

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2017**

**Academy for Urban Leadership  
Charter School**

**PREPARED BY  
Academy for Urban Leadership Charter School**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**TABLE OF CONTENTS**

	<u>PAGE NO.</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1-5
Organizational Chart .....	6
Roster of Officials.....	7
Consultants and Advisors .....	8
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	9-11
<b>Required Supplementary Information – Part I Management’s Discussion and Analysis.....</b>	<b>12-18</b>
<b>Basic Financial Statements</b>	
A. Charter School-Wide Financial Statements:	
A-1 Statement of Net Position.....	19
A-2 Statement of Activities .....	20
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet .....	21
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances.....	22
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Proprietary Funds:	
B-4 Statement of Net Position.....	24
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position .....	25
B-6 Statement of Cash Flows .....	26
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position .....	27
B-8 Statement of Changes in Fiduciary Net Position .....	28
<b>Notes to the Basic Financial Statements.....</b>	<b>29-62</b>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**TABLE OF CONTENTS**

	<u>PAGE NO.</u>
<b>Required Supplementary Information – Part II</b>	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule–General Fund.....	63-64
C-2 Budgetary Comparison Schedule-Special Revenue Fund .....	65
<b>Notes to the Required Supplementary Information – Part II</b>	
C-3 Budget-to-GAAP Reconciliation .....	66
<b>Required Supplementary Information – Part III</b>	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68):	
L-1 Schedule of the Charter School Proportionate Share of the Net Pension Liability - PERS.....	67
L-2 Schedule of Charter School Contributions - PERS.....	68
L-3 Schedule of the Charter School Proportionate Share of the Net Pension Liability - TPAF .....	69
<b>Notes to the Required Supplementary Information – Part II</b> .....	70
<b>Other Supplementary Information</b>	
D. School Based Budget Schedules.....	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis.....	71
F. Capital Projects Fund.....	N/A
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Schedule of Net Position.....	72
G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position .....	73
G-3 Combining Schedule of Cash Flows .....	74

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**TABLE OF CONTENTS**

	<u><b>PAGE NO.</b></u>
H. Fiduciary Funds	
H-1 Combining Statement of Fiduciary Net Position.....	75
H-2 Combining Statement of Changes in Fiduciary Net Position.....	76
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements .....	77
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements .....	78
I. Long-Term Debt.....	N/A
 <b>STATISTICAL SECTION (Unaudited)</b>	
<b>Introduction to the Statistical Section</b>	
<b>Financial Trends</b>	
J-1 Net Position by Component .....	79
J-2 Changes in Net Position.....	80
J-3 Fund Balances – Governmental Funds.....	81
J-4 Changes in Fund Balances – Governmental Funds .....	82
J-5 General Fund – Other Local Revenue by Source .....	N/A
<b>Revenue Capacity</b>	
J-6 – J-9 .....	N/A
<b>Debt Capacity</b>	
J-10 – J-13 .....	N/A
<b>Demographic and Economic Information</b>	
J-14 Demographic and Economic Statistics.....	83
J-15 Principal Employers.....	84
<b>Operating Information</b>	
J-16 Full-time Equivalent Charter School Employees by Function/Program.....	85
J-17 Operating Statistics .....	86
J-18 School Building Information.....	87
J-19 Schedule of Allowable Required Maintenance Expenditures by School Facility .....	N/A
J-20 Insurance Schedule	88-89
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios.....	90

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**TABLE OF CONTENTS**

	<u><b>PAGE NO.</b></u>
<b>SINGLE AUDIT SECTION</b>	
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 <i>Government Auditing Standards</i> .....	91-92
K-2 Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with New Jersey OMB Letter Circular 15-08 .....	93-95
K-3 Schedule of Expenditures of Federal Awards, Schedule A.....	96
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B.....	97
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance .....	98-99
K-6 Schedule of Findings and Questioned Costs .....	100-103
K-7 Summary Schedule of Prior Year Audit Findings.....	104



## The Academy for Urban Leadership

612 Amboy Avenue Perth Amboy, NJ 08861

Phone: 848-203-3742 Fax: 848-203-3948

E-mail: [mainoffice@aulchs.org](mailto:mainoffice@aulchs.org)

**Johnny Rosa**  
Business Administrator

November 29, 2017

Commissioner Kimberly Harrington  
New Jersey Department of Education  
100 Riverview Executive Plaza  
CN – 500  
Trenton, New Jersey 08625-0500

Dear Acting Commissioner Harrington:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Academy for Urban Leadership Charter School (Charter School) for the fiscal year ended June 30, 2017. This CAFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of the Academy for Urban Leadership with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

### **Charter School Organization**

The Board is comprised of nine voting members who are elected to oversee that the Charter School operates in compliance with statute and administrative code. Voting members of the Board serve as the official governing body of the Charter School charged with policy making, fiscal oversight, and accountability for student academic achievement results of the Charter School. Voting members adopt the annual budget and directly approve all expenditures which serve as the basis for control for the authorization of all expenditures of Charter School tax money which in turn support the school's business to promote academic achievement. Non-voting members include the Charter School's Lead Administrator, School Business Administrator/Board Secretary, and Board Attorney.

The Lead Administrator of the Charter School is responsible to the Board for the implementation and administration of all educational and support operations. The School Business Administrator/Board Secretary is the chief financial officer of the Charter School and is responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey Law.

1. **REPORTING ENTITY AND ITS SERVICES:** The Academy for Urban Leadership Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. The Charter School's Board of Trustees, constitutes the Charter School's reporting entity.

2. The Academy for Urban Leadership Charter School provides a full range of educational services appropriate to Grades 7, 8, 9, 10, 11 and 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2016-2017 school year with an enrollment of 493 students. Next year the Charter School will reach its maximum capacity. By every indicator, AUL is a successful young Charter School with great promise for the future. With a focus on leadership, civics, community service and academics, the Charter School maintains a large waiting list for entrance and is armed with a strong Board, experienced staff, significant seed funding, a well-developed mission and accompanying core values.
  
3. **MAJOR INITIATIVES:** Major initiatives for the 2016-2017 school year centered on activities associated with the continued implementation of the Charter School's program and the challenges of the school's growth expansion for year three of operation. Specifically, the following were areas of focus for operational activity:
  - Continue fiscal controls/compliance and financial stability
  - Continue increasing student enrollment
  - Continue expanding staff to accommodate program growth and student needs
  - Continue building competency in staff to perform required deliverables
  - Continue providing systemic professional development for staff for the Common Core
  - Continue facility and infrastructure enhancements
  - Continue the school's discipline and academic culture
  - Continue promoting student achievement outcomes/improving program design.
  - Continue preparing for our first graduating class and college preparation
  
4. **INTERNAL ACCOUNTING CONTROLS:** The Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be 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 Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School's management. As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.
  
6. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statement" Notes 1 and 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
  
7. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.
  
8. **OTHER INFORMATION:**

#### **Independent Audit**

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Koh LLP. In addition to meeting the requirements set forth in state

statutes, the audit also was designed to meet the requirements of the New Jersey OMB Circular Letter 15-08. The auditors' report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

9. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Academy for Urban Leadership Charter School's Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

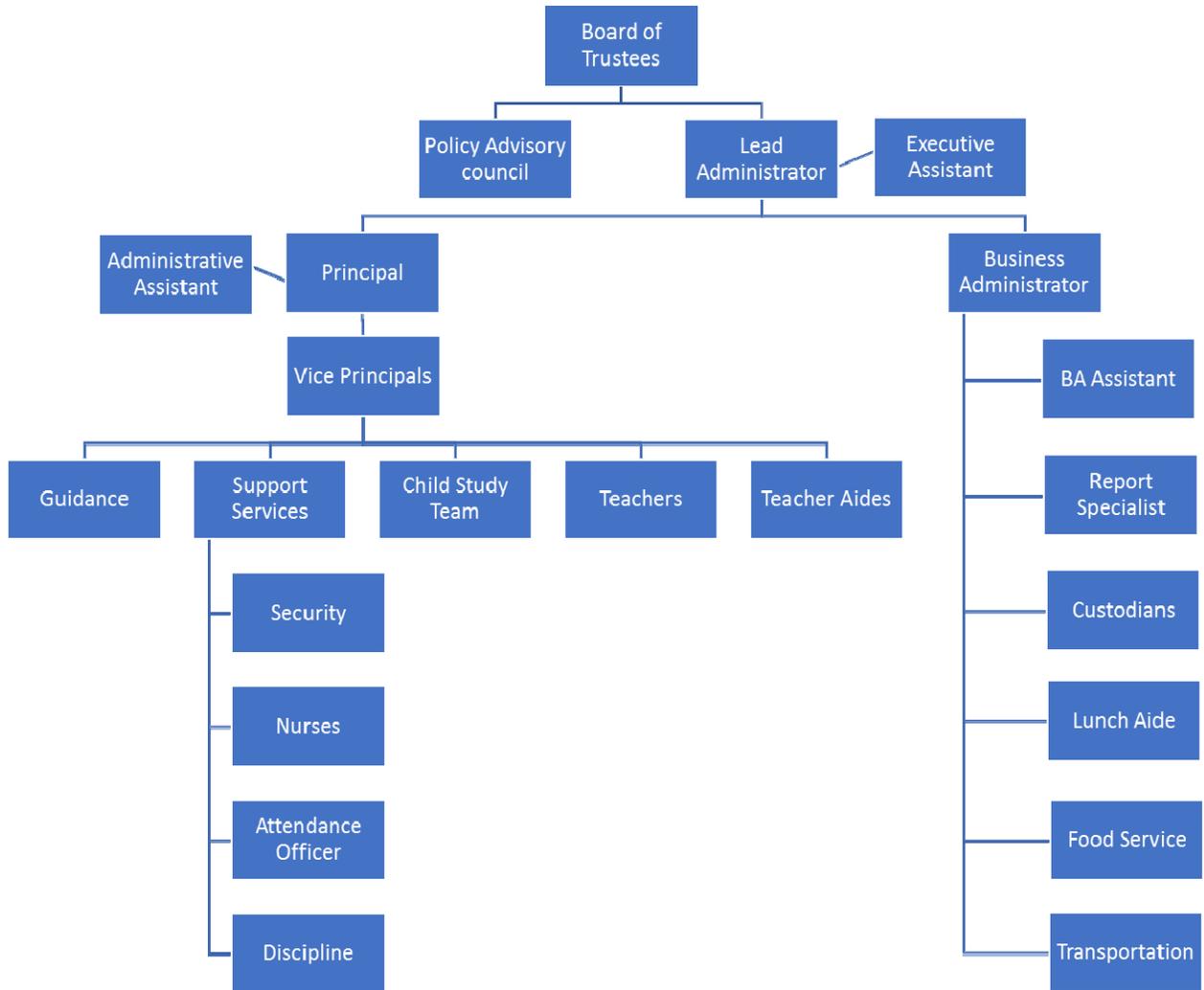
Respectfully submitted,



Johnny Rosa  
School Business Administrator

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**ORGANIZATIONAL CHART**



**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**ROSTER OF OFFICIALS**

**JUNE 30, 2017**

<b>MEMBERS OF THE BOARD OF TRUSTEES</b>	<b>TERM</b>
Eloisa Hernandez, President	6/30/2018
Edgardo Galleno, Vice President	6/30/2017
Yamillet Febo-Gonzales, Secretary	6/30/2017
Hector Bonilla, Member	6/30/2018
Claudine Bishop, Member	6/30/2017
Eleni Glykis, Member	6/30/2018
Michelle Roman, Member	6/30/2017
Jordan Richards, Member	6/30/2018
Marlenis Rosa, Member	6/30/2018

**OTHER OFFICIALS**

Dr. Nestor Collazo, Lead Administrator  
Johnny Rosa, Board Secretary/Business Administrator  
Patricia Bombelyn, Esq., Board Attorney

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**CONSULTANTS AND ADVISORS**

**Independent Auditors**

Galleros Koh LLP  
115 Davis Station Rd  
Cream Ridge, NJ 08514

**Attorneys**

Perez & Bombelyn, P.C.  
Attorneys at Law  
402 Livingston Avenue  
New Brunswick, New Jersey 08901

**Official Depositories**

Investors Bank  
101 JFK Parkway  
Short Hills, New Jersey 07078

# **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

The Honorable President and  
Members of the Board of Trustees  
Academy for Urban Leadership Charter School  
County of Middlesex  
Perth Amboy, New Jersey

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

## **INDEPENDENT AUDITORS' REPORT - CONTINUED**

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 18, Budgetary Comparison Information on pages 63 through 66, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) on pages 67 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

The accompanying combining and individual fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) , and New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



Leonora Galleros, CPA  
Public School Accountant  
PSA No. 20CS00239400



GALLEROS KOH LLP  
Certified Public Accountants

November 29, 2017  
Cream Ridge, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL (COUNTY OF MIDDLESEX, NEW JERSEY)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **Introduction**

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting model in conformance with the requirements of the Governmental Accounting Standards Board (GASB).

### **Financial Highlights**

Key Financial highlights for the fiscal year 2017 are as follows:

- General revenues accounted for \$7,475,104 or 75% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$2,247,435 or 25% of total revenues of \$9,918,037.
- The Charter School had \$9,664,897 in expenses; only \$2,247,435 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7,475,104 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$8,066,023 in revenues and \$7,467,496 in expenditures. The General Fund's fund balance increased by \$598,527 over 2016.
- On the Charter School-wide financial statements, the assets and deferred outflows of resources of the Charter School exceeded liabilities and deferred inflows of resources at the close of its most recent fiscal year by \$4,046,230. The Charter School's total net position increased by \$253,140 for the year ended June 30, 2017 mainly due to capitalization of construction services.

### **Basic Financial Statements**

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

The report is organized so the reader can understand the Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the statement of activities, are governmental - wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Fund Financial Statements**

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Academy for Urban Leadership Charter School, the General Fund is the most significant fund.

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

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

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

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

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

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

These two statements report the Charter School's net assets and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2017. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the Charter School where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

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

**Business-Type Activity** – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

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

**Fund Financial Statements**

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

**Governmental Funds**

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to

The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are sufficient financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

**Enterprise Fund**

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

**The Charter School as a Whole**

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net assets at June 30, 2017.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED**

The total net position of the Charter School have increased by \$253,140 during the current fiscal year. The increase is due to increase in state revenues and capitalization of school improvements.

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

	<b>Governmental Activities</b>	<b>Business Type Acvtivities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets	\$ 2,672,896	\$ 98,690	\$ 2,771,586
Capital Assets, net	2,006,119	1,377	2,007,496
Total Assets	<u>4,679,015</u>	<u>100,067</u>	<u>4,779,082</u>
<b>Deferred Outflow of Resources</b>			
	<u>483,625</u>	<u>-</u>	<u>483,625</u>
<b>Liabilities</b>			
Current Liabilities	195,599	37,057	232,656
Noncurrent Liabilities	833,954	-	833,954
Total Liabilities	<u>1,029,553</u>	<u>37,057</u>	<u>1,066,610</u>
<b>Deferred Inflow of Resources</b>			
	<u>149,867</u>	<u>-</u>	<u>149,867</u>
<b>Net Position</b>			
Invested in Capital Assets (net of related debt)	2,006,119	1,377	2,007,496
Unrestricted	1,977,101	61,633	2,038,734
Total Net Position	<u>\$ 3,983,220</u>	<u>\$ 63,010</u>	<u>\$ 4,046,230</u>

In 2017, total revenues increased by \$2.54 million about 35% compared to total revenues in 2016. Total expenses increased by \$2.50 million, about 35%.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 18,816	\$ 14,224	\$ 18,816	\$ 14,224
Operating grants and Contributions	<u>2,247,435</u>	<u>1,355,982</u>	<u>176,682</u>	<u>139,968</u>	<u>2,424,117</u>	<u>1,495,950</u>
Total Program Revenues	<u>2,247,435</u>	<u>1,355,982</u>	<u>195,498</u>	<u>154,192</u>	<u>2,442,933</u>	<u>1,510,174</u>
General Revenues:						
Local Aid	874,554	752,864	-	-	874,554	752,864
Federal and State Aid	6,559,742	5,110,178	-	-	6,559,742	5,110,178
Miscellaneous	40,808	-	-	-	40,808	-
Total General Revenues	<u>7,475,104</u>	<u>5,863,042</u>	<u>-</u>	<u>-</u>	<u>7,475,104</u>	<u>5,863,042</u>
Total Revenues	<u>9,722,539</u>	<u>7,219,024</u>	<u>195,498</u>	<u>154,192</u>	<u>9,918,037</u>	<u>7,373,216</u>
Expenses:						
Instructions	4,853,474	3,561,031	-	-	4,853,474	3,561,031
Administrative	1,810,924	1,272,532	-	-	1,810,924	1,272,532
Support services	2,240,211	1,923,959	-	-	2,240,211	1,923,959
Unallocated						
Capital outlay	93,507	206,045	-	-	93,507	206,045
Depreciation	498,176	28,039	-	-	498,176	28,039
Food Service	-	-	<u>168,605</u>	<u>164,617</u>	<u>168,605</u>	<u>164,617</u>
Total Expenses	<u>9,496,292</u>	<u>6,991,606</u>	<u>168,605</u>	<u>164,617</u>	<u>9,664,897</u>	<u>7,156,223</u>
Change in Net Position	<u>\$ 226,247</u>	<u>\$ 227,418</u>	<u>\$ 26,893</u>	<u>\$ (10,425)</u>	<u>\$ 253,140</u>	<u>\$ 216,993</u>

**Governmental Activities**

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

	Total Cost of Services	Grants/ Contributions	Net Cost of Services
Instruction	\$ 4,853,474	\$ 1,486,460	\$ (3,367,014)
Adminstrative	1,810,924	384,388	(1,426,536)
Support services	2,240,211	356,255	(1,883,956)
Unallocated:			
Capital outlay	93,507	20,332	(73,175)
Depreciation	498,176	-	(498,176)
Total Expenses	<u>\$ 9,496,292</u>	<u>\$ 2,247,435</u>	<u>\$ (7,248,857)</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Business-Type Activity**

The business-type activities of the Charter School are the food service operations. These programs had revenues of \$195,498 and operating expenses of \$168,605 for fiscal year 2017.

**The Charter School's Funds**

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$8.6 million and expenditures of \$8.0 million.

**General Fund Budgeting Highlights**

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

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

For the General Fund, final budgeted revenues were \$7.5 million which included a local tax levy of \$0.8 million. Expenditures were budgeted at \$8.1 million. The Charter School anticipated a decrease in fund balance of \$0.6 million. In fiscal year 2016-2017, actual revenues were \$8.1 million and expenditures were \$7.5 million.

The State of New Jersey reimbursed the Charter School \$217,563 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members while on-behalf TPAF payments for post-retirement medical benefits and long-term disability insurance were \$373,356. These unbudgeted amounts are included in both revenues and expenditures.

**Capital Assets**

At the end of fiscal year 2017, the Charter School had \$2,007,496 invested in capital assets.

**Economic Factors and Next Year's Budget**

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to Charter Schools. This reality was taken into account when adopting the general fund budget for 2016-2017. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Academy for Urban Leadership Charter School, Business Office, 612 Amboy Avenue, Perth Amboy, New Jersey 08861.

# **BASIC FINANCIAL STATEMENTS**

## **CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

## STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,937,979	\$ 67,081	\$ 2,005,060
Restricted cash	75,000	-	75,000
Accounts receivable	535,396	31,609	567,005
Interfund receivables	78,407	-	78,407
Security deposits	46,114	-	46,114
Total current assets	<u>2,672,896</u>	<u>98,690</u>	<u>2,771,586</u>
Capital assets:			
Equipment	308,819	3,540	312,359
Leasehold improvements	2,276,163	-	2,276,163
	<u>2,584,982</u>	<u>3,540</u>	<u>2,588,522</u>
Less: Accumulated depreciation	(578,863)	(2,163)	(581,026)
Net capital assets	<u>2,006,119</u>	<u>1,377</u>	<u>2,007,496</u>
Total assets	<u>4,679,015</u>	<u>100,067</u>	<u>4,779,082</u>
<b>Deferred Outflows of Resources</b>	<u>483,625</u>	<u>-</u>	<u>483,625</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	88,101	69	88,170
Intergovernmental payable:			
State	139,343		139,343
Interfund payables (internal)	(36,988)	36,988	-
Deferred revenues	5,143	-	5,143
Total current liabilities	<u>195,599</u>	<u>37,057</u>	<u>232,656</u>
Noncurrent liabilities			
Due within one year	61,821	-	61,821
Due in more than one year	772,133	-	772,133
	<u>833,954</u>	<u>-</u>	<u>833,954</u>
Total liabilities	<u>1,029,553</u>	<u>37,057</u>	<u>1,066,610</u>
<b>Deferred Inflows of Resources</b>	<u>149,867</u>	<u>-</u>	<u>149,867</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	2,006,119	1,377	2,007,496
Restricted for:			
Unrestricted	1,977,101	61,633	2,038,734
Total Net Position	<u>\$ 3,983,220</u>	<u>\$ 63,010</u>	<u>\$ 4,046,230</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental activities:</b>						
Instruction	\$ 4,853,474	\$ -	\$ 1,486,460	\$ (3,367,014)	\$ -	\$ (3,367,014)
Administrative cost	1,810,924	-	384,388	(1,426,536)	-	(1,426,536)
Support services	2,240,211	-	356,255	(1,883,956)	-	(1,883,956)
Unallocated:						
Capital outlay	93,507	-	20,332	(73,175)	-	(73,175)
Depreciation	498,176	-	-	(498,176)	-	(498,176)
Total governmental activities	9,496,292	-	2,247,435	(7,248,857)	-	(7,248,857)
<b>Business-type activities:</b>						
Food Service	168,605	18,816	176,682	-	26,893	26,893
Total primary government	\$ 9,664,897	\$ 18,816	\$ 2,424,117	(7,248,857)	26,893	(7,221,964)
<b>General revenues, transfers and special items:</b>						
Local sources				\$ 874,554	-	\$ 874,554
State sources				6,559,742	-	6,559,742
Miscellaneous				40,808	-	40,808
Total general revenues, transfers and special items				7,475,104	-	7,475,104
Changes in net position				226,247	26,893	253,140
Net position - beginning				3,756,973	36,117	3,793,090
Net position - ending (A-1)				\$ 3,983,220	\$ 63,010	\$ 4,046,230

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

GOVERNMENTAL FUNDS  
BALANCE SHEET

JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,937,979	\$ -	\$ 1,937,979
Restricted cash	75,000	-	75,000
Accounts receivable:			
Local	14,127	-	14,127
State	435,442	-	435,442
Federal	-	85,827	85,827
Interfund receivables	185,382	1,998	187,380
Security deposits	46,114	-	46,114
Total assets	<u>\$ 2,694,044</u>	<u>\$ 87,825</u>	<u>\$ 2,781,869</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	77,404	\$ 10,697	\$ 88,101
Intergovernmental payables:			
State	139,343	-	139,343
Interfund payables	-	71,985	71,985
Deferred revenue	-	5,143	5,143
Total liabilities	<u>216,747</u>	<u>87,825</u>	<u>304,572</u>
Fund balances:			
Assigned	133,755	-	133,755
Unassigned	2,343,542	-	2,343,542
Total fund balances	<u>2,477,297</u>	<u>-</u>	<u>2,477,297</u>
Total liabilities and fund balances	<u>\$ 2,694,044</u>	<u>\$ 87,825</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 2,584,982
Accumulated depreciation	(578,863)
	<u>2,006,119</u>

Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.

Deferred amounts on net pension liability	<u>333,758</u>
---	----------------

Long-term liabilities, including capital leases and compensated absences, net pension payable that are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net pension liability	<u>(833,954)</u>
-----------------------	------------------

Net position of governmental activities - A-1	<u>\$ 3,983,220</u>
---	---------------------

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

## GOVERNMENTAL FUNDS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Total
<b>Revenues</b>			
Local Sources:			
Local tax levy	\$ 874,554	\$ -	\$ 874,554
Grant and contributions	40,808	-	40,808
Total revenues -local sources	915,362	-	915,362
State sources	6,559,742	-	6,559,742
Federal sources	-	546,184	546,184
Reimbursed TPAF - Social Security (non-budgeted)	217,563	-	217,563
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	202,739	-	202,739
On-behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	168,928	-	168,928
On-behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	1,689	-	1,689
Total revenues	<u>8,066,023</u>	<u>546,184</u>	<u>8,612,207</u>
<b>Expenditures</b>			
Current expense:			
Instruction	3,004,382	460,260	3,464,642
Administrative cost	1,891,028	-	1,891,028
Support services	1,774,375	65,592	1,839,967
Capital outlay:	206,792	20,332	227,124
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	217,563	-	217,563
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	202,739	-	202,739
On-behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	168,928	-	168,928
On-behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	1,689	-	1,689
Total expenditures	<u>7,467,496</u>	<u>546,184</u>	<u>8,013,680</u>
Excess revenues over expenditures	598,527	-	598,527
Fund balances at beginning of the year	<u>1,878,770</u>	-	<u>1,878,770</u>
Fund balances at end of year	<u>\$ 2,477,297</u>	<u>\$ -</u>	<u>\$ 2,477,297</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2017**

**Total net change in fund balances - governmental funds (B-2)** \$ 598,527

**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 depreciation expense exceeded capital outlays in the period.

Capital outlay	191,652
Depreciation expense	(498,176)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension costs	<u>(65,756)</u>
---------------	-----------------

**Change in net position of governmental activities (A-2)** \$ 226,247

**PROPRIETARY FUNDS**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF NET POSITION**

**JUNE 30, 2017**

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 67,081
Accounts receivable:	
Federal	31,109
State	500
	<u>31,609</u>

Capital assets

Machinery and equipment	3,540
Less: Accumulated depreciation	<u>(2,163)</u>
Net capital assets	<u>1,377</u>

Total assets	<u>\$ 100,067</u>
--------------	-------------------

**Liabilities**

**Current liabilities:**

Accounts payable	\$ 69
Interfund payable - General Fund	<u>36,988</u>
	37,057

**Net position**

Unrestricted	<u>63,010</u>
--------------	---------------

Total liabilities and net position	<u>\$ 100,067</u>
------------------------------------	-------------------

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**YEAR ENDED JUNE 30, 2017**

Operating revenues:		
Charges for services:		
Daily sales - nonreimbursable programs	\$	18,736
Miscellaneous revenue		<u>80</u>
Total Operating revenues		<u>18,816</u>
Operating expenses:		
Professional/Technical service		167,897
Depreciation		<u>708</u>
Total operating expenses		<u>168,605</u>
Operating loss		<u>(149,789)</u>
Nonoperating revenues:		
State sources:		
State School Lunch Program		2,787
Federal sources:		
National School Lunch Program		150,402
National School Breakfast Program		<u>23,493</u>
Total nonoperating revenues		<u>176,682</u>
Change in net position		26,893
Total net position at beginning of year		<u>36,117</u>
Total net position at end of year	\$	<u><u>63,010</u></u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2017**

**Cash flows from operating activities**

Operating loss	\$ (149,789)
Adjustment to reconcile operating loss to net cash from operating activities	
Depreciation	708
Changes in assets and liabilities:	
Accounts receivable	40,040
Interfund receivable	<u>(560)</u>
Net cash from operating activities	(109,601)

**Cash flows from noncapital financing activities**

Cash received from state and federal reimbursements	176,682
---	---------

**Cash flows from investing activities**

	<u>-</u>
Net decrease in cash and cash equivalents	67,081
Cash and cash equivalents at beginning of the year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 67,081</u></u>

**FIDUCIARY FUNDS**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2017**

**Assets**

Cash and cash equivalents	\$ 302,055
Interfund receivables	<u>-</u>
Total assets	<u>\$ 302,055</u>

**Liabilities and Net Position**

Liabilities:	
Payroll withholdings payable	\$ 205,894
Due to student groups	17,753
Interfund payables	<u>78,408</u>
Total liabilities	302,055

**Net Assets**

Restricted	
Unemployment compensation	<u>-</u>
Total net assets	<u>-</u>
Total liabilities and net position	<u>\$ 302,055</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**YEAR ENDED JUNE 30, 2017**

Revenues:		
General fund appropriation	\$	86,127
Employees' contributions		<u>13,779</u>
Total revenues		<u>99,906</u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u>99,906</u>
Total expenditures		<u>99,906</u>
Excess of revenues over expenditures		-
Net position at beginning of the year		<u>-</u>
Net position at end of year	\$	<u><u>-</u></u>

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity:**

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

**B. Component Units**

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

**C. Basis of Presentation**

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

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Basis of Presentation - Continued**

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Charter School’s overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School’s activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**D. Basic Financial Statements**

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

**Government-wide Financial Statements**

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at 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 and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Basic Financial Statements - Continued**

**Fund Financial Statements**

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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

**E. Governmental Funds**

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

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**E. Governmental Funds - Continued**

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

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

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2017, there was no debt service fund.

**F. Proprietary Funds**

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

**Enterprise Funds:**

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**F. Proprietary Funds - Continued**

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

**Internal Service (Self-Insurance) Fund:**

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

**G. Fiduciary Funds**

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

**Expendable Trust Funds** - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

**Nonexpendable Trust Funds** - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

**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 involved measurement of results of operations. Agency funds include payroll and student activities funds.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**H. Measurement Focus and Basis of Accounting**

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

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

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I. Budgets/Budgetary Control**

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. 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 special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

**J. Deposits, Investments and Risk Disclosure**

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Deposits, Investments and Risk Disclosure - continued**

original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

**Deposits**

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Deposits, Investments and Risk Disclosure - continued**

**Investments**

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

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

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

**Risk Category**

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. Although GASB Statement No. 40 eliminated Categories 1 and 2 as previously established by GASB Statement No. 3, it maintained, with modification, the level-of-disclosure requirements of GASB Statement No. 3.

As of June 30, 2017, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**K. Prepaid Expenses**

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

**L. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the Charter School-wide Statements of Net Position.

**M. Fixed Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building if owned	50 years
Building Improvement	20 years
Electrical/Plumbing	30 years
Office and Computer Equipment	5-10 years
Leasehold Improvements	remaining term of the lease or remaining Charter School term, whichever is shorter

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

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

**N. 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 that are 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 sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave. Vacation days not used during the year may only be carried forward with approval from the Head of School.

In the Charter School-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, there are no liabilities for compensated absence.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**O. Net Pension Liability (Asset)**

The net pension liability (asset) represents the Charter School's proportionate share of the net pension liability (asset) of the New Jersey State Pension Employees' Retirement System and the New Jersey State Teachers' Pension and Annuity Fund System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

**P. Deferred Revenue**

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

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

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

**R. Fund Balance and Equity**

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

*Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**R. Fund Balance and Equity - Continued**

*Restricted* fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

*Committed* fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

*Assigned* fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

*Unassigned* fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**S. Net Position**

Net Position on the *Statement of Net Position* include the following:

**Investments in Capital Assets, net of Related Debt** - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

**Restricted for Specific Purposes** – the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

**Restricted for Debt Service** – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

**Unrestricted** - the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Position Restricted for Specific Purposes or Net Position Restricted for Debt Services.

**T. Contributed Capital**

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

**U. Interfund Transactions**

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

**V. Use of Estimates**

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**W. Accounting for Uncertainty in Income Taxes**

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2014.

**X. On-Behalf Payments**

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

**Y. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 29, 2017.

**NOTE 2 APPLICATION OF NEW ACCOUNTING STANDARDS**

For the year ended June 30, 2017, the Charter School implemented the following:

*GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The adoption of this Standard did not have an effect on the Charter School's financial statements.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 APPLICATION OF NEW ACCOUNTING STANDARDS – CONTINUED**

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of this Standard did not have an effect on the Charter School's financial statements.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for reporting periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this standard was included in the Required Supplementary Schedule, Schedule L.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 3 CASH AND CASH EQUIVALENTS**

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk.

As of June 30, 2017, the Charter School's carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Trust and Agency Funds</u>	<u>Total</u>
Operating Account	\$ 1,937,979	\$ 67,081	302,055	\$ 2,307,115
Restricted Cash	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total	<u>\$ 2,012,979</u>	<u>\$ 67,081</u>	<u>\$ 302,055</u>	<u>\$ 2,382,115</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2017, the Charter School's carrying amount of deposits was \$2,382,115 and the bank balance was \$3,132,320. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2017 were secured by federal deposit insurance and \$ 2,882,320 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

*Restricted Cash*

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which is fully funded at June 30, 2017. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

<b><u>Governmental Activities</u></b>	<b>Beginning Balance</b>	<b>Net Additions (Deletions)</b>	<b>Ending Balance</b>
<b>Capital assets being depreciated:</b>			
Equipment	\$ 191,145	\$ 117,674	\$ 308,819
Leasehold improvements	-	2,276,163	2,276,163
Construction in-progress	<u>2,202,185</u>	<u>(2,202,185)</u>	<u>-</u>
Total	2,393,330	191,652	2,584,982
Less Accumulated depreciation	<u>(80,687)</u>	<u>(498,176)</u>	<u>(578,863)</u>
Capital assets, net	<u>\$ 2,312,643</u>	<u>\$ (306,524)</u>	<u>\$ 2,006,119</u>
<b><u>Business-Type Activities</u></b>			
Machinery and equipment	\$ 3,540	-	\$ 3,540
Less Accumulated depreciation	<u>(1,455)</u>	<u>(708)</u>	<u>(2,163)</u>
Capital assets, net	<u>\$ 2,085</u>	<u>\$ (708)</u>	<u>\$ 1,377</u>

**NOTE 5 NONCURRENT LIABILITIES**

During the fiscal year ended June 30, 2017, long term liabilities are reported in the *Statement of Net Position*, which include:

<b>Noncurrent Liabilities</b>	<b>Balance Balance June 30, 2016</b>	<b>Additions</b>	<b>Maturities/ Payments</b>	<b>Balance June 30, 2017</b>	<b>Due within One Year</b>
Net Pension Liability	<u>\$ 858,969</u>	<u>\$ -</u>	<u>\$ 25,015</u>	<u>\$ 833,954</u>	<u>\$ 61,821</u>

The net pension liability classified as due within one year amounting to \$61,821 represents pension contributions for fiscal year 2017 due and payable on April 1, 2018.

**NOTE 6 NET POSITION**

As of June 30, 2017, business-type activities net position did not have any capital assets or restrictions, while governmental activities net position consisted of the following components:

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 6 NET POSITION - CONTINUED**

**INVESTMENT IN CAPITAL ASSETS,  
NET OF RELATED DEBT**

Capital assets, net	\$ 2,007,496
Less: Long-term obligations	<u>-</u>
	2,007,496

**UNRESTRICTED**

Net position not restricted above	<u>2,038,734</u>
-----------------------------------	------------------

<b>NET POSITION</b>	<b><u>\$ 4,046,230</u></b>
---------------------	----------------------------

**NOTE 7 PENSION PLANS**

**A. Description of Plans**

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System (PERS) or the Teacher's Pension and Annuity Fund (TPAF) which have been 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 PERS and the TPAF. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**i. Teachers Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers.

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**A. Description of Plans - Continued**

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

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

**B. Vesting and Benefit Provisions**

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

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS – CONTINUED**

**B. Vesting and Benefit Provisions**

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.

**C. Significant Legislation**

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**D. Contribution Requirement**

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. 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 adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

The Charter School's contribution to PERS for the year ended June 30, 2017 was \$25,015. In addition, for fiscal year 2017, the Charter School contributed \$576 for PERS Long-term Disability Insurance Premiums (LTDI).

The State of New Jersey was required to contribute for TPAF on behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$371,667. In addition, for fiscal year 2017, the State of New Jersey contributed \$1,689 for LTDI.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$217,563 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contribution and social contribution for TPAF members are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures**

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

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.

At June 30, 2017, the Charter School reported in the Charter School-wide statement of net position a liability of \$833,954 for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2016 as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Charter School's proportionate share of the net pension liability was based on the ration of contributions as an individual employer to the total contributions to the PERS for the years ended June 30, 2016 and 2015. At June 30, 2016, the Charter School's proportionate share was 0.0028157814% which is an increase from the proportionate share of 0.00357344% at June 30, 2015.

For the year ended June 30, 2017, the Charter School recognized pension expense of \$90,769. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,509	\$ -
Changes of assumptions	172,751	-
Net difference between projected and actual earnings on pension plan investments	31,799	-
Change in proportion and differences between Charter School contributions and proportionate share contributions	263,566	149,867
	<u>\$ 483,625</u>	<u>\$ 149,867</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS – CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

The 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	\$ 82,359
2019	82,359
2020	82,358
2021	63,202
2022	23,480

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

Inflation	3.08 percent
Salary increases	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment rate of return	7.65%

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS – CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System (PERS) - continued**

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

*Long-term Expected Rate of Return*

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System (PERS) – continued**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 3.98% at June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System (PERS) – continued**

contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the District'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 calculated using the discount rate as disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>

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

**ii. Teachers Pension and Annuity Fund (TPAF)**

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**ii. Teachers Pension and Annuity Fund (TPAF) – continued**

At June 30, 2017, the State's proportionate share of the net pension liability attributable to the Charter School amounted to \$17,475,901. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016.

For the year ended June 30, 2017, the Charter School recognized pension expense and related revenue of \$1,836,352 in the Charter School-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the years ended June 30, 2016 and 2015. At June 30, 2016 and 2015, the State's proportion of the net pension liability attributable to Charter School was 0.0222152124% and 0.0117350545%.

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

Inflation	2.50 percent
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Pre-retirement, post-retirement and disables mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 6-year average Social Security Data from 1953 to 2013. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**ii. Teachers Pension and Annuity Fund (TPAF) – continued**

*Long-term Expected Rate of Return.* In accordance with the State statute, the long-term expected rate of return on plan investments (7.9% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High-Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.88%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - Multi-strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
Total	100.00%	

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**ii. Teachers Pension and Annuity Fund (TPAF) – continued**

*Discount rate.* The discount rate used to measure the total pension liability was 3.22% at June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contribution from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability.* The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the 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:

	<b>1% Decrease (2.22%)</b>	<b>Current Discount Rate (3.22%)</b>	<b>1% Increase (4.22%)</b>
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 20,966,312</u>	<u>\$ 17,475,901</u>	<u>\$ 14,771,838</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8 POST- RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016. (GASB Cod. Sec. 2300.106(g) The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

**NOTE 9 DEFERRED COMPENSATION**

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan is administered by AXA Equity, Inc. permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 10 RISK MANAGEMENT**

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

**A. 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 (Schedule J-20).

**B. New Jersey Unemployment Compensation**

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

The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the State for the current and the past two years:

Error! Not a valid link.

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES**

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

At June 30, 2017, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Fiduciary Fund</u>
General fund	\$ 185,382	\$ (69,987)	\$ (36,988)	\$ (78,407)
GASB No 34 mandated eliminations within governmental activities	<u>(69,987)</u>	<u>69,987</u>	<u>-</u>	<u>-</u>
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ 115,395</u>	<u>\$ -</u>	<u>\$ (36,988)</u>	
External (Due from Trust and Agency Funds)				<u>\$ (78,407)</u>

**NOTE 12 CONTINGENCIES**

**State and Federal Aid Receipts**

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2017, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2017.

**NOTE 13 LINE OF CREDIT**

The Charter School has an approved Line of Credit amounting to \$750,000 with Investors Bank which can be used to support the Charter School's leasehold improvements. The line of credit has an interest rate of 3% above the current Investors Bank Money Market rate or CD rate at closing with a floor of 3.25% per annum. The Charter School did not use the line of credit for the fiscal year ended June 30, 2017.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 14 LEASES**

The Charter School is currently leasing its facilities at 612 Amboy Avenue, Perth Amboy, New Jersey for a period of four (4) years from St. Michael's Byzantine Catholic Church commencing July 1, 2010 and expired on June 30, 2015. The lease was extended for five (5) periods of five (5) years each beginning July 1, 2015. Annual rent for the year ended June 30, 2017 amounted to \$200,913.

On August 14, 2013, the school rented additional space from the Simpson United Methodist Church at High Street, Perth Amboy for the period September 1, 2013 and expiring at June 30, 2015. The lease is extended annually for a year. Rent expense for the year ended June 30, 2017 amounted to \$308,540.

On August 10, 2016, the school rented additional space from the St. John the Baptist Orthodox Church at 404 Division Street, Perth Amboy for the period September 1, 2016 to August 31, 2019 with a two 3-year renewal options. Rent expense for the year ended June 30, 2017 amounted to \$60,000.

**NOTE 15 LITIGATION**

There is an asserted claim by a former Charter School employee during the fiscal year. The Charter School management is contesting the claim and will continue to vigorously defend its position. In the opinion of the Charter School's management and legal counsel, the Charter School will prevail on the claim.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

**BUDGETARY COMPARISON SCHEDULES**

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local Sources:					
Local tax levy	\$ 883,849	\$ -	\$ 883,849	\$ 874,554	\$ (9,295)
Contributions and miscellaneous	-	-	-	40,808	40,808
Miscellaneous	-	-	-	-	-
Total revenues - local sources	883,849	-	883,849	915,362	31,513
State sources					
Reimbursed TPAF - Social Security (non-budgeted)	6,648,037	-	6,648,037	6,559,742	(88,295)
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	202,739	202,739
On-behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	168,928	168,928
On-behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	-	-	-	1,689	1,689
Total revenues	7,531,886	-	7,531,886	8,066,023	534,137
<b>Expenditures</b>					
Current expense:					
Instruction					
Salaries	2,316,860	(130,000)	2,186,860	2,139,421	47,439
Other salaries for instruction	445,000	(366,000)	79,000	59,056	19,944
Professional/technical service	51,060	544,646	595,706	588,346	7,360
Other purchased services	40,000	-	40,000	32,666	7,334
General supplies	240,000	(7,559)	232,441	166,918	65,523
Textbooks	146,000	(60,000)	86,000	11,585	74,415
Miscellaneous	20,000	-	20,000	6,390	13,610
Total instruction	3,258,920	(18,913)	3,240,007	3,004,382	235,625
Administrative cost					
Salaries	932,566	(2,000)	930,566	897,320	33,246
Total benefit costs	1,126,333	(320,000)	806,333	619,269	187,064
Professional/technical service	155,000	270,000	425,000	270,823	154,177
Other purchased services	46,000	500	46,500	39,105	7,395
Communications and telephones	40,000	-	40,000	37,888	2,112
Supplies and materials	15,000	13,000	28,000	26,623	1,377
Total administrative cost	2,314,899	(38,500)	2,276,399	1,891,028	385,371
Support services					
Salaries	925,391	(228,000)	697,391	667,448	29,943
Purchased professional/technical service	329,100	9,354	338,454	226,214	112,240
Other purchased services	40,000	37,500	77,500	68,415	9,085
Rent on land and buildings	371,475	(15,000)	356,475	335,173	21,302
Insurance-fidelity, liability, property	150,000	70,000	220,000	170,891	49,109
Supplies and materials	62,350	28,559	90,909	85,490	5,419
Transportation-other than to/from school	201,475	(30,000)	171,475	141,515	29,960
Utilities	49,000	49,000	98,000	78,349	19,651
Miscellaneous	79,550	(74,000)	5,550	880	4,670
Total support services	2,208,341	(152,587)	2,055,754	1,774,375	281,379

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay					
Instructional equipment	100,097	(63,000)	37,097	37,097	-
Non-instructional equipment	194,909	(70,000)	124,909	84,376	40,533
Construction services	<u>56,100</u>	<u>343,000</u>	<u>399,100</u>	<u>85,319</u>	<u>313,781</u>
Total capital outlay	<u>351,106</u>	<u>210,000</u>	<u>561,106</u>	<u>206,792</u>	<u>354,314</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	217,563	(217,563)
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	202,739	(202,739)
On-behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	168,928	(168,928)
On-behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689</u>	<u>(1,689)</u>
Total expenditures before other financing uses	<u>8,133,266</u>	<u>-</u>	<u>8,133,266</u>	<u>7,467,496</u>	<u>665,770</u>
Excess (deficiencies) revenues over expenditures	(601,380)	-	(601,380)	598,527	1,199,907
Fund balances at beginning of the year	<u>601,380</u>	<u>-</u>	<u>601,380</u>	<u>1,878,770</u>	<u>1,277,390</u>
Fund balances at ending of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,477,297</u>	<u>\$ 2,477,297</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

## SPECIAL REVENUE FUND

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
<b>Revenues</b>					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	625,686	-	625,686	546,184	79,502
Total revenues - all sources	<u>625,686</u>	<u>-</u>	<u>625,686</u>	<u>546,184</u>	<u>79,502</u>
<b>Expenditures</b>					
Current Expenditures:					
Instruction					
Salaries of teachers	230,811	(7,182)	223,629	197,100	26,529
Employee benefits	46,176	-	46,176	46,176	-
Purchased professional and technical services	12,136	-	12,136	11,700	436
Other purchased services	131,143	-	131,143	103,037	28,106
Supplies and materials	91,866	16,210	108,076	101,482	6,594
Miscellaneous	1,815	(1,050)	765	765	-
Total instruction	<u>513,947</u>	<u>7,978</u>	<u>521,925</u>	<u>460,260</u>	<u>61,665</u>
Support services					
Salaries of supervisors of instruction	22,000	(7,526)	14,474	11,080	3,394
Employee benefits	4,382	(482)	3,900	839	3,061
Purchased professional educational services	49,800	-	49,800	49,800	-
Other purchase services	3,100	-	3,100	2,453	647
Supplies	5,195	30	5,225	1,420	3,805
Miscellaneous expenditures	4,762	-	4,762	-	4,762
Total support services	<u>89,239</u>	<u>(7,978)</u>	<u>81,261</u>	<u>65,592</u>	<u>15,669</u>
Capital Outlay					
Instructional equipment	<u>22,500</u>	<u>-</u>	<u>22,500</u>	<u>20,332</u>	<u>2,168</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY GAAP RECONCILIATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 8,066,023	[C-2] 546,184
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>8,066,023</u>	[B-2] <u>546,184</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 7,467,496	[C-2] 546,184
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 7,467,496</u>	[B-2] <u>\$ 546,184</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART III**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY - PERS**

**LAST TEN FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0028157814%	0.0035734400%	0.0014681237%
Charter School's proportionate share of the net pension liability (asset)	\$ 833,954	\$ 802,166	\$ 274,873
Charter School's covered-employee payroll	\$ 793,855	\$ 333,428	\$ 194,890
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	105.05%	240.58%	141.04%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	38.21%	40.71%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**LAST TEN FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 25,015	\$ 30,722	\$ 12,103
Contributions in relation to the contractually required contribution	<u>(25,015)</u>	<u>(30,722)</u>	<u>(12,103)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 793,855	\$ 333,428	\$ 194,890
Contributions as a percentage of covered-employee payroll	3.15%	9.21%	6.21%

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY - TPAF**

**LAST TEN FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportionate share of the net pension liability (asset) attributable to Charter School	0.0222152124%	0.0117350545%	0.0108171438%
State's proportionate share of the net pension liability (asset) attributable to Charter School	\$ 17,475,901	\$ 7,417,056	\$ 5,781,411
Charter School's covered-employee payroll	3,157,381.90	\$ 1,757,843	\$ 1,980,905
State's proportionate share of the net pension liability (asset) attributable to Charter School as a percentabe of its covered-employee payroll	553.49%	421.94%	291.86%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**PART III**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III  
YEAR ENDED JUNE 30, 2016**

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

*Change in benefit terms.* There is no change in the benefit terms.

*Change in assumptions.* The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 4.90% to 3.98% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 3.98% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.65% (7.90% in prior measurement date) and a municipal bond rate of 2.85% (3.80% in prior measurement date) 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.

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

*Change in benefit terms.* There is no change in the benefit terms.

*Change in assumptions.* The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 4.13% to 3.22% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 3.22% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.65% (7.90% in prior measurement date) and a municipal bond rate of 2.85% (3.80% in prior measurement date) 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.

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND**

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2017

	Title I	Title I Carryover	Title I Art Integration	Title II Part 2A	Charter Expansion Grant	IDEA	S. Smojak Grant	Total
<b>Revenues</b>								
Local	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Federal	241,637	28,044	61,608	2,400	144,681	67,814	-	546,184
Total revenues - all sources	<u>241,637</u>	<u>28,044</u>	<u>61,608</u>	<u>2,400</u>	<u>144,681</u>	<u>67,814</u>	<u>-</u>	<u>546,184</u>
<b>Expenditures</b>								
Current Expenditures:								
Instruction								
Salaries of teachers	110,000	28,044	8,818	-	-	50,238	-	197,100
Employee benefits	28,600	-	-	-	-	17,576	-	46,176
Purchased professional and technical services	-	-	9,300	2,400	-	-	-	11,700
Other purchased services	103,037	-	-	-	-	-	-	103,037
Supplies and materials	-	-	18,679	-	82,803	-	-	101,482
Miscellaneous	-	-	765	-	-	-	-	765
Total instruction	<u>241,637</u>	<u>28,044</u>	<u>37,562</u>	<u>2,400</u>	<u>82,803</u>	<u>67,814</u>	<u>-</u>	<u>460,260</u>
Support services								
Personal services salaries	-	-	5,000	-	6,080	-	-	11,080
Employee benefits	-	-	373	-	466	-	-	839
Purchased professional educational services	-	-	14,800	-	35,000	-	-	49,800
Other purchase services	-	-	2,453	-	-	-	-	2,453
Supplies	-	-	1,420	-	-	-	-	1,420
Total support services	<u>-</u>	<u>-</u>	<u>24,046</u>	<u>-</u>	<u>41,546</u>	<u>-</u>	<u>-</u>	<u>65,592</u>
Capital Outlay								
Instructional equipment	-	-	-	-	20,332	-	-	20,332
Total expenditures	<u>\$ 241,637</u>	<u>\$ 28,044</u>	<u>\$ 61,608</u>	<u>\$ 2,400</u>	<u>\$ 144,681</u>	<u>\$ 67,814</u>	<u>\$ -</u>	<u>\$ 546,184</u>

## **CAPITAL PROJECTS FUND**

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

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

## **ENTERPRISE FUNDS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**ENTERPRISE FUND**

**COMBINING SCHEDULE OF NET POSITION**

**JUNE 30, 2017**

	<b>FOOD SERVICE</b>
	<u>                    </u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$       67,081
Accounts receivable:	
Federal	31,109
State	<u>          500</u>
	<u>          31,609</u>
 Capital assets	
Machinery and equipment	3,540
Less: Accumulated depreciation	<u>(2,163)</u>
Net capital assets	<u>          1,377</u>
 Total assets	 <u>\$       100,067</u>
 <b>Liabilities</b>	
Current liabilities	
Accounts payable	\$           69
Interfund payable - General Fund	36,988
Intergovernmental payable - State	<u>          -</u>
Total current liabilities	<u>          37,057</u>
 <b>Net assets</b>	
Unrestricted	<u>          63,010</u>
 Total liabilities and net position	 <u>\$       100,067</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**ENTERPRISE FUND**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION**

**YEAR ENDED JUNE 30, 2017**

Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ 18,736
Miscellaneous revenue	<u>80</u>
Total operating revenues	<u>18,816</u>
Operating expenses:	
Purchased services	167,897
Depreciation	<u>708</u>
Total operating expenses	<u>168,605</u>
Operating loss	<u>(149,789)</u>
Nonoperating revenues:	
State sources:	2,787
Federal sources:	
National School Lunch	150,402
National School Breakfast	<u>23,493</u>
Total nonoperating revenues	<u>176,682</u>
Changes in net position	26,893
Total net position at beginning of year	<u>36,117</u>
Total net position at end of year	<u>\$ 63,010</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**ENTERPRISE FUND**

**COMBINING SCHEDULE OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2017**

	<b>FOOD SERVICE</b>
	<u>                    </u>
<b>Cash flows from operating activities</b>	
Operating loss	\$ (149,789)
Adjustment to reconcile operating loss to net cash from operating activities	
Depreciation expense	708
Changes in assets and liabilities:	
Accounts receivable	40,040
Interfund receivable	<u>(560)</u>
Net cash from operating activities	(109,601)
 <b>Cash flows from noncapital financing activities</b>	
Cash received from state and federal reimbursements	<u>176,682</u>
Net increase in cash and cash equivalents	67,081
Cash and cash equivalents at beginning of the year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 67,081</u>

## **FIDUCIARY FUNDS**

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2017 there was no non-expandable trust fund utilized by the Charter School.

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

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

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

## FIDUCIARY FUNDS

## COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2017

	New Jersey Unemployment Benefits	Agency			Total
		Student Activities	Net Payroll	Payroll Agency	
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 17,753	\$ 1	\$ 284,301	\$ 302,055
Interfund receivable	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 17,753</u>	<u>\$ 1</u>	<u>\$ 284,301</u>	<u>\$ 302,055</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ -	\$ 205,894	\$ 205,894
Due to student groups	-	17,753	-	-	17,753
Interfund payable	-	-	1	78,407	78,408
Total liabilities	<u>-</u>	<u>17,753</u>	<u>1</u>	<u>284,301</u>	<u>302,055</u>
<b>Net Position</b>					
Restricted					
Unemployment compensation	-	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ 17,753</u>	<u>\$ 1</u>	<u>\$ 284,301</u>	<u>\$ 302,055</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**FIDUCIARY FUNDS**

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
(TRUST FUND)**

**YEAR ENDED JUNE 30, 2017**

	New Jersey Unemployment Benefits
	<u>                    </u>
Revenues:	
General fund appropriation	\$ 86,127
Employees' contributions	<u>13,779</u>
Total revenues	<u>99,906</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>99,906</u>
Total expenditures	<u>99,906</u>
Excess of revenue over expenditures	-
Net position at beginning of the year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2017

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
<b>Assets</b>				
Cash and cash equivalents	\$ <u>14,315</u>	\$ <u>24,827</u>	\$ <u>21,389</u>	\$ <u>17,753</u>
<b>Liabilities</b>				
Due to Student Groups	\$ <u>14,315</u>	\$ <u>24,827</u>	\$ <u>21,389</u>	\$ <u>17,753</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2017

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 63,629	\$ 1,365,716	\$ 1,145,044	\$ 284,301
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ 63,629	\$ 1,287,309	\$ 1,145,044	\$ 205,894
Interfund payable	<u>-</u>	<u>78,407</u>	<u>-</u>	<u>78,407</u>
Total Liabilities	<u>\$ 63,629</u>	<u>\$ 1,365,716</u>	<u>\$ 1,145,044</u>	<u>\$ 284,301</u>

## **LONG-TERM DEBT**

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the Charter School. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

# **STATISTICAL SECTION (UNAUDITED)**

Unless otherwise noted, the information in these Schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**INTRODUCTION TO THE STATISTICAL SECTION**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>  These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	<b>79</b>
<b>Revenue Capacity</b>  These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	<b>N/A</b>
<b>Debt Capacity</b>  These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	<b>N/A</b>
<b>Demographic and Economic Information</b>  These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	<b>83</b>
<b>Operating Information</b>  These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	<b>85</b>

(1) GASB requires presentation of certain statistical information for the last ten fiscal years. However, fiscal year ended June 30, 2014 is the first operating year of the Charter School. Therefore, schedules presenting charterwide information include information beginning in that year.

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

NET POSITION BY COMPONENT  
Last Ten Fiscal Years (1)

(Accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2017	2016	2016	2014	2013	2012
Governmental activities						
Invested in capital assets, net of related debt	\$ 2,006,119	\$ 2,312,643	\$ 1,424,047	\$ 542,238	\$ 366,212	\$ 36,737
Restricted	-	-	-	-	-	300,000
Unrestricted	<u>1,977,101</u>	<u>1,444,330</u>	<u>2,105,508</u>	<u>2,387,155</u>	<u>1,088,631</u>	<u>382,435</u>
Total governmental activities net position	<u>\$ 3,983,220</u>	<u>\$ 3,756,973</u>	<u>\$ 3,529,555</u>	<u>\$ 2,929,393</u>	<u>\$ 1,454,843</u>	<u>\$ 419,172</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-
Unrestricted	<u>61,633</u>	<u>34,033</u>	<u>43,750</u>	<u>13,164</u>	<u>11,461</u>	<u>6,130</u>
Total business-type activities net position	<u>\$ 61,633</u>	<u>\$ 34,033</u>	<u>\$ 43,750</u>	<u>\$ 13,164</u>	<u>\$ 11,461</u>	<u>\$ 6,130</u>
School-wide						
Invested in capital assets, net of related debt	\$ 2,006,119	\$ 2,312,643	\$ 1,424,047	\$ 542,238	\$ 366,212	\$ 36,737
Restricted	-	-	-	-	-	300,000
Unrestricted	<u>2,038,734</u>	<u>1,478,363</u>	<u>2,149,258</u>	<u>2,400,319</u>	<u>1,100,092</u>	<u>388,565</u>
Total Charter School net position	<u>\$ 4,044,853</u>	<u>\$ 3,791,006</u>	<u>\$ 3,573,305</u>	<u>\$ 2,942,557</u>	<u>\$ 1,466,304</u>	<u>\$ 725,302</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

**CHANGES IN NET POSITION**

**Last Ten Fiscal Years (1)**

(Accrual basis of accounting)

	Fiscal Year Ending June 30,					
	2017	2016	2015	2014	2013	2012
<b>Expenses</b>						
Governmental activities						
Instruction	\$ 4,853,474	\$ 3,561,031	\$ 3,149,476	\$ 2,659,103	\$ 2,203,746	\$ 1,167,939
Administrative	1,810,924	1,272,532	904,298	881,210	1,133,563	721,742
Support Services	2,240,211	1,923,959	1,403,253	1,269,078	256,707	392,143
Unallocated						
Capital outlay	93,507	206,045	-	59,474	36,826	338,820
Depreciation	498,176	28,039	21,046	13,760	-	-
Total governmental activities expenses	<u>9,496,292</u>	<u>6,991,606</u>	<u>5,478,073</u>	<u>4,882,625</u>	<u>3,630,842</u>	<u>2,620,644</u>
Business-type activities:						
Food service	<u>168,605</u>	<u>164,617</u>	<u>125,685</u>	<u>134,258</u>	<u>101,921</u>	<u>71,130</u>
Total business-type activities expense	<u>168,605</u>	<u>164,617</u>	<u>125,685</u>	<u>134,258</u>	<u>101,921</u>	<u>71,130</u>
Total district expenses	<u>9,664,897</u>	<u>7,156,223</u>	<u>5,603,758</u>	<u>5,016,883</u>	<u>3,732,763</u>	<u>2,691,774</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:	-	-	-	-	-	-
Operating grants and contributions	2,247,435	1,355,982	676,208	498,171	26,675	29,884
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>2,247,435</u>	<u>1,355,982</u>	<u>676,208</u>	<u>498,171</u>	<u>26,675</u>	<u>29,884</u>
Business-type activities:						
Charges for services						
Food service	18,816	14,224	23,115	26,220	29,610	27,319
Operating grants and contributions	<u>176,682</u>	<u>139,968</u>	<u>132,448</u>	<u>113,187</u>	<u>74,089</u>	<u>49,932</u>
Total business-type activities program revenues	<u>195,498</u>	<u>154,192</u>	<u>155,563</u>	<u>139,407</u>	<u>103,699</u>	<u>77,251</u>
Total district program revenues	<u>2,442,933</u>	<u>1,510,174</u>	<u>831,771</u>	<u>637,578</u>	<u>130,374</u>	<u>107,135</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	(7,248,857)	(5,635,624)	(4,801,865)	(4,384,454)	(3,604,167)	(2,590,760)
Business-type activities	<u>26,893</u>	<u>(10,425)</u>	<u>29,878</u>	<u>5,149</u>	<u>1,778</u>	<u>6,121</u>
Total district-wide net expense	<u>(7,221,964)</u>	<u>(5,646,049)</u>	<u>(4,771,987)</u>	<u>(4,379,305)</u>	<u>(3,602,389)</u>	<u>(2,584,639)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Property taxes levied for general purposes, net	874,554	752,864	733,532	767,001	535,045	356,492
Grants and contributions	6,559,742	5,110,178	4,998,493	5,092,003	3,784,925	2,803,515
Miscellaneous income	<u>40,808</u>	-	-	-	<u>19,868</u>	<u>21,332</u>
Total governmental activities	<u>7,475,104</u>	<u>5,863,042</u>	<u>5,732,025</u>	<u>5,859,004</u>	<u>4,339,838</u>	<u>3,181,339</u>
Business-type activities:						
Investment earnings	-	-	-	-	13	9
Miscellaneous Income	-	-	-	-	<u>3,540</u>	-
Total business-type activities	-	-	-	-	<u>3,553</u>	<u>9</u>
Total district-wide	<u>7,475,104</u>	<u>5,863,042</u>	<u>5,732,025</u>	<u>5,859,004</u>	<u>4,343,391</u>	<u>3,181,348</u>
<b>Changes in Net Position</b>						
Governmental activities	226,247	227,418	930,160	1,474,550	735,671	590,579
Business-type activities	<u>26,893</u>	<u>(10,425)</u>	<u>29,878</u>	<u>5,149</u>	<u>5,331</u>	<u>6,130</u>
Total district	<u>\$ 253,140</u>	<u>\$ 216,993</u>	<u>\$ 960,038</u>	<u>\$ 1,479,699</u>	<u>\$ 741,002</u>	<u>\$ 596,709</u>

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**FUND BALANCES - GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years (1)**

*(Modified accrual basis of accounting)*

	<b>Fiscal Year Ending June 30,</b>					
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
General Fund						
Assigned	\$ 133,755	\$ 111,115	\$ 767,064	\$ 1,579,040	\$ -	\$ 300,000
Unassigned	2,343,542	1,767,657	1,681,412	808,115	1,088,631	382,435
Total general fund	<u>2,477,297</u>	<u>1,878,772</u>	<u>2,448,476</u>	<u>2,387,155</u>	<u>1,088,631</u>	<u>682,435</u>
All Other Governmental Funds						
Assigned	-	-	-	-	-	-
Unassigned, reported in:						
Special revenue fund	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 2,477,297</u>	<u>\$ 1,878,772</u>	<u>\$ 2,448,476</u>	<u>\$ 2,387,155</u>	<u>\$ 1,088,631</u>	<u>\$ 682,435</u>

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Last Ten Fiscal Years (1)

Function	2017	2016	2015	2014	2013	2012
<b>Revenues</b>						
Local Sources:						
Local tax levy	\$ 874,554	\$ 752,864	\$ 733,532	\$ 767,001	\$ 535,045	\$ 356,492
Miscellaneous	40,808	18,712	-	78,645	19,868	21,332
State sources	6,777,305	5,275,858	5,144,792	5,254,561	3,675,532	2,561,510
Federal sources	546,184	506,926	118,098	133,207	136,068	271,889
Total Revenues	<u>8,238,851</u>	<u>6,554,360</u>	<u>5,996,422</u>	<u>6,233,414</u>	<u>4,366,513</u>	<u>3,211,223</u>
Current expense						
Instruction	3,464,642	2,738,280	2,441,822	2,251,172	1,870,764	1,053,199
Administrative cost	1,891,028	1,430,653	1,195,216	1,090,293	1,454,469	833,242
Support services	1,839,967	1,666,771	1,312,854	1,181,607	255,023	391,301
Capital outlay	227,124	1,122,680	838,910	249,260	380,061	-
TPAF - FICA Reimbursement	217,563	165,680	146,299	162,558	-	-
TPAF - On-behalf payments	1,689	389,650	164,161	123,761	-	-
Total Expenditures	<u>7,642,013</u>	<u>7,513,714</u>	<u>6,099,262</u>	<u>5,058,651</u>	<u>3,960,317</u>	<u>2,277,742</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>596,838</u>	<u>(959,354)</u>	<u>(102,840)</u>	<u>1,174,763</u>	<u>406,196</u>	<u>933,481</u>
Net change in fund balances	<u>\$ 596,838</u>	<u>\$ (959,354)</u>	<u>\$ (102,840)</u>	<u>\$ 1,174,763</u>	<u>\$ 406,196</u>	<u>\$ 933,481</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years (1)**

<b>Year</b>	<b>Population <sup>a</sup></b>	<b>Personal Income <sup>b</sup></b>	<b>Per Capita Personal Income <sup>c</sup></b>	<b>Unemployment Rate <sup>d</sup></b>
2017	**	**	**	**
2016	52,499	**	**	7.80%
2015	52,682	\$ 2,816,748,494	\$ 53,467	9.30%
2014	52,328	2,736,283,448	52,291	10.60%
2013	52,091	2,723,890,481	52,291	15.50%
2012	51,848	2,682,097,040	51,730	15.50%

\*\* Data not available

**Source:**

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

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

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

ACADEMY FOR URBAN LEADERSHIP CHARTER HIGH SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

PRINCIPAL EMPLOYERS  
Current Year and Five Years Ago

Employer	2017		2012	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

Information not available

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM  
Last Ten Fiscal Years (1)

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction	46	35	36	33	32	17
Administrative	5	4	2	4	3	4
Support Services	<u>19</u>	<u>17</u>	<u>15</u>	<u>10</u>	<u>6</u>	<u>5</u>
Total	<u>70</u>	<u>56</u>	<u>53</u>	<u>47</u>	<u>41</u>	<u>26</u>

**Source:** Charter School's personnel records

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years (1)

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						High School				
2017	493	8,013,680	16,255	25.96%	46.00	11:1	493.5	483.63	26.63%	98.00%
2016	386	7,513,714	19,466	21.59%	35.00	11:1	389.7	381.91	-0.59%	98.00%
2015	381	6,099,262	16,009	24.05%	36.00	11:1	392.0	384.16	0.00%	98.00%
2014	392	5,058,651	12,905	7.05%	33.00	11:1	392.0	384.16	49.48%	98.00%
2013	297	3,580,256	12,055	5.32%	32.00	9:1	297.0	257.00	51.18%	86.53%
2012	199	2,277,742	11,446	N/A	17.00	11:1	199.0	170.00	N/A	85.43%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION  
Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Charter School Building</u>						
612 Amboy Avenue						
Square Feet	25,000	25,000	25,000	25,000	25,000	60,000
Capacity (students)	600	600	600	600	600	600
Enrollment	286	277	278	289	386	199
High Street						
Square Feet	3,000	3,000	3,000	3,000	N/A	N/A
Capacity (students)	115	115	115	115	N/A	N/A
Enrollment	108	109	108	97	N/A	N/A
404 Division St						
Square Feet	4,000	N/A	N/A	N/A	N/A	N/A
Capacity (students)	200	N/A	N/A	N/A	N/A	N/A
Enrollment	99	N/A	N/A	N/A	N/A	N/A

**Source:** Charter School's Records

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**INSURANCE SCHEDULE**

June 30, 2017

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
<b>Package Policy Locations <sup>(b)</sup></b>		
Business Personal Property - Special	\$ 1,550,000	
Tenants I&B Loc#1	1,000,000	
Tenants I&B Loc#2	1,500,000	
Tenants I&B Loc#4	100,000	
Computer Systems Loc #1	500,000	1,000
Media	50,000	
<b>Commercial General Liability <sup>(b)</sup></b>		
General Aggregate	3,000,000	
Each occurrence	1,000,000	
Products/Completed Operations Aggregate	3,000,000	
Personal and Advertising Injury	1,000,000	
Damage to Property of Others	100,000	
Medical Payments	10,000	
<b>Employee Benefits Liability <sup>(b)</sup></b>		
Limit each Employee	1,000,000	1,000 each employee
Aggregate limit	2,000,000	
<b>Abuse and Molestation Liability <sup>(b)</sup></b>		
Limit per person, occurrence	1,000,000	
Aggregate	3,000,000	
<b>Educators Liability <sup>(b)</sup></b>		
Each Wrongful Act	1,000,000	5,000 each claim
Aggregate	1,000,000	
<b>Non-owned Auto <sup>(b)</sup></b>		
Limit per Occurrence	1,000,000	
<b>Hired Auto <sup>(b)</sup></b>		
Limit per Occurrence	1,000,000	

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**INSURANCE SCHEDULE**

**June 30, 2017**

	<u>Coverage</u>	<u>Deductible</u>
<b>Commercial Crime <sup>(b)</sup></b>		
Employee Theft	250,000	
Forgery or Alteration	50,000	
Computer and Funds Transfer Fraud	250,000	
<b>Student Accident <sup>(b)</sup></b>		
Aggregate Limit	250,000	
Aggregate Maximum	25,000	
Accidental Death and Dismemberment	25,000	
<b>Workers' Compensation <sup>(c)</sup></b>		
Part A - WC	Statutory	
Part B - Employers Liability		
Bodily Injury by Accident	1,000,000 each accident	
Bodily Injury by Disease	1,000,000 policy limit	
Bodily Injury by Disease	1,000,000 each employee	
<b>Umbrella Liability <sup>(b)</sup></b>		
General Aggregate	5,000,000	
Products - Completed Opss Agg	5,000,000	
Each Occurrence	5,000,000	
Each Person - Personal & Adj Inj	5,000,000	
Self-insurance retention	10,000	
<b>Public Official Bond <sup>(c)</sup></b>		
School Business Administrator	175,841	
<b>E&amp;O/EPLI <sup>(a)</sup></b>		
D&O Maximum limits on all losses	1,000,000	10,000
Employment Practices Liability	1,000,000	125,000
Policy Aggregate all losses	1,000,000	

<sup>(a)</sup> Western World Insurance Co

<sup>(b)</sup> Markel Insurance Company

<sup>(c)</sup> Selective Casualty Ins Co

**Source:** Charter School's Records

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK  
FINANCIAL PERFORMANCE  
FISCAL RATIOS

Multi-Year Information

	2015 Audit	2016 Audit	2017 Audit	Source
Cash	\$2,351,890	\$2,036,490	#####	Audit: Exhibit A-1
Current Assets	2,577,359	2,314,853	2,771,586	Audit: Exhibit A-1
Total Assets	4,004,199	4,629,581	4,779,082	Audit: Exhibit A-1
Current Liabilities	85,133	402,048	232,656	Audit: Exhibit A-1
Total Liabilities	390,728	1,229,229	1,066,610	Audit: Exhibit A-1
Net Assets	3,576,098	3,793,091	4,046,230	Audit: Exhibit A-1
Total Revenue	6,563,796	7,373,216	9,918,037	Audit: Exhibit A-2
Total Expenses	5,603,758	7,156,223	9,664,897	Audit: Exhibit A-2
Change in Net Assets	960,038	216,993	253,140	Audit: Exhibit A-2
Depreciation Expense	21,046	28,039	498,176	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	381	386	493	DOE Enrollment Reports
March 30th Budgeted Enrollment	400	400	500	Charter School Budget

RATIOS ANALYSIS							
Near Term Indicators		2015	2016	2017	3 YR CUM	Source:	Target
1a.	Current Ratio	30.27	5.76	11.91	10.65	Current Assets/Current Liabilities	> 1.1
1b.	Unrestricted Days Cash	153.19	103.87	75.72	104.06	Cash/(Total Expenses/365)	30-60
1c.	Enrollment Variance	95%	97%	99%	97%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.	Default	N/A	N/A	N/A	N/A	Audit	not in default
Sustainability Indicators							
2a.	Total Margin	15%	3%	3%	6%	Change in Net Assets/Total Revenue	positive
2b.	Debt to Asset	10%	27%	22%	20%	Total Liabilities/Total Assets	<.9
2c.	Cash Flow	(123,416)	(315,400)	(31,430)	(470,246)	Net change in cash flow from prior years	3 yr cum positive
2d.	Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

# **SINGLE AUDIT SECTION**

**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 President and  
Members of the Board of Trustees  
Academy for Urban Leadership Charter School  
Middlesex County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Academy for Urban Leadership Charter School (the Charter School), in the County of Middlesex, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 29, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**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 - CONTINUED**

However, we did identified certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

**Compliance and Other Matters**

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

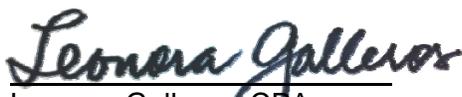
However, we noted certain matters that we have reported to the Board of Trustees of the Academy for Urban Leadership Charter School in the County of Middlesex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated November 29, 2017.

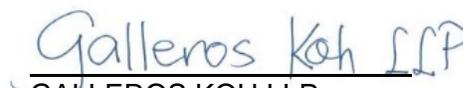
**Charter School's Response to the Finding**

The Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

**Purpose of this Report**

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

  
Leonora Galleros, CPA  
Public School Accountant  
PSA No. 20CS00239400

  
GALLEROS KOH LLP  
Certified Public Accountants

November 29, 2017  
Cream Ridge, New Jersey

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08**

The Honorable President and  
Members of the Board of Trustees  
Academy for Urban Leadership Charter School  
Middlesex County, New Jersey

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

We have audited the Academy for Urban Leadership Charter School's (the Charter School) in the County of Middlesex, State of New Jersey compliance with the types of compliance requirements described in the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2017. The Charter School's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Charter School's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and New Jersey OMB Letter Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08**

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

### **Opinions on Each Major State Programs**

In our opinion, the Academy for Urban Leadership Charter School, in the County of Middlesex, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08**

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

**Purpose of this Report**

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



Leonora Galleros, CPA  
Public School Accountant  
PSA No. 20CS00239400



GALLEROS KOH LLP  
Certified Public Accountants

November 29, 2017  
Cream Ridge, New Jersey

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

EXHIBIT K-3  
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017			
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
<b>U.S. Department of Education:</b>															
<b>Passed-through New Jersey State Department Education</b>															
<b>Special Revenue Fund:</b>															
Title I Part A Grants to Local Educational Agencies	84.010	S010A160030	NCLB-6032-16	\$ 305,036	7/1/2016	6/30/2017	\$ -	\$ -	\$ 248,873	\$ (269,681)	\$ -	\$ (20,808)	\$ -	\$ -	
Title I Part A Grants to Local Educational Agencies	84.010	S010A150030	NCLB-6032-15	427,170	7/1/2015	6/30/2016	(44,710)	-	44,710	-	-	-	-	-	
Title I Part A - Arts Integration Pilot Program (New Jersey)	84.010	S010A160030	NCLB-6032-16	100,000	1/1/2017	7/31/2017	-	-	9,350	(61,608)	-	(52,258)	-	-	
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A160029	NCLB-6032-16	2,400	7/1/2016	6/30/2017	-	-	-	(2,400)	-	(2,400)	-	-	
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A150029	NCLB-6032-15	3,798	7/1/2015	6/30/2016	(3,798)	-	1,800	-	1,998	-	-	-	
Charter School Expansion Grant	84.282	U282A120015	NCLB-6032-16	150,000	8/1/2016	1/31/2017	-	-	144,681	(144,681)	-	-	-	-	
Individuals with Disabilities - States Grant	84.027	H027A160100	IDEA-6032-16	67,814	7/1/2016	6/30/2017	-	-	57,453	(67,814)	-	(10,361)	-	-	
Total U.S. Department of Education							(48,508)	-	506,867	(546,184)	1,998	(85,827)	-	-	
<b>U.S. Department of Agriculture</b>															
<b>Passed-through New Jersey State Department of Agriculture</b>															
<b>Enterprise Fund:</b>															
National School Lunch Program	10.555	171NJ304N1099	N/A	150,402	7/1/2016	6/30/2017	-	-	122,997	(150,402)	-	(27,405)	-	-	
National School Lunch Program	10.555	161NJ304N1099	N/A	117,494	7/1/2015	6/30/2016	(61,080)	-	22,207	-	38,873	-	-	-	
National School Breakfast Program	10.553	171NJ304N1099	N/A	23,493	7/1/2016	6/30/2017	-	-	19,789	(23,493)	-	(3,704)	-	-	
National School Breakfast Program	10.553	161NJ304N1099	N/A	17,493	7/1/2015	6/30/2016	(9,381)	-	3,713	-	5,668	-	-	-	
Total U.S. Department of Agriculture							(70,461)	-	168,706	(173,895)	44,541	(31,109)	-	-	
<b>Total Expenditures of Federal Awards</b>							<u>\$ (118,969)</u>	<u>\$ -</u>	<u>\$ 675,573</u>	<u>\$ (720,079)</u>	<u>\$ 46,539</u>	<u>\$ (116,936)</u>	<u>\$ -</u>	<u>\$ -</u>	

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016			Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2017			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				Intergovernmental (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
<b>New Jersey State Department of Education</b>														
<b>General Fund:</b>														
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 5,750,792	\$ -	\$ -	\$ -	\$ 5,351,569	\$ (5,750,792)	\$ -	\$ (399,223)	\$ -	\$ -	\$ 399,223	\$ (5,750,792)
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	4,904,944	(1,886)	50,175	-	-	-	(50,164)	(1,886)	-	11	1,886	-
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	4,828,244	-	27,414	-	-	-	-	-	-	27,414	-	-
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	1,925,354	-	6,545	-	-	-	-	-	-	6,545	-	-
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	549,266	-	-	-	538,056	(549,266)	-	(11,210)	-	-	11,210	(549,266)
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	49,063	-	-	-	49,063	(49,063)	-	-	-	-	-	(49,063)
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	210,621	-	-	-	210,621	(210,621)	-	-	-	-	-	(210,621)
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	163,511	(133)	-	-	-	-	-	(133)	-	-	133	-
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	161,999	-	2,389	-	-	-	-	-	-	2,389	-	-
Reimbursed Social Security Tax	17-495-034-5094-003	7/1/16-6/30/17	217,563	-	-	-	194,573	(217,563)	-	(22,990)	-	-	-	(217,563)
Reimbursed Social Security Tax	15-495-034-5094-003	7/1/15-6/30/16	165,680	(8,737)	-	-	8,737	-	-	-	-	-	-	-
On-Behalf Teachers' Pension and Annuity Fund	17-495-034-5094-002	7/1/16-6/30/17	202,739	-	-	-	202,739	(202,739)	-	-	-	-	-	(202,739)
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	17-495-034-5094-001	7/1/16-6/30/17	168,928	-	-	-	168,928	(168,928)	-	-	-	-	-	(168,928)
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	1,689	-	-	-	1,689	(1,689)	-	-	-	-	-	(1,689)
<b>Total General Fund</b>				<u>(10,756)</u>	<u>86,523</u>	<u>-</u>	<u>6,725,975</u>	<u>(7,150,661)</u>	<u>(50,164)</u>	<u>(435,442)</u>	<u>-</u>	<u>36,359</u>	<u>412,452</u>	<u>(7,150,661)</u>
<b>Enterprise Fund:</b>														
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	2,787	-	-	-	2,287	(2,787)	-	(500)	-	-	-	(2,787)
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	2,334	(1,188)	-	-	421	-	767	-	-	-	-	-
<b>Total Enterprise Fund</b>				<u>(1,188)</u>	<u>-</u>	<u>-</u>	<u>2,708</u>	<u>(2,787)</u>	<u>767</u>	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,787)</u>
<b>Total Expenditures of State Financial Assistance</b>				<u>\$ (11,944)</u>	<u>\$ 86,523</u>	<u>\$ -</u>	<u>\$ 6,728,683</u>	<u>(7,153,448)</u>	<u>\$ (49,397)</u>	<u>\$ (435,942)</u>	<u>\$ -</u>	<u>\$ 36,359</u>	<u>\$ 412,452</u>	<u>\$ (7,153,448)</u>
<b>Less: On-Behalf TPAF Pension System Contributions</b>														
On-Behalf Teachers' Pension and Annuity Fund	17-495-034-5094-002							202,739						
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	17-495-034-5094-001							168,928						
On-Behalf- Teachers' Pension & Annuity Fund – Non-contributory Insurance	17-495-034-5094-004							1,689						
								373,356						
<b>Total for State Financial Assistance-Major Program Determination</b>								<u>\$ (6,780,092)</u>						

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)****NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE****FISCAL YEAR ENDED JUNE 30, 2017****NOTE 1 GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees, Academy for Urban Leadership Charter School. The Board of Trustees is defined in Note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See Exhibit C-3 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 Charter School's basic financial statements on a GAAP basis as follows:

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE - CONTINUED**

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 6,777,305	\$ 6,777,305
Special Revenue Fund	546,184	-	546,184
Enterprise Fund	<u>173,895</u>	<u>2,787</u>	<u>176,682</u>
Total	<u>\$ 720,079</u>	<u>\$ 6,780,092</u>	<u>\$ 7,500,171</u>

**NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5 ON-BEHALF PAYMENTS**

TPAF Social Security Contributions represents reimbursements in the amount of \$217,563 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017. The State had also made on-behalf TPAF payments for post-retirement medical benefits in the amount of \$373,356.

**NOTE 6 ON BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF pension, post-retirement medical benefits and long-term disability insurance contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's financial statements and the amount subject to State single audit and major program determination.

**NOTE 7 DE MINIMIS INDIRECT COST**

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

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2017**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statement Section**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified?        Yes   ✓   None reported

Significant deficiency(ies) identified not considered to be  
 material weaknesses?   ✓   Yes        No

Noncompliance material to financial statements noted?        Yes   ✓   No

**Federal Awards (Not Applicable)**

Dollar threshold used to determine Type A and B programs: Not applicable

Auditee qualified as low-risk auditee?        Yes        No

Type of auditors' report on compliance for major programs: Not applicable

Internal control over compliance:  
 Material weakness(es) identified?        Yes        No

Significant deficiency(ies) identified not considered to be  
 material weakness(es)?        Yes        No

Any audit findings disclosed that are required to be reported  
 in accordance with Uniform Guidance?        Yes        No

**Identification of Major Programs:**

CFDA Number	Federal Program
-------------	-----------------

No major programs identified.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2017**

**State Financial Assistance**

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

Auditee qualified as low-risk auditee?  Yes  No

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

Internal control over compliance:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified not considered to be material weakness(es)?  Yes  No

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB Circular Letter 15-08?  Yes  No

**Identification of Major Programs:**

State or Project No. Name of State Program

State Aid Public Cluster:

17-495-034-5120-078  
17-495-034-5120-084  
17-495-034-5120-089  
17-495-034-5120-085

Equalization Aid  
Security Aid  
Special Education Aid  
Adjustment Aid

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

***CAFR Finding 2017-001 Classification of Expenditures***

*Condition*

During our test of transactions and expenditures, we noted some expenditures that were not recorded in the proper account as follows:

- a. Substitute teachers were recorded in support services instead of instructional expense.
- b. Nurse supplies were recorded as instructional supplies

The expenditures and related appropriations were reclassified during fieldwork.

*Cause*

Expenditure classifications and budget modifications were made after analyses at year-end were completed.

*Effect*

Expenditures and related appropriations require adjustments at year-end.

*Recommendation:*

The Charter School should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A-16.2(f).

*Views of Responsible Official and Planned Corrective Actions*

The Charter School will reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2016-2017 edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A-16.2(f). The School Business Administrator will continue to review the policies and procedures on purchasing with office staff and other personnel to ensure that purchase orders and related expenses are recorded in the proper expenditure account and reclassify expenditure line items and make the appropriate fund transfers following the regulatory mandates.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

***CAFR Finding 2017-002 Financial Statement Information***

*Condition*

During our audit we noted the following:

- a. Prior year audit adjustments were not recorded in the Charter School's accounting system.
- b. General Fund bank reconciliation outstanding checks list was incomplete.
- c. Certain payroll agency interfund and payroll-related transactions were not recorded. Adjusting journal entries were proposed to correct the related accounts.
- d. There were differences in the cash balances reported in the Treasurer's report and Board Secretary's records, the differences were subsequently recorded.

*Cause*

The Charter School's transactions were not timely recorded and reconciled.

*Effect*

Adjusting journal entries were needed to correct certain account balances and bank reconciliation statements were corrected during the audit.

*Recommendation:*

The Charter School should ensure that all transactions are recorded and reconciled on a timely basis.

*Views of Responsible Official and Planned Corrective Actions*

The School Business Administrator will ensure that all transactions are completely recorded in the Charter School's accounting system. A complete cash information will be sent to the Treasurer for the preparation of the Treasurer's report. The Treasurer will compare reconciled cash balances against the Board Secretary's report and the related bank statements.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS  
PREPARED BY MANAGEMENT**

**FISCAL YEAR ENDED JUNE 30, 2017**

**Finding 2016-001 Classification of Expenditures**

During our test of transactions and expenditures, we noted some expenditures that were not recorded in the proper account as follows:

- a. Instruction salaries per payroll reports were recorded in administrative accounts.
- b. Security services were recorded as non-instructional equipment
- c. Nurse supplies were recorded as instructional supplies
- d. Employer payroll taxes were recorded as Other Instructional Salaries

The expenditures and related appropriations were reclassified during fieldwork.

Status: The condition still exists. See similar CAFR Finding 2017-001.

**Finding 2016-002 Enrollment Information**

In our review of records and reports related to the Food Service Program, we noted that entries in the Charter School Enrollment (CHE) System of the New Jersey Department of Education did not agree to information on verified applications and supporting documents as follows:

- a. There were 3 students classified as "free" category should have been classified under "reduced" or "paid" category based on the completed application and income information on file.
- b. There were 9 students classified as "paid" should have been classified under "reduced" or "free" category based on the completed application and income information on file.
- c. There were 2 students with missing lunch applications.

In our review of enrollment information as reported in State's system and as per school records, we noted that six (6) students transferred in but were not reported in CHE System; and a student receiving Special Education Services was not reported in CHE system as such.

Status: The above condition was corrected in the current fiscal year.