- ELA- 19.3%	Grade 5- Math- 12.3%
Grade 6- ELA- 41.5%	Grade 6- Math- 24.5%

2017-2018:

Grade 3- ELA- 49%	Grade 3- Math- 36%
Grade 4- ELA- 38%	Grade 4- Math- 23%
Grade 5- ELA- 38%	Grade 5- Math- 11%
Grade 6- ELA- 24%	Grade 6- Math- 27%
Grade 7*- ELA- 32%	Grade 7*- Math- 10%

*In 2017-2018 New Horizons Community Charter School expanded to include the 7th Grade.

Additional Accomplishments include:

- New Horizons Community Charter School continues to provide a challenging core curriculum for all students that is well aligned to NJSL standards
- There has been a continued Partnership with Teachers College Reading and Writing Project. They provide extensive Professional Development and support to our teachers throughout the year.
- Implementation of Singapore Math: Math in Focus in Grades Kindergarten through Second Grade
- Continued Use of data to drive instruction
- Evening workshops for Mathematics and Language Arts were provided for students and families. These included ELA Family Night, Math Family Night and two PARCC Informational Nights.

Special Board Accomplishments:

- Year 1 of our new expansion to include Grade 7.
- Expanded one to one laptop program to include Grade 7.

- Expansion of Curriculum Supports and Professional Development opportunities for NJLS-S (next Generation Science Standards)

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

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

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

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

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

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools' accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Special Revenue Fund and Proprietary fund revenues for the fiscal year ended June 30, 2018.

Revenue	Amount	Percent of Total
Local	\$ 1,253,311	11%
State	8,737,621	79%
Federal	646,858	6%
Proprietary Fund	411,462	4%
Misc Revenue	<u>2,668</u>	<u>0%</u>
Total	<u>\$11,051,920</u>	<u>100%</u>

The following schedule presents a summary of the General Special Revenue and Proprietary fund expenditures for the fiscal year ended June 30, 2018.

Expenditures	Amount	Percent of Total
General Current	\$7,686,988	72%
Capital Outlay	1,848,510	17%
Special Revenue	641,858	6%
Proprietary Fund	<u>425,589</u>	<u>5%</u>
Total	<u>\$10,602,945</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

10) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Gerald D. Longo, CPA was selected by the Charter School.

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

Respectfully submitted,



Natasha Jones
Principal

NEW HORIZONS COMMUNITY CHARTER SCHOOL

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2018**

BOARD OF TRUSTEES

Mr. Edgar Nemorin, President

Mr. Gregory Kornegay, Vice President

Ms. Nelly Noel, Member

Dr. Obiefuna Okafor, Member

Ms. Cecilia Faulks, Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

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Manalapan, NJ 07726-3648

ATTORNEYS

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Love and Randall
Attorneys At Law
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East Orange, NJ 07107

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Chase Bank
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1st Floor
Montclair, NJ 07042

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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

Report on the Financial Statements

I 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 Board of Trustees of the New Horizons Community Charter School, County of Essex, 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 New Horizons Community 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

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

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

Opinion

In my 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 New Horizons Community Charter School as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 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. My 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, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School basic financial statements, The accompanying supplementary information such as the combining and individual fund financial statements and the schedules of expenditures of federal and state awards, as required by the 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 the 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 accompanying supplementary schedules such as the combining and individual fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 7, 2019 on my consideration of the New Horizons Community Charter School's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Horizons Community Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
February 7, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

This section of New Horizons Community Charter School annual financial report presents its discussion and analysis of the New Horizons Community Charter School's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the New Horizons Community Charter School's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-18 fiscal year include the following:

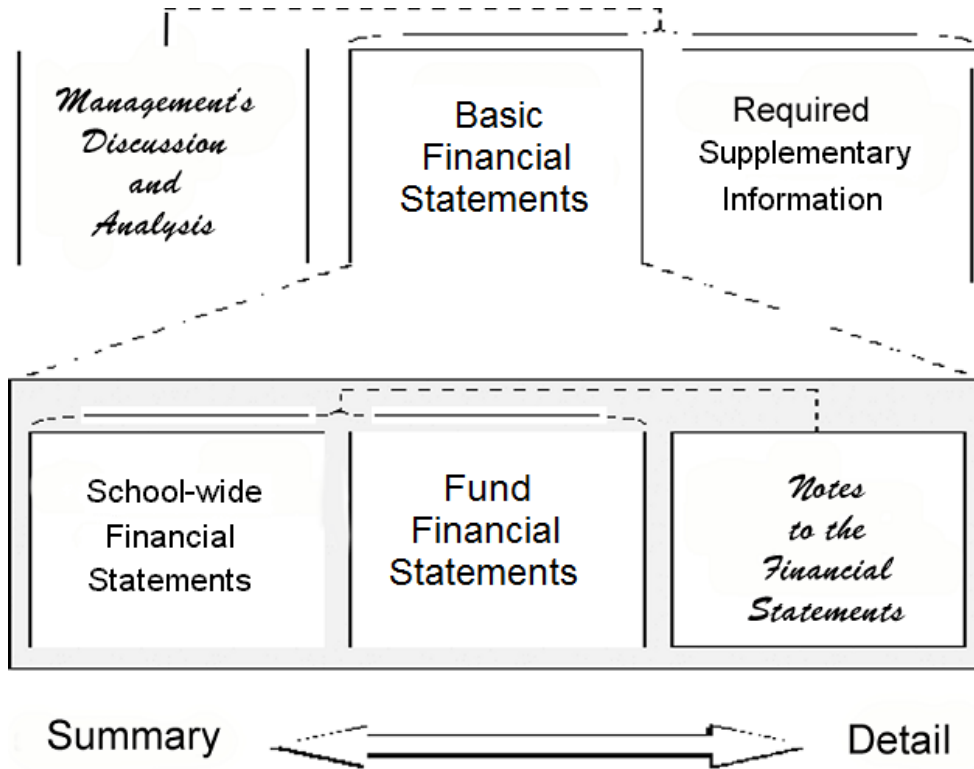
- Total Net Position was \$9,063,734, before pension adjustment of (\$1,504,872) (Note 18).
- Total Net Position decreased by (\$3,385,496) from July 1, 2017 to June 30, 2018.
- The General Fund balance at June 30, 2018 is \$1,539,656, an increase of \$458,102 when compared with the beginning balance at July 1, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the New Horizons Community Charter School.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the New Horizons Community Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the New Horizons Community Charter School, reporting the New Horizons Community Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the New Horizons Community Charter School operates like businesses.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the New Horizons Community Charter School's financial statements, including the portion of the New Horizons Community Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the New Horizons Community Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the New Horizons Community Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

School-wide Statements

The school-wide statements report information about the New Horizons Community Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the New Horizons Community Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the New Horizons Community Charter School's net position and how they have changed. Net position – the difference between the New Horizons Community Charter School's position and liabilities – are one way to measure the New Horizons Community Charter School's financial health or position.

In the school-wide financial statements, the New Horizons Community Charter School's activities are shown in two categories:

- *Governmental activities*- Most of the New Horizons Community Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The New Horizons Community Charter School's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the New Horizons Community Charter School's funds – focusing on its most significant or “major” funds – not the New Horizons Community Charter School as a whole.

Funds are accounting devices the New Horizons Community Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The New Horizons Community Charter School use other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The New Horizons Community Charter School has three kinds of funds:

- **Governmental funds-** Most of the New Horizons Community Charter School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the New Horizons Community Charter School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the New Horizons Community Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The New Horizons Community Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The New Horizons Community Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the New Horizons Community Charter School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. I exclude these activities from the New Horizons Community Charter School's government-wide financial statements because the New Horizons Community Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE NEW HORIZONS COMMUNITY CHARTER SCHOOL AS A WHOLE

Net position. The New Horizons Community Charter School's total net position is \$9,063,734 on June 30, 2018. (See Table A-1).

Governmental	<u>\$9,055,577</u>
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The Statement of Net Position reflects total capital assets of \$10,467,958 net of assumed depreciation from inception and a mortgage balance of \$1,411,085 resulting in a net capital asset amount of \$9,056,793.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The New Horizons Community Charter School's financial position during the school year 2017-2018 is the product of these factors:

- Total revenues were \$11,051,920.
- Total expenditures were \$10,607,945.

Table A-1
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2018

	<u>Total</u>
Current and Other Assets	\$1,898,902
Pension Deferred Outflows	681,256
Capital Assets (Including Business Activities)	10,467,878
Total Assets	<u>13,048,036</u>
Liabilities - Current	351,089
Net Pension Liability - Noncurrent	1,660,433
Mortgage Payable	1,411,085
Pension Deferred Inflows	561,695
Total Liabilities	<u>3,984,302</u>
Net Position	
Invested In Capital Assets, Net of Related Debt	9,056,793
Unrestricted	6,941
Total Net Position	<u>9,063,734</u>
Fund Balance 06/30/18	\$1,547,813
Invested In Capital Assets, Net of Related Debt	9,056,813
Net Position before Pension Adjustment	<u>10,604,626</u>
Less: Pension Adjustment (Note 18)	<u>(1,540,892)</u>
Net Position 06/30/18	<u>\$9,063,734</u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$9,063,734 on June 30, 2018.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Table A-2
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2018

Revenues	Total
Program revenues	
Charges for services	\$ -
General revenues	
Local Share	1,253,311
State Aid-Unrestricted	6,904,824
State Aid	1,832,797
Federal Aid	646,858
Proprietary Fund	411,462
Other	2,668
Total Revenues	<u>\$ 11,051,920</u>
Expenses	
Regular Instruction	3,657,882
General Administrative	2,543,608
School Administrative	1,270,298
On-behalf TPAF Social Security / Pension / Medical	862,058
Capital Outlay	1,848,510
Proprietary Fund	425,589
Total Expenses	<u>\$ 10,607,945</u>
Increase in net position before adjustments	443,975
Net Position - Beginning July 1, 2017	5,515,853
Increase in net capital outlay, net of debt	2,241,743
Less: Pension Adjustment Net (Note 18)	862,163
Total Net Position - Ending June 30, 2018	<u>\$ 9,063,734</u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Total revenues of the general fund and special revenue and enterprise fund were greater than expenditures, increasing net position \$443,975 from the beginning balance at July 1, 2017.

Table A-3 (See Exhibit A-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Total and Net Cost of Services
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
School Wide Activities			
Instruction			
Regular	B-2	\$ 3,657,882	\$ 3,657,882
Support Services			
General Administrative Services	B-2	2,543,608	2,543,608
School Administrative Services	B-2	1,270,298	1,270,298
On-behalf TPAF Social Security	B-2	862,058	862,058
Capital Outlay	B-2	1,848,510	1,848,510
Proprietary Fund	G-2	425,589	425,589
Total School Wide Activities		\$ 10,607,945	\$ 10,607,945

FINANCIAL ANALYSIS OF THE NEW HORIZON COMMUNITY CHARTER SCHOOL FUNDS

The financial performance of the New Horizons Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the New Horizons Community Charter School completed the year, its general fund reported a combined fund balance of \$1,539,656.

Revenues for the New Horizons Community Charter School's school-wide funds were \$11,051,920 while total expenses were \$10,607,945. (Table A-2) (Exhibit A-2)

GENERAL FUND

The General Fund includes the primary operations of the New Horizons Community Charter School in providing educational services to students from grade K through grade 8.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The following schedule presents a summary of Revenues School-Wide. The summary reflects the dollar increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Revenues - School Wide
For the Fiscal Years Ended June 30

Revenues	Year Ended 06/30/2018	Year Ended 06/30/2017	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 1,253,311	\$ 1,007,715	\$ 245,596
Other Local Revenue	2,668	2,253	415
Total Local Sources	\$ 1,255,979	\$ 1,009,968	\$ 246,011
Intergovernmental			
State Sources	8,737,621	7,408,643	1,328,978
Federal Sources	646,858	661,795	(14,937)
Proprietary Fund	411,462	380,552	30,910
Total Intergovernmental Sources	\$ 9,795,941	\$ 8,450,990	\$ 1,344,951
Total Revenue	\$ 11,051,920	\$ 9,460,958	\$ 1,590,962

The following schedule presents a summary of Governmental expenditures. The summary reflects the dollar increase (decrease) from the prior year.

Table A-5 (See Exhibit B-2)
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Expenditures - School Wide
For the Fiscal Years Ended June 30

Expenditures	Year Ended 06/30/2018	Year Ended 06/30/2017	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 3,657,882	\$ 3,148,908	\$ 508,974
General Administrative Services	2,543,608	2,241,894	301,714
School Administration	1,270,298	1,051,821	218,477
On-behalf TPAF Social Security / Pension / Medical	862,058	786,769	75,289
Capital outlay	1,848,510	983,695	864,815
Proprietary Fund	411,462	406,511	4,951
Total Expenditures	\$ 10,593,818	\$ 8,619,598	\$ 1,974,220

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows Unreserved-Undesignated fund balance.

Table A-6
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Changes in Fund Balance- School Wide
For the Fiscal Years Ended June 30

General Fund	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unreserved-Undesignated						
Fund Balance	1,547,813	1,081,554	214,234	4,050,361	3,791,474	2,708,531
Expenditures	10,607,945	8,619,598	11,961,283	8,542,745	7,457,901	7,281,241
Percentages	15%	13%	1%	47%	51%	37%

The New Horizons Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

CAPITAL ASSETS

Capital Assets

By the end of fiscal year ended June 30, 2018, in the General Fund, the New Horizons Community Charter School had invested \$12,654,518 in a broad range of capital assets, including building and improvements, computers, audio-visual equipment, and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expense for the year ended June 30, 2018 was \$220,428.

Table A-7
NEW HORIZONS COMMUNITY CHARTER SCHOOL
Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2018

Land	\$1,302,060
Building and Improvements	9,417,367
Equipment	1,935,091
Total - General Fund	<u>\$12,654,518</u>
Less: Accumulated Depreciation	(2,186,640)
Total - Net Capital Assets General Fund	<u><u>\$10,467,878</u></u>

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

While many factors influence the Charter School's future, the availability of State funding and the economy will have the most impact on educational and fiscal decisions in the future.

These and many other factors were considered by the Charter School's administration during the process of developing the fiscal year 2018-19 budget. The primary factors were the Charter School's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2018-2019.

**CONTACTING THE NEW HORIZON COMMUNITY CHARTER SCHOOL'S
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the New Horizons Community Charter School's finances and to demonstrate the New Horizons Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, New Horizons Community Charter School, 45-59A Hayes Street, Newark, New Jersey 07103.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the New Horizons Community Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2018.

SCHOOL-WIDE FINANCIAL STATEMENTS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,642,853	\$ (71,646)	\$ 1,571,207
Accounts Receivable	214,656	113,039	327,695
Capital assets, net	10,467,878		10,467,878
Total Assets	<u>12,325,387</u>	<u>41,393</u>	<u>12,366,780</u>
Deferred outflows of resources			
Pension deferred outflows	681,256		681,256
Total assets and deferred outflows of resources	<u>\$ 13,006,643</u>	<u>\$ 41,393</u>	<u>\$ 13,048,036</u>
LIABILITIES			
Accounts payable	165,076	33,236	198,312
Due to Districts	119,508		119,508
Deferred revenue	33,269		33,269
Mortgage Payable (Note 16):			
Due within one year	1,411,085		1,411,085
Due beyond one year	-		-
Net pension liability - noncurrent	1,660,433		1,660,433
Total liabilities	<u>3,389,371</u>	<u>33,236</u>	<u>3,422,607</u>
Deferred inflows of resources			
Pension deferred inflows	561,695	-	561,695
NET POSITION			
Invested in capital assets, net of related debt	9,056,793		9,056,793
Unrestricted	(1,216)	8,157	6,941
Total net position	<u>\$ 9,055,577</u>	<u>\$ 8,157</u>	<u>\$ 9,063,734</u>
Fund Balance June 30, 2018 - B-1	\$1,539,656		
Cost of capital assets net accumulated depreciation (Net of mortgage payable of \$1,411,085)	<u>9,056,793</u>		
Net position before pension adjustments	10,596,449		
Less pension adjustments net (Note 18) (Deficit)	<u>(1,540,872)</u>		
Total net position June 30, 2018	<u>\$9,055,577</u>		

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

NEW HORIZON COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (3,657,882)		\$ (625,086)		\$ (3,032,796)		\$ (3,032,796)
Support services:	0						
General administratrion	(2,543,608)		(21,772)		(2,521,836)		(2,521,836)
School administrative services/ operations plant serv.	(1,270,298)				(1,270,298)		(1,270,298)
On - behalf TPAF Social Security/Pension	(862,058)				(862,058)		(862,058)
Capital Outlay	(1,848,510)				(1,848,510)		(1,848,510)
Total governmental activities	(10,182,356)		(646,858)		(9,535,498)		(9,535,498)
Business-type activities:							
Food Service and Enrichment		(425,589)				(425,589)	(425,589)
Total business-type activities		(425,589)				(425,589)	(425,589)
Total primary government	(10,182,356)	\$ (425,589)	\$ (646,858)		\$ (9,535,498)	\$ (425,589)	\$ (425,589)
General revenues:							
					1,253,311		1,253,311
					6,904,824	-	6,904,824
					1,832,797	5,221	1,838,018
					2,668	406,241	408,909
					0	-	0
					9,993,600	411,462	10,405,062
					458,102	(14,127)	443,975
Net Increase in Pension Liability					862,163		862,163
Net Increase in Capital Outlay, Net of Debt					2,241,743		2,241,743
Change in Net Position for year ended June 30, 2018					3,562,008	(14,127)	3,547,881
Net Position - beginning - July 1, 2017					5,493,569	22,284	5,515,853
Net Position - ending - June 30, 2018					\$ 9,055,577	(8,197)	\$ 9,063,734

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,610,252	\$ (25,313)	\$ 1,584,939
Accounts Receivable	156,074	58,582	214,656
Total assets	\$ 1,766,326	\$ 33,269	\$ 1,799,595
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	107,162	-	107,162
Due to Districts	119,508		119,508
Deferred revenue		33,269	33,269
Total liabilities	226,670	33,269	259,939
Fund Balances:			
Unreserved, reported in:			
General fund	1,539,656		1,539,656
Total Fund balances	1,539,656	-	
Total liabilities and fund balances	\$ 1,766,326	\$ 33,269	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Mortgage payable			(1,411,085)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$12,654,518 and the accumulated depreciation is (\$2,186,640)			10,467,898
Net position before pension adjustments			10,596,469
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 6)			681,236
Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 6)			(561,695)
Long-term liabilities - net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 6)			(1,660,433)
Net position of governmental activities			\$ 9,055,577

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local Share	\$ 1,253,311		\$ 1,253,311
State Share	6,904,824		6,904,824
Miscellaneous	2,668		2,668
Total - Local Sources	<u>8,160,803</u>		<u>8,160,803</u>
State Sources	1,832,797	-	1,832,797
Federal Sources		646,858	646,858
Total Revenues	<u>9,993,600</u>	<u>646,858</u>	<u>10,640,458</u>
EXPENDITURES			
Current:			
Regular instruction	3,032,796	625,086	3,657,882
Support services- General Administrative	2,521,836	21,772	2,543,608
Support Services- School Admin/ operations plant ser	1,270,298		1,270,298
On-behalf TPAF Social Security,Pension and Med	862,058		862,058
Capital outlay	1,848,510		1,848,510
Total Expenditures	<u>9,535,498</u>	<u>646,858</u>	<u>10,182,356</u>
Excess of Revenues over Expenditures	<u>458,102</u>		<u>458,102</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			-
Transfers out			-
Total other financing sources and uses			<u>-</u>
Net change in fund balances	458,102		458,102
Fund balance - July 1, 2017	1,081,554		1,081,554
Fund balance - June 30, 2018	<u>\$ 1,539,656</u>		<u>\$ 1,539,656</u>

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

**NEW HORIZONS 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 funds (from B-2) \$ 458,102

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

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

	Depreciation expense	\$ (225,157)	
	Capital outlays	<u>1,848,510</u>	
			\$ 1,623,353

Decrease (Increase) of Mortgage principal is a reduction in the net asset value but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 1,335,509

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

	<u>145,044</u>
Change in net position of governmental activities (from A-2)	<u><u>\$ 3,562,008</u></u>

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

PROPRIETARY FUNDS

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
As of June 30, 2018

		Business-type Activities	Enterprise funds
			Food Service
ASSETS			
Current assets:			
Cash and cash equivalents	\$	(71,646)	
Accounts receivable		109,053	
Other receivables		3,986	
Total current assets		41,393	
Noncurrent assets:			
Total noncurrent assets		41,393	
Total assets		41,393	
LIABILITIES			
Current liabilities:			
Accounts payable		(33,236)	
Total current liabilities		(33,236)	
Total liabilities		(33,236)	
NET POSITION			
Unrestricted		8,157	
Total net position - June 30, 2018	\$	8,157	

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

Exhibit B-5

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business-type Activities Enterprise Fund
	Food Service
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	
After School Revenue	-
Total operating revenues	-
Operating expenses:	
Cost of sales	
Salaries and Benefits	(21,669)
Supplies, Materials and Other Expenses	(403,920)
Total Operating Expenses	(425,589)
Operating income (loss)	(425,589)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	5,221
Federal sources:	
National school breakfast program	83,357
National school lunch program	305,930
National school snack program	16,954
Total nonoperating revenues	411,462
Income (loss) before contributions & transfers	(14,127)
Transfers in (out)	0
Change in net position	(14,127)
Total net position - July 1, 2017	22,284
Total net position - June 30, 2018	\$ 8,157

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

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

Exhibit B-6

		Business-type Activities Enterprise Funds
		Food Service
		<hr/> <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	-
Payments to employees and benefits		
Payments to suppliers		(392,353)
Net cash provided by (used for) operating activities		<hr/> <hr/> (392,353)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Federal Sources		370,067
Operating subsidies and transfers to other funds		0
Net cash provided by (used for) non-capital financing activities		<hr/> <hr/> 370,067
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase (decrease) in cash and cash equivalents		(22,286)
Cash and Cash Equivalents—beginning of year		(49,360)
Cash and Cash Equivalents—end of year	\$	<hr/> <hr/> (71,646)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	(14,127)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
(Increase) decrease in accounts receivable, net		(41,395)
Increase (decrease) in accounts payable		33,236
Total adjustments		<hr/> <hr/> (8,159)
Net cash provided by (used for) operating activities	\$	<hr/> <hr/> (22,286)

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

FIDUCIARY FUNDS

Exhibit B-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2018**

NOT APPLICABLE

Exhibit B-8

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

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

New Horizons Community Charter School Charter School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board of Trustees (the "Board") consists of appointed officials and are responsible for the fiscal control of the Charter School. A director is appointed by the Board and is the administrative control of the Charter School.

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, section of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Charter School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do no conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Statements

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

GASB Pronouncements

GASBS Implemented in the 2018 Fiscal Year

The GASB issued Statement No. 75, *Accounting and Financial Reporting/or Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The Charter School has adopted GASB Statement No. 75 during the year ended June 30, 2018, which resulted in the recording of full accrual revenues and expenses and additional financial statement disclosures.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The Charter School has adopted GASB Statement No. 85 during the year ended June 30, 2018 and it did not have a significant impact on the financial statements.

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities in January 2017*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not yet determined the impact of this statement on the financial statements. **The GASB issued Statement No. 87, *Leases in June 2017*.** This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not yet determined the impact of this statement on the financial statements.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

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

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

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

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

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service of the

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Proprietary Funds

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

Enterprise Fund - The Enterprise Fund is utilized to account for operations that were financed and operated in a manner similar to private business enterprises - where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or

Proprietary Funds (continued)

services to the students on a continuing education basis be financed or recovered primarily through user charges; or, where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into invested in capital assets net of related debt and unrestricted net position, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all fixed assets used by proprietary funds is charged as an expense against their operations.

Fiduciary Funds

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Agency Funds - Agency Funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll and student activities funds.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Charter School are included on the Statement of Net Position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Fund Financial Statements (continued)

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental funds types, expendable trust funds and agency funds.

Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Charter School receives a portion of the local tax levy and state aid from school districts based upon the number of enrolled students. The State Department of Education in conjunction with the local Charter School revises the amounts to be received by the Charter School three times a year based upon the enrollment counts on June 1, October 15, and the last day of the school year. The local tax levy and state aid are susceptible to accrual.

The Charter School records the entire anticipated local tax levy to be received at the start of the fiscal year based upon the June 1 enrollment count and certification from the New Jersey State Department of Education, since the revenue is both measurable and available. The Charter School is entitled to receive monies under the established payment schedule, which is revised after each enrollment count date, and the unpaid amount is considered to be an "accounts receivable".

Basis of Accounting (continued)

At June 30, 2018, the Charter School will have an accounts receivable or accounts payable based upon the current year final enrollment count.

In its accounting and final reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

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 county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund.

Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L 2004 c73 (S 1701).

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

budgetary basis of accounting and accounting principles generally accepted in the United States of America (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

Budgets/Budgetary Control (continued)

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

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 reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were \$0 of encumbrances at June 30, 2018

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

G. Cash, Cash Equivalents and Investments

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 Act.

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.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

I. Short-Term Interfund Receivables/Payables

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

J. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000. Improvements are

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Notes to the Basic Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Building and Building Improvements	40
Furniture and Equipment	10

K. Compensated Absences

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. The Charter School had a compensated absence liability of \$0 at June 30, 2018.

L. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of compensated absences and mortgage payable 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.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. 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.

N. Unearned/Deferred Revenue

Unearned/Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

O. Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. As of June 30, 2018, the Charter School's cash balance of \$1,824,825 was insured for \$250,000 by the FDIC and the remaining balance of \$1,574,825 was subject to the provisions of the GUDPA.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute

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

4. CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2018:

	Beginning Balance June 30, 2017	Net Additions (Deletions)	Ending Balance June 30, 2018
Governmental Activities			
Land	\$1,302,060	---	\$1,302,060
Capital assets, being depreciated:			
Building and Building improvements	9,417,367	---	9,417,367
Equipment	1,671,119	263,972	1,935,091
Total capital assets being depreciated and land	\$12,390,546	\$263,972	\$12,654,518
Less accumulated depreciation for:			
Building and Building improvements	\$858,274	\$133,060	\$991,334
Equipment	1,103,209	92,097	1,195,306
Total accumulated depreciation	\$1,961,483	\$225,157	\$2,186,640
Total capital assets net	\$10,429,063	\$38,815	\$10,467,878

Depreciation expense of \$222,157 was charged to an unallocated function.

5. RENTAL LEASES AND COMMITMENTS

The school leases certain of its offices under the terms of non-cancelable leases that ended August 31, 2018. Rent expense for the year ended June 30, 2018 amounted to \$25,919 annually. Future minimum rental commitments at June 30, 2018 amounted to \$13,226.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
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6 **PENSION PLANS**

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:03B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
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6 PENSION PLANS (continued)

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

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

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

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

COLA Suspension

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

Contribution Requirements

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
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6 PENSION PLANS (continued)

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

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

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

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

The School's contribution to PERS for the year ended June 30, 2018 was \$109,424.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the School during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries in the amount of \$255,326. Also the State paid \$606,732 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions OF \$367,901, TPAF Post-Retirement Medical Benefits Contributions of \$237,620 and TPAF Long Term Disability Insurance Premium Contributions of \$1,211 for the School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

7 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
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7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33.

Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$18,617,103 as measured on June 30, 2017 and \$18,235,371 as measured on June 30, 2016.

For the year ended June 30, 2018, the Charter School recognized pension expense of \$1,289,699 and revenue of \$1,289,699 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2018 is based upon changes in the collective net pension liability with a measurement period of June 30, 2016 through June 30, 2017. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2016 and June 30, 2017.

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

	<u>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$17,414,701,002	\$14,251,854,934
Collective deferred inflows of resources	\$134,532,594	\$11,807,238,433
Collective net pension liability (Nonemployer-State of New Jersey)	\$78,666,367,052	\$67,423,605,859
State's portion of the net pension liability that was associated with the Charter School	\$18,235,371	\$18,617,103
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.023180%	.027612%

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Notes to the Basic Financial Statements
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7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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 disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

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

Long-Term Expected Rate of Return

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

7 PENSION PLANS – GASB 68 DISCLOSURES (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 asset	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 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate.

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Notes to the Basic Financial Statements
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7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf16.pdf>

Pension Plan Fiduciary Net Position

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

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2018, the Charter School reported a liability of \$1,660,433 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2016. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016, respectively. At June 30, 2017, the Charter School's proportion was .006669% which was a decrease of (.000464%) from its proportion measured as of June 30, 2016 which was .007133%.

For the year ended June 30, 2018, the Charter School recognized pension expense of \$109,424. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$39,097	\$-0-
Changes of assumptions	334,520	333,294
Net difference between projected and actual earnings on pension plan investments	11,306	-0-
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	186,909	228,401
Charter School contributions subsequent to the measurement date.	109,424	-0-
Total	\$681,256	\$561,695

The School reported \$109,424 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2018, the plan measurement date was June 30, 2017) will be recognized as a reduction of the net pension liability measured as of June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30:
2018	\$39,088
2019	58,985
2020	35,742
2021	(47,537)
2022	(34,648)
Total:	\$51,630

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7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

	6/30/17	6/30/16
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	\$5,700,625,891	\$870,133,595
Collective net pension liability (Non State- Local Group)	\$23,278,401,588	\$29,617,131,759
Charter schools proportion of net pension liability	\$1,660,433	\$1,975,085
Charter School proportion percentage	.007133%	.006669%

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

Inflation	2.25%
Salary Increases:	
Through 2026 1.65 - 4.15% based on age	
Thereafter 2.65 - 5.15% based on age	
Investment Rate of Return:	7.00%

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

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

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Notes to the Basic Financial Statements
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7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (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 rates of return for each major asset class included in PERS's 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 asset	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 average rating of AA/Aa or higher.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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 Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension 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:

	<u>At 1% decrease (4.00%)</u>	<u>At current discount rate (5.00%)</u>	<u>At 1% increase (6.00%)</u>
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2017 and 2016, respectively, calculated using the discount rate of 5% and 3.98%, respectively, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

7 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

	2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School’s proportionate share of the net pension liability	\$2,426,959	\$1,975,085	\$1,607,574
	2017		
	1% Decrease (4%)	Current Discount Rate (5%)	1% Increase (6%)
Charter School’s proportionate share of the net pension liability	\$1,992,250	\$1,660,433	\$1,328,346

Pension Plan Fiduciary Net Position

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

8 POST RETIREMENT BENEFITS

State Health Benefit Program Fund - Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Charter School is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the Charter School.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
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8 POST RETIREMENT BENEFITS (continued)

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education 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 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The State Health Benefits 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 years or more 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, if any, is the responsibility of the individual education employers.

At June 30, 2016, the plan membership consisted of the following:

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

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.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
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8 POST RETIREMENT BENEFITS (continued)

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%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15-4.15%	2.10-8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	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 MP-2017 scale.

Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (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 rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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Notes to the Basic Financial Statements
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8 POST RETIREMENT BENEFITS (continued)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Total OPEB Liability

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

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the Charter School to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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Notes to the Basic Financial Statements
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8 POST RETIREMENT BENEFITS (continued)

	<u>June 30, 2017</u>		
	<u>At 1%</u>	<u>At</u>	<u>At 1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>(2.58%)</u>	<u>(3.58%)</u>	<u>(4.58%)</u>
Total OPEB Liability Attributable to the Charter School	\$5,652,322	\$4,761,566	\$4,055,010
	<u>June 30, 2016</u>		
	<u>At 1%</u>	<u>At</u>	<u>At 1%</u>
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	<u>(1.58%)</u>	<u>(2.85%)</u>	<u>(3.85%)</u>
Total OPEB Liability Attributable to the Charter School	\$5,886,909	\$4,913,860	\$4,147,946

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the Charter School to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a healthcare trend rate that is 1 -percentage-point lower or 1 -percentage-point higher than the current rate:

	<u>June 30, 2017</u>		
	<u>1%</u>	<u>Healthcare</u>	<u>1%</u>
	<u>Decrease</u>	<u>Cost Trend Rate</u>	<u>Increase</u>
Total OPEB Liability Attributable to the Charter School	\$3,915,928	\$4,761,566	\$5,884,564
	<u>June 30, 2016</u>		
	<u>1%</u>	<u>Healthcare</u>	<u>1%</u>
	<u>Decrease</u>	<u>Cost Trend Rate</u>	<u>Increase</u>
Total OPEB Liability Attributable to the Charter School	\$4,031,959	\$4,913,860	\$6,092,878

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8 POST RETIREMENT BENEFITS (continued)

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 \$661,870 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.

In accordance with GASB Statement 75, as the Charter School'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
Assumption Changes		(\$6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$1,190,373,242	
	\$1,190,373,242	(\$6,343,769,032)

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

Fiscal Year Ending June 30,	Total
2018	(\$742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	(\$6,343,769,032)

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9 **COMPENSATED ABSENCES**

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently paid for accrued vacation but not unused sick and personal days.

As of June 30, 2018, Charter School-wide compensated absences amounted to \$-0-.

10 **DEFERRED COMPENSATION**

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan permits participants to defer a portion of their salaries until future years.

11 **ECONOMIC DEPENDENCY**

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

12 **CONTINGENT LIABILITIES**

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government.

As of June 30, 2018, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
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12 CONTINGENT LIABILITIES (continued)

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

13 RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation - The Charter School has not elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Charter School would be required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State.

14 RECEIVABLES

Receivables as of June 30, 2018 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of receivables are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$156,074</u>	<u>\$58,582</u>	<u>\$113,039</u>	<u>\$327,695</u>
Gross Receivables	<u>\$156,074</u>	<u>\$58,582</u>	<u>\$113,039</u>	<u>\$327,695</u>

15. PURCHASE OF BUILDING AND LONG TERM DEBT

In March 2012, the school purchased land and building located at 45-49 Hayes Street, Newark, New Jersey for use as its school location commencing for the 2011-2012 school year. The purchase price amounted to \$6,100,000, plus closing costs.

On August 24, 2016, the school entered into an agreement with JP Morgan Chase to borrow up to \$3,295,000 in order to construct an addition to its building. Commencing August 24, 2015 and until September 21, 2017 the school requested advances under the note. This was converted to a mortgage after the construction was completed.

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

15. PURCHASE OF BUILDING AND LONG TERM DEBT (continued)

Interest is payable at the libor rate plus 2.45%, payable monthly. Principal payments are due, commencing January, 2017. Final payment under the note will be on June 21, 2019. The collateral for the loan is an interest in the property and other various improvements, fixtures and leases (see Note 16).

16. LONG TERM DEBT

As of June 30, 2018, the amount and terms of the mortgage note are as follows:

Mortgage Note payable - J.P. Morgan Chase Bank NA for \$3,295,000 at a rate of libor plus 2.45% per annum. Monthly payments of \$118,303. The balance due on the loan at June 30, 2018 is \$1,411,085. During the 2017-2018 school year, \$1,335,509 in principal payments were made and interest expense of \$84,131 was incurred. The collateral for the loan is an interest in the property and other various improvements, fixtures and leases.

The future principal payments are as follows:

Year Ended June 30,	
2018	\$1,411,085
	<u>\$1,411,085</u>

17. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring in the Independent Auditors Report of February 7, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements except as noted. On July 2, 2018, the school obtained a construction loan in the amount of \$1,700,000 to finance an addition to the school building. The note bears interest at 3% of the adjusted libor rate, secured by an interest in the property.

18. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

18. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

The reconciliation is as follows:

Fund balance per B-1	\$1,539,656
Cost of capital assets net accumulated depreciation net of mortgage payable	9,056,813
Pension deferred outflows	681,236
Pension deferred inflows	(561,695)
Deferred pension liability as of June 30, 2018	<u>(1,660,433)</u>
Net position (per A-1) as of June 30, 2018	<u>\$9,055,577</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2018
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Share	\$ 1,253,311	\$ -	\$ 1,253,311	\$ 1,253,311	\$ -
State Share	6,904,824	0	6,904,824	6,904,824	0
Other Restricted Miscellaneous Revenues				-	0
Miscellaneous	2,668	148,582	151,250	2,668	148,582
Total - Local Sources	<u>8,160,803</u>	<u>148,582</u>	<u>8,309,385</u>	<u>8,160,803</u>	<u>148,582</u>
Security Aid	249,336	-	249,336	249,336	-
Consolidated Aid	576,523	-	576,523	576,523	0
Special Education	144,880	-	144,880	144,880	0
TPAF Disability (On Behalf - Non-Budgeted)				1,211	(1,211)
TPAF Medical (On-Behalf - Non-Budgeted)	-	-	-	237,620	(237,620)
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	367,901	(367,901)
TPAF Social Security (Reimbursed - Non-Budgeted)				255,326	(255,326)
Total State Sources	<u>970,739</u>	<u>-</u>	<u>970,739</u>	<u>1,832,797</u>	<u>(862,058)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>9,131,542</u>	<u>148,582</u>	<u>9,280,124</u>	<u>9,993,600</u>	<u>(713,476)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 2,486,386	-	2,486,386	2,406,497	\$ 79,889
Other Salaries	357,199	-	357,199	356,883	316
Prof/Tech Services	88,891	-	88,891	84,876	4,015
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	139,000	-	139,000	54,903	84,097
Textbooks	225,000	-	225,000	105,987	119,013
Other Objects	30,000	-	30,000	23,650	6,350
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,326,476</u>	<u>-</u>	<u>3,326,476</u>	<u>3,032,796</u>	<u>293,680</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	1,018,772	-	1,018,772	1,009,775	8,997
Salaries of Secretarial and Clerical Assistants	149,610	-	149,610	137,264	12,346
Cost of Benefits	929,808	-	929,808	927,286	2,522
Purchased Professional and Technical Services	326,681	-	326,681	276,233	50,448
Other Purchased Services (400-500 series)	85,425	-	85,425	85,028	397
Communications/Telephone	56,800	-	56,800	54,807	1,993
Tuition	-	-	-	-	-
Supplies and Materials	8,000	-	8,000	3,931	4,069
Other Objects	32,445	-	32,445	27,512	4,933
	<u>2,607,541</u>	<u>-</u>	<u>2,607,541</u>	<u>2,521,836</u>	<u>85,705</u>
Support Services - School Admin/Operation Plant Services					
Salaries	527,974	-	527,974	337,582	190,392
Purchased Professional and Technical Services	390,523	-	390,523	324,381	66,142
Other Purchased Services	395,041	-	395,041	322,081	72,960
Rental of Land and Building- other than Lease Purchase Agreements	72,487	-	72,487	25,919	46,568
Insurance	122,500	-	122,500	81,552	40,948
General Supplies	200,000	-	200,000	84,811	115,189
Transportation- Trips	25,792	-	25,792	13,545	12,247
Energy (Energy and Electricity)	185,000	-	185,000	40,597	144,403
Other Objects	40,000	-	40,000	39,830	170
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,959,317</u>	<u>-</u>	<u>1,959,317</u>	<u>1,270,298</u>	<u>689,019</u>
Food Service					
Other Purchased Services	-	-	-	-	-
Total Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On behalf TPAF Disability (non-budgeted)				1,211	(1,211)
On-behalf TPAF Medical Contributions (non-budgeted)				237,620	(237,620)
On-behalf TPAF Pension Contributions (non-budgeted)				367,901	(367,901)
Reimbursed TPAF Social Security Contributions (non-budgeted)				255,326	(255,326)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,847</u>	<u>(860,847)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>4,566,858</u>	<u>-</u>	<u>4,566,858</u>	<u>4,652,981</u>	<u>(86,123)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>7,893,334</u>	<u>-</u>	<u>7,893,334</u>	<u>7,685,777</u>	<u>207,557</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	270,000	-	270,000	213,912	56,088
Land Improvements	19,000	-	19,000	16,376	2,624
Mortgage Principal	1,347,247	-	1,347,247	1,335,509	11,738
Mortgage Interest	84,655	-	84,655	84,131	524
Capital Reserve	-	148,582	148,582	148,582	-
Non-Instructional Equipment	50,000	-	50,000	50,000	-
Miscellaneous	10,000	-	10,000	-	10,000
Total Equipment	<u>1,780,902</u>	<u>148,582</u>	<u>1,929,484</u>	<u>1,848,510</u>	<u>80,974</u>
TOTAL EXPENDITURES- GENERAL FUND	9,674,236	148,582	9,822,818	9,534,287	288,531
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(542,694)</u>	<u>-</u>	<u>(542,694)</u>	<u>459,313</u>	<u>(1,002,007)</u>
Other Financing Sources:					
Operating Transfer In:	542,694	-	542,694		542,694
Total Other Financing Sources:	<u>542,694</u>	<u>-</u>	<u>542,694</u>		<u>542,694</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	459,313	(459,313)
Fund Balance, July 1, 2017	-	-	1,081,554	1,081,554	
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,081,554</u>	<u>\$ 1,540,867</u>	<u>\$ (459,313)</u>

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

Exhibit C-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources					
State Sources					
Federal Sources	646,858		646,858	646,858	
Total Revenues	<u>646,858</u>		<u>646,858</u>	<u>646,858</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	465,243		465,243	465,243	
Other Salaries for Instruction					
Other Purchased Services	16,687		16,687	16,687	
Purchased Professional and Technical Services	41,678		41,678	41,678	
Travel					
Other Purchased Services (400-500 series)					
General Supplies	0		0	0	
Personal Services- Employee Benefits	101,478		101,478	101,478	
Textbooks					
Other Objects					
Total Instruction	<u>625,086</u>		<u>625,086</u>	<u>625,086</u>	
Support Services					
Salaries of Supervisor of Instruction	21,772		21,772	21,772	
Salaries of Nurse					
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits					
Purchased Professional - Educational Services					
Trips and Teachers Development					
Purchased Technical Services					
Supplies and Materials					
Internet Wiring					
Electrical wiring					
Travel					
Other purchased Services (400-500 series)					
Supplies & Materials					
Total Support Services	<u>21,772</u>		<u>21,772</u>	<u>21,772</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	646,858		646,858	646,858	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2018

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(UNAUDITED)**

Public Employees' Retirement System (PERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)	.007133%	0.006669%	0.007773%	0.0072936%	0.0087322%
Charter School Proportionate share of the net pension liability (asset)	<u>1,660,433</u>	<u>1,975,085</u>	<u>1,744,988</u>	<u>1,393,957</u>	<u>1,634,907</u>
Charter School Covered employee payroll	\$558,371	\$442,580	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.6%	22.4%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability					

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

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(UNAUDITED)**

Public Employees' Retirement System (PERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$109,424	\$59,972	\$66,831	\$43,579	\$43,579
Contributions in relation to the contractually required contribution	<u>(109,424)</u>	<u>(59,972)</u>	<u>(66,831)</u>	<u>(43,579)</u>	<u>(43,579)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Charter School Covered employee payroll	\$558,371	\$442,580	\$456,104	N/A	N/A
Contributions as a percentage of covered employee payroll	19.59%	13.55%	14.65%	N/A	N/A

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

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

Teachers' Pension and Annuity Fund (TPAF)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Charter School Proportion of the net pension liability (asset)**	0%	0%	0%	0%	0%
Charter School Proportionate share of the net pension liability (asset)**					
State's proportionate share of the net pension liability (asset) associated with the Charter School	0	0	0	0	0
	<u>\$18,617,103</u>	<u>\$18,235,371</u>	<u>\$15,742,892</u>	<u>\$10,531,353</u>	<u>\$13,997,873</u>
Total	<u>\$18,617,103</u>	<u>\$18,235,371</u>	<u>\$15,742,892</u>	<u>\$10,531,353</u>	<u>\$13,997,873</u>
Charter School Covered employee payroll	\$3,081,723	\$2,707,690	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Public Employees' Retirement System (PERS)

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

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY
(UNAUDITED)
Postemployment Health Benefit Plan**

Last One Fiscal Year*

2017

Total OPEB Liability

Service Cost	\$556,613
Interest on Total OPEB Liability	154,405
Changes of Assumptions	(757,085)
Gross Benefit Payments	(110,288)
Contribution from the Member	4,061
Net Change in Total OPEB Liability	<u>(152,294)</u>
Total OPEB Liability - Beginning	<u>4,913,860</u>
Total OPEB Liability - Ending	<u><u>\$4,761,566</u></u>

Charter School Proportionate Share of OPEB Liability	\$0
State's Proportionate Share of OPEB Liability	4,761,566
Total OPEB Liability - Ending	<u><u>\$4,761,566</u></u>

Charter School Covered-Employee Payroll	\$3,640,094
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Proportionate Share of the Charter School OPEB Liability as a Percentage of its Covered-Employee Payroll	131%
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Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the Charter School will only present information for those years for which information is available.

SPECIAL REVENUE FUND

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

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

	TOTAL	IDEA PART B-Basic	TITLE	TITLE
			IA	IIA
REVENUES				
Intergovernmental				
Federal	\$646,858	\$134,732	\$470,448	\$41,678
Other Sources				
Miscellaneous				
Total Revenues	<u>646,858</u>	<u>134,732</u>	<u>470,448</u>	<u>41,678</u>
EXPENDITURES				
Instruction				
Salaries	465,243	105,835	359,408	
Salaries Teachers Assts				
Transportation				
Other Purchased Services	16,687		16,687	
Purchased Prof. and Tech. Services	41,678			41,678
General Supplies	0		0	
Textbooks				
Personal Services - Employee Benefits	101,478	28,897	72,581	
Other Objects				
Equipment Instructional				
Total Instruction	<u>625,086</u>	<u>134,732</u>	<u>448,676</u>	<u>41,678</u>
Support Services				
Salaries of Supervisors of Instruction	21,772		21,772	
Salaries of Program Directors				
Salaries of Other Prof. Staff				
Salaries of Secretarial and Clerical Ass't				
Personal Services - Employee Benefits				
Supplies and Materials				
Other Purchased Services				
Purchased Professional/Educational Services				
Class- room Improvements				
Building Improvements				
Other Objects				
Total Support Services	<u>21,772</u>		<u>21,772</u>	<u>0</u>
TOTAL EXPENDITURES	<u>\$646,858</u>	<u>\$134,732</u>	<u>\$470,448</u>	<u>\$41,678</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
 PROPRIETARY FUND
 Statement of Net Position
 As of June 30, 2018**

	Business-Type Activities
	Enterprise Fund Food Services
ASSETS	
Current Assets	
Cash	(\$71,646)
Accounts Receivable Federal	109,053
Accounts Receivable State	3,986
Total Current Assets	41,393
Total Assets	\$41,393
 LIABILITIES	
Accounts Payable	33,236
Total Current Liabilities	33,236
 Net Position	
Unrestricted	8,157
Total Net Position	\$8,157

Exhibit G-2

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For The Fiscal Year Ended June 30, 2018

	Business-Type Activities
	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	
Special Lunch and Breakfast Program	\$0
Special Functions	0
Total Operating Revenues	0
OPERATING EXPENSES	
Salaries, wages and employee benefits	(21,669)
Supplies, Materials & Other	(403,920)
Cost of Sales	
Total Operating Expenses	(425,589)
Income (Loss) From Operations	(425,589)
Nonoperating Revenues	
State Sources	
State Sources	5,221
Federal Sources	
School Breakfast Program	83,356
National School Lunch Program	305,930
National School Snack	16,955
Board Subsidy	
Total Nonoperating Revenues	411,462
Change in Net Position (decrease)	(14,127)
Total Net Position - Beginning July 1, 2017	22,284
Total Net Position - Ending June 30, 2018	\$8,157

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Business-Type Activi
	Proprietary Fund
	Food Services
Cash flows from operating activities	
Cash Received from Customers	
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(392,353)
Net Cash (Used) by Operating Activities	(\$392,353)
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	370,067
Net Cash Provided by Noncapital Financing Activities	370,067
Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	(22,286)
Cash and Cash Equivalents, Beginning of Year	(49,360)
Cash and Cash Equivalents, End of Year	(\$71,646)
Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	(\$14,127)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Decrease in Accounts Receivable	(41,395)
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	33,236
Total Adjustment	(8,159)
Net Cash Used by Operating Activities	(\$22,286)

FIDUCIARY FUNDS

Exhibit H-1

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Agency Fund Net Position
As of June 30, 2018**

NOT APPLICABLE

Exhibit H-2

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2018**

NOT APPLICABLE

Exhibit H-3

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash and Cash Equivalents		\$5,323,426	\$5,323,426	
Total Liabilities		5,323,426	5,323,426	
LIABILITIES				
Payroll Deductions and Withholdings		2,172,652	2,172,652	
Accrued Salaries and Wages		3,150,774	3,150,774	
Total Liabilities		\$5,323,426	\$5,323,426	

Exhibit H-5

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

STATISTICAL SECTION

This part of the New Horizons Community Charter School comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the school's overall financial health.

Contents

Exhibits

Financial Trends

J- 1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

FINANCIAL TRENDS

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 9,056,793	\$ 10,429,063	\$ 10,513,696	\$ 5,499,190	\$ 4,954,688	\$ 3,905,605
Unrestricted	1,536,656	1,081,554	214,234	4,050,361	3,773,950	2,708,531
Total governmental activities net position	<u>\$ 10,593,449</u>	<u>\$ 11,510,617</u>	<u>\$ 10,727,930</u>	<u>\$ 9,549,551</u>	<u>\$ 8,728,638</u>	<u>\$ 6,614,136</u>
Business-type activities						
Invested in capital assets, net of related debt						
Unrestricted	8,157	22,284	48,243	51,453	17,524	5,470
Total business-type activities net position	<u>\$ 8,157</u>	<u>\$ 22,284</u>	<u>\$ 48,243</u>	<u>\$ 51,453</u>	<u>\$ 17,524</u>	<u>\$ 5,470</u>
School-wide						
Invested in capital assets, net of related debt	9,056,793	10,429,063	10,513,696	5,499,190	4,954,688	3,905,605
Unrestricted	1,544,813	1,103,838	262,477	4,101,814	3,791,474	2,714,001
Total school net position	<u>\$ 10,601,606</u>	<u>\$ 11,532,901</u>	<u>\$ 10,776,173</u>	<u>\$ 9,601,004</u>	<u>\$ 8,746,162</u>	<u>\$ 6,619,606</u>

Source: School Financial Statements

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenses						
Governmental activities						
Instruction						
Regular	3,032,796	3,148,908	2,842,529	2,906,637	2,770,330	2,566,977
Support Services:						
General administration	2,521,836	2,241,894	2,296,492	2,766,163	2,156,520	2,162,329
School Administrative Services	1,270,298	1,051,821	1,173,468	1,262,165	959,933	895,512
On-behalf TPAF Social Security and Pension	862,058	623,984	606,487	220,303	426,371	635,258
Capital outlay	1,848,510	983,095	4,761,652	787,192	883,691	756,913
Unallocated depreciation	225,157	220,428	202,499	191,430	252,388	237,498
Total governmental activities expenses	<u>9,760,655</u>	<u>8,270,130</u>	<u>11,883,127</u>	<u>8,133,890</u>	<u>7,449,233</u>	<u>7,254,487</u>
Business-type activities:						
Food service	425,589	406,511	280,655	257,825	261,056	264,252
Total business-type activities expense	<u>425,589</u>	<u>406,511</u>	<u>280,655</u>	<u>257,825</u>	<u>261,056</u>	<u>264,252</u>
Total school expenses	<u>10,186,244</u>	<u>8,676,641</u>	<u>12,163,782</u>	<u>8,391,715</u>	<u>7,710,289</u>	<u>7,518,739</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Daily Sales - National Lunch Program	0	0	0	0	0	0
Capital grants and contributions	646,858	661,795	567,777	569,852	540,967	643,024
Total governmental activities program revenues	<u>646,858</u>	<u>661,795</u>	<u>567,777</u>	<u>569,852</u>	<u>540,967</u>	<u>643,024</u>
Business-type activities:						
Charges for services						
Food service	0	0	0	0	0	0
Child care						
Operating grants and contributions	411,462	380,552	277,446	291,754	270,832	269,722
Capital grants and contributions						
Total business type activities program revenues	<u>411,462</u>	<u>380,552</u>	<u>277,446</u>	<u>291,754</u>	<u>270,832</u>	<u>269,722</u>
Total school program revenues	<u>1,058,320</u>	<u>1,042,347</u>	<u>845,223</u>	<u>861,606</u>	<u>811,799</u>	<u>912,746</u>
Net (Expense)/Revenue						
Governmental activities	(9,113,797)	(7,387,907)	(11,315,350)	(7,564,038)	(6,908,266)	(6,611,463)
Business-type activities	(14,127)	(25,959)	(3,209)	33,929	9,776	5,470
Total school-wide net expense	<u>(6,898,490)</u>	<u>(6,898,490)</u>	<u>(6,898,490)</u>	<u>(6,898,490)</u>	<u>(6,898,490)</u>	<u>(6,611,463)</u>

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

General Revenues and Other Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities:						
Local share	1,253,311	1,007,715	898,213	996,301	961,309	889,557
State Share	6,904,824	5,802,909	5,344,439	6,061,365	5,942,030	5,666,982
State and Federal aid	1,832,797	1,442,950	958,562	589,465	814,017	997,739
Miscellaneous income	2,668	2,253	75,510	1,888	3,941	10,119
Increase in Net Capital Outlay	(1,147,113)	0	4,070,690	735,932	811,123	76,215
Total governmental activities	<u>8,846,487</u>	<u>8,255,827</u>	<u>11,347,414</u>	<u>8,384,951</u>	<u>8,532,420</u>	<u>7,640,612</u>
Business-type activities:						
Transfers						
Total business-type activities				0	0	0
Total School Wide				<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position						
Governmental activities	267,310	867,920	32,064	820,913	1,624,154	1,029,149
Business-type activities	(14,127)	(25,959)	(3,209)	33,929	9,776	5,470
Total school	<u>253,183</u>	<u>841,961</u>	<u>28,855</u>	<u>854,842</u>	<u>1,633,930</u>	<u>1,034,619</u>

Source: School Financial Statements

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
 FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE FISCAL YEARS ENDED JUNE 30
 MODIFIED ACCRUAL BASIS OF ACCOUNTING
 (UNAUDITED)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund						
Unreserved	\$ 1,539,656	\$ 1,081,554	\$ 214,234	\$ 4,050,361	\$ 3,773,950	\$ 2,708,531
Total General Fund	<u>\$ 1,539,656</u>	<u>\$ 1,081,554</u>	<u>\$ 214,234</u>	<u>\$ 4,050,361</u>	<u>\$ 3,773,950</u>	<u>\$ 2,708,531</u>
 All Other Governmental Funds						
Unreserved	_____	_____	_____	_____	_____	_____
Total all other governmental funds	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Source: School Financial Statements

NEW HORIZONS COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues							
Local tax Levy	\$1,253,311	\$1,007,715	\$898,213	\$996,301	\$961,309	\$889,557	\$816,052
Other local revenue	2,668	2,253	75,849	2,014	4,357	11,004	129,414
State sources	8,742,842	7,413,135	6,306,811	6,997,516	6,760,063	6,668,699	6,195,692
Federal sources	1,153,099	1,037,856	841,074	857,018	807,367	907,883	911,621
Total revenue	<u>11,151,920</u>	<u>9,460,959</u>	<u>8,121,947</u>	<u>8,852,849</u>	<u>8,533,096</u>	<u>8,477,143</u>	<u>8,052,779</u>
Expenditures							
Instruction	3,125,151	2,514,966	2,298,822	2,358,107	2,240,613	2,140,483	1,900,054
Regular Instruction							
Support Services:							
General administration	2,543,608	2,214,041	2,272,422	2,744,841	2,145,270	1,945,799	1,804,512
School administrative services/Plant	1,270,298	1,051,821	1,173,468	1,262,165	959,933	895,512	1,766,777
TPAF Social Security / Pension / Medical	862,058	786,769	606,487	562,763	426,371	635,258	461,198
Food Service	411,462	406,511	280,655	257,825	261,056	264,252	233,766
Capital outlay	1,848,510	983,695	4,761,652	787,192	883,691	756,913	3,332,777
Special Revenue	646,858	661,795	567,777	569,852	540,967	643,024	682,152
Total expenditures	<u>10,707,945</u>	<u>8,619,598</u>	<u>11,961,283</u>	<u>8,542,745</u>	<u>7,457,901</u>	<u>7,281,241</u>	<u>10,181,236</u>
Excess (Deficiency) of revenues over (under) expenditures							
Other Financing sources (uses)							
Transfers in							
Transfers out							
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$443,975</u>	<u>\$841,361</u>	<u>(\$3,839,336)</u>	<u>\$310,104</u>	<u>\$1,075,195</u>	<u>\$1,195,902</u>	<u>(\$2,128,457)</u>

Source: School Financial Statements

REVENUE CAPACITY

EXHIBIT J-5

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

Exhibit J-6

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

Exhibit J-7

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

Exhibit J-8

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

Exhibit J-10

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

Exhibit J-11

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

Exhibit J-12

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics - Newark, NJ
For the Fiscal Years Ended June 30**

Year	Population^a	Personal Income^b	County Per Capita Personal Income^c	Unemployment Rate^d
2008	277,374	14,330,527,710	51,665	9.60%
2009	277,376	13,563,963,776	48,901	14.30%
2010	278,154	14,127,719,814	50,791	15.00%
2011	277,185	14,678,608,860	52,956	15.20%
2012	277,540	15,231,117,660	54,879	15.00%
2013	277,727	16,914,292,920	54,603	13.40%
2014	278,427	16,914,292,920	60,030	8.60%
2015	280,579	16,914,292,920	60,030	10.20%
2016	281,764	16,914,292,920	60,030	7.90%
2017	281,764	16,914,292,920	60,030	7.90%
2018	281,764	16,914,292,920	60,030	7.90%

^a Population information provided by the NJ Dept of Labor and Workforce Development
Estimated as of June 30 of the fiscal year.

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the Census published by the US Bureau of Economic Analysis reflecting midyear population estimates available as of July 2014.

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

N/A Information was not available

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(UNAUDITED)

<u>Function/Program</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction						
Regular	40	34	32	32	32	32
Special education	7	7	6	6	6	6
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	13	9	9	9	9	10
General administration	5	3	3	3	3	3
School administrative services	5	5	5	5	5	5
Other administrative services	5	4	4	4	4	4
Central services						
Administrative Information Technology	2	1	1	1	1	1
Plant operations and maintenance						
Pupil transportation						
Other support services	4					
Special Schools	4	4	4	4	4	8
Food Service	3	3	3	1	1	1
Child Care						
Total	<u>88</u>	<u>70</u>	<u>67</u>	<u>65</u>	<u>65</u>	<u>70</u>

Source: School Personnel Records

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(UNAUDITED)

Pupil/Teacher Ratio

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2013	450	6,693,055	14,873	9.87%	39	14	N/A	N/A			N/A	98.00%
2014	448	7,290,985	16,275	9.42%	39	14	N/A	N/A			N/A	98.00%
2015	474	7,426,828	15,662	-3.76%	39	14	N/A	N/A			N/A	98.00%
2016	432	6,594,727	15,266	-2.53%	38	14	N/A	N/A			N/A	98.00%
2017	494	7,629,590	15,445	1.17%	43	14	N/A	N/A	493.7		N/A	98.00%
2018	591	10,607,945	17,949	16.22%	45	160	431	N/A			N/A	98.00%

Sources: School records

NEW HORIZONS COMMUNITY CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(UNAUDITED)

<u>School Building</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Building						
Square Feet	58,788	58,788	37,743	37,743	37,743	37,743
Capacity (students)	672	588	504	504	504	504
Enrollment	592	494	432	474.2	448	450
Number of Students at June 30						
Elementary = 432						
Middle School = 160						
Senior High School = 0						

Source: School Business Office

Exhibit J-19

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2018**

NOT APPLICABLE

NEW HORIZONS COMMUNITY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2018
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 1,280,000	1,000 - 7,500
Boiler and Machinery	1,000,000	1000
General Automobile Liability	1,000,000	N/A
School Board Legal Liability	1,000,000	1000
Umbrella	5,000,000	N/A
Workers' Compensation	2,000,000	N/A
 Surety Bonds		
School Board Legal Liability	1,000,000	N/A
Public Official Bond	200,000	N/A

Source: Charter School Records

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash	1,571,207	980,463	715,381	4,067,699	3,822,992	2,783,901
Current Assets	1,898,902	1,396,279	942,984	4,291,517	4,033,110	2,928,197
Capital Assets-Net	10,467,780	10,435,913	10,013,927	6,645,505	6,725,739	6,770,600
Total Assets	<u>12,366,682</u>	<u>11,832,192</u>	<u>10,956,911</u>	<u>10,937,022</u>	<u>10,758,849</u>	<u>9,698,797</u>
Current Liabilities	1,762,174	292,441	677,398	189,704	241,636	211,918
Long Term Liabilities Mortgage Payable	0	0	0	1,146,315	1,771,051	2,374,647
Total Liabilities	<u>1,762,174</u>	<u>292,441</u>	<u>677,398</u>	<u>1,336,019</u>	<u>2,012,687</u>	<u>2,586,565</u>
Net Position	<u>10,604,508</u>	<u>11,539,751</u>	<u>10,279,513</u>	<u>9,601,003</u>	<u>8,746,162</u>	<u>9,486,879</u>
Total Revenue	11,151,920	9,460,959	8,121,947	8,853,085	9,091,831	8,477,143
Total Expenses	<u>(10,707,945)</u>	<u>(8,619,598)</u>	<u>(11,961,283)</u>	<u>(8,542,745)</u>	<u>(7,457,901)</u>	<u>(7,281,241)</u>
Change in Net Position	<u>443,975</u>	<u>841,361</u>	<u>(3,839,336)</u>	<u>310,340</u>	<u>1,633,930</u>	<u>1,195,902</u>
Depreciation	225,157	220,428	202,499	191,430	252,388	237,498
Principal Payments	1,335,509	632,199	646,546	624,736	603,596	583,172
Interest payments	84,131	86,906	29,450	51,261	72,401	92,824
Final average daily enrollment	591	494	432	450	450	450
March 30th budgeted Enrollment	591	494	432	450	450	450
Near term indicators	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
CURRENT RATIO	1.08	4.77	1.05	4.76	2.38	2.38
Unrestricted days cash	53.56	42.32	21.82	134.34	67.17	67.17
Enrollment variance	0%	0%	0%	0%	0%	0%
Default	N/A	N/A	N/A	N/A	N/A	N/A

**NEW HORIZONS COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

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

	2018	2017	2016	2015	2014	2013
Cash	1,571,207	980,463	715,381	4,067,699	3,822,992	2,783,901
Current Assets	1,898,902	1,396,279	942,984	4,291,517	4,033,110	2,928,197
Capital Assets-Net	10,467,780	10,435,913	10,013,927	6,645,505	6,725,739	6,770,600
Total Assets	<u>12,366,682</u>	<u>11,832,192</u>	<u>10,956,911</u>	<u>10,937,022</u>	<u>10,758,849</u>	<u>9,698,797</u>
Current Liabilities	1,762,174	292,441	677,398	189,704	241,636	211,918
Long Term Liabilities	0	0	0	1,146,315	1,771,051	2,374,647
Total Liabilities	<u>1,762,174</u>	<u>292,441</u>	<u>677,398</u>	<u>1,336,019</u>	<u>2,012,687</u>	<u>2,586,565</u>
Net Position	<u>10,604,508</u>	<u>11,539,751</u>	<u>10,279,513</u>	<u>9,601,003</u>	<u>8,746,162</u>	<u>7,112,232</u>
Total Revenue	11,151,920	9,460,959	8,121,947	8,853,085	9,091,831	8,477,143
Total Expenses	<u>(10,707,945)</u>	<u>(8,619,598)</u>	<u>(11,961,283)</u>	<u>(8,542,745)</u>	<u>(7,457,901)</u>	<u>(7,281,241)</u>
Change in Net Position	<u>443,975</u>	<u>841,361</u>	<u>(3,839,336)</u>	<u>310,340</u>	<u>1,633,930</u>	<u>1,195,902</u>
Depreciation	225,157	220,428	202,499	191,430	252,388	237,498
Principal Payments	1,335,509	632,199	646,546	624,736	603,596	583,172
Interest payments	84,131	86,906	29,450	51,261	72,401	92,824
Final average daily enrollment	591	494	432	450	450	450
March 30th budgeted Enrollment	591	494	432	450	450	450
Sustainability Indicators	2018	2017	2016	2015	2014	2013
Total Margin	4%	9%	-47%	14%	7%	7%
Debt to Asset	0.14	0	N/A	N/A	N/A	N/A
Cash Flow	590,744	453,295	3,352,318	4,326,964	2,163,482	2,163,482
Debt Service Coverage ratio	0.53	0	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Horizons Community Charter School ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the 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 my report thereon, dated February 7, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Purpose of this Report

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
February 7, 2019

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EXHIBIT K-2

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
INDEPENDENT AUDITORS' REPORT**

The Honorable Chairman and
Members of the Board of Trustees
New Horizons Community Charter School
County of Essex
Newark, New Jersey

Compliance

I have audited the New Horizons Community Charter School, in the County of Essex, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 2018. The Charter School's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") and New Jersey's OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred.

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I 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 and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Licensed Public School Accountant No. 20CS00206400

A handwritten signature in black ink, appearing to read "Gerald D. Longo". The signature is written in a cursive style with a large initial "G".

Gerald D. Longo
Certified Public Accountant
February 7, 2019

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

EXHIBIT K-3
Schedule A

<u>Federal/Grantor Program Title</u>	<u>CFDA/GRANT Project Number</u>	<u>Federal Award Identification Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2017</u>	<u>Prior Carry over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustment</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2018</u>	<u>Due to Grantor at June 30, 2018</u>
Enterprise Fund:												
U.S. Department of Agriculture												
Pass-Through Programs:												
Passed-Through New Jersey												
State Department of Agriculture												
National School Lunch	10.555	171NJ304N1099	07/01/17-06/30/18	305,930	(53,300)		272,638	\$305,930			(86,592)	
National Breakfast	10.553	171NJ304N1099	07/01/17-06/30/18	83,357	(17,918)		78,814	83,357			(22,461)	
National School Snack	10.558	171NJ304N1099	07/01/17-06/30/18	16,989	(78)		14,559	16,989			(2,508)	
Total Enterprise Fund Cluster					<u>(71,296)</u>		<u>366,011</u>	<u>406,276</u>			<u>(111,561)</u>	
Special Revenue Fund:												
U.S. Department of Education												
Pass-Through Programs:												
Passed-Through New Jersey												
State Department of Education												
Title I - Part A	84.010	S010A170030	07/01/17-06/30/18	478,680	(131,302)		543,168	470,448			(58,582)	
Title II - Part A	84.367	S367A170029	07/01/17-06/30/18	41,678	0		41,678	41,678			0	
IDEA Part B, Basic	84.027	H027A170100	07/01/17-06/30/18	134,732	0		134,732	134,732			0	
Total Special Revenue/US Dept. of Education					<u>(131,302)</u>		<u>719,578</u>	<u>646,858</u>			<u>(58,582)</u>	
Total Expenditures of Federal Financial Awards					<u>(202,598)</u>		<u>1,085,589</u>	<u>1,053,134</u>			<u>(\$170,143)</u>	

The notes to the Schedule of Federal Financial and State Assistance are an integral part of this schedule.

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

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2017</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjustments</u>	<u>(Accts Rec) June 30, 2018</u>
NJ DEPT. OF EDUCATION									
GENERAL FUND									
Equalization Aid - Local	18-495-034-5120-078	7/1/17-06/30/18	1,253,311		\$1,253,311	\$1,253,311			
Equalization Aid - State	18-495-034-5120-078	7/1/17-06/30/18	6,904,824		6,904,824	6,904,824			
Adjustment Aid	18-495-034-5120-085	7/1/17-06/30/18	576,523		576,523	576,523			
Special Education Aid	18-495-034-5120-089	7/1/17-06/30/18	144,880		144,880	144,880			
Security Aid	18-495-034-5120-084	7/1/17-06/30/18	249,336		249,336	249,336			
Reimbursed Social Security Tax	18-495-034-5094-003	7/1/17-06/30/18	255,326		255,326	255,326			
On-Behalf-Teachers' Pension and Annuity Pension LT Disability	18-495-034-5014-002	7/1/17-06/30/18	1,211		1,211	1,211			
On-Behalf-Teachers' Pension and Annuity Pension	18-495-034-5094-004	7/1/17-06/30/18	367,901		367,901	367,901			
On-Behalf-Teachers' Pension and Annuity Fund-Post Retirement Medical	18-495-034-5094-001	7/1/17-06/30/18	237,620		237,620	237,620			
Total General Fund/ Total State Department of Education					--	9,990,932	9,990,932		
SPECIAL REVENUE FUND									
Total Special Revenue Fund					--	--	--		
NJ STATE DEPT OF AGRICULTURE - DIRECT PROGRAMS									
ENTERPRISE FUND									
State School Lunch	18-100-010-3350-023	7/1/17-06/30/18	5,221	(924)	4,667	5,221			(1,478)
Total State Financial Assistance					\$9,995,599	\$9,996,153			
Less Amounts Net Subject to Single Audit									
On-Behalf-Teachers' Pension and Annuity Pension LT Disability		7/1/17-06/30/18			(1,211)	(1,211)			
On-Behalf-Teachers' Pension and Annuity Pension					(367,901)	(367,901)			
On-Behalf-Teachers' Pension and Annuity Fund-Post Retirement Medical					(237,620)	(237,620)			
Total State Financial Assistance Subject to State Single Audit					\$9,388,867	9,389,421			

See accompanying notes to schedules of expenditures of Federal and State award programs.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the New Horizons Community Charter School of Newark. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

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 expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (continued)

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

	Federal	State	Total
General Fund	\$ ---	\$9,990,932	\$9,990,932
Special Revenue Fund	646,858		646,858
Enterprise Fund	<u>406,276</u>	<u>5,221</u>	<u>411,497</u>
Total Awards and Financial Assistance	<u>\$1,053,134</u>	<u>\$9,996,153</u>	<u>\$11,049,287</u>

NOTE 5. 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 6. OTHER INFORMATION

The amount reported as TPAF Pension contributions of \$367,901, Post Retirement Medical Contributions of \$237,620 and \$1,211 LTD represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2018. TPAF Social Security Contributions of \$255,326 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.

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

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

NOTE 8. DE MINIMIS INDIRECT COST RATE

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

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Noncompliance material to financial statements noted?	X	

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported

Type of auditor’s report on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be Reported in accordance with Uniform Guidance.	X

Identification of major programs:

<u>CDEA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
------------------------------	--

84.010.A	Title I, Part A
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Dollar threshold used to distinguish between type A and type B programs.	\$750,000
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Auditee qualified as low risk auditee:	X
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**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>	
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000		
Auditee qualified as low risk auditee:	X		
Type of auditor’s report issued:		Unmodified	
Internal control over major programs:			
Material weakness(es) identified:		X	
Significant deficiencies identified not considered to be material weakness(es)?		X	None Reported
Type of auditor’s report on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJ OMB Circular 15-08?		X	
Identification of major programs:			
<u>C DFA Number(s)</u>			<u>Name of State Program or Cluster</u>
18-495-034-5120-078			Equalization Aid Local and State
18-495-034-5120-089			Special Education Aid
18-495-034-5120-085			Adjustment Aid
18-495-034-5120-084			Security Aid

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements 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 financial statement findings noted that are required to be reported under Government Auditing Standards.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 15-08.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of U.S. Uniform Guidance or with NJOMB Circular 15-08.

**THE NEW HORIZONS COMMUNITY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.