

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2011

***BERGEN ARTS AND SCIENCE
CHARTER SCHOOL***

***Bergen Arts and Science Charter School
Board of Trustees
Garfield, New Jersey***

***Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Prepared by

***Bergen Arts and Science Charter School
Finance Department***

And

Barre & Company, CPAs

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INTRODUCTORY SECTION

***BERGEN ARTS AND SCIENCE CHARTER SCHOOL
200 MACARTHUR AVENUE
GARFIELD, NEW JERSEY 07026***

October 13, 2011

Honorable President and
Members of the Board of Trustees
Bergen Arts and Science Charter School
Garfield, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Bergen Arts and Science Charter School (Charter) for the fiscal year ended June 30, 2011. This CAFR includes the Charter's Basic Financial Statement 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 Bergen Arts and Science Charter School 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 Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An appointed nine member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Lead-Person is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The School Business Administrator is the chief financial officer of the Charter School, 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: Bergen Arts and Science Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the school are included in this report. Bergen Arts and Science Charter School Board of Trustees constitutes the Charter School’s reporting entity.

Bergen Arts and Science Charter School provides a full range of educational services appropriate to Grades K-7. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2010-2011 school year with an enrollment of 498 students. The following details the student enrollment of the Charter School.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2010-2011	498	14.46%
2009-2010	426	12.68%
2008-2009	372	96.77%

2. **ECONOMIC CONDITION AND OUTLOOK:** Bergen Arts and Science Charter School continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Bergen will continue to prosper.

3. **MAJOR INITIATIVES:** The Bergen Arts and Science Charter School Mission is to provide the ideal environment for the intellectual and social development for its students by utilizing a combined effort of students, educators, families, and the community as a whole. Bergen Arts and Science Charter School believes an effective and adequate education necessary for citizens of the future relies heavily on a multidimensional academic curriculum in which all core subjects will be blended together through various teaching methods while promoting the development of a strong character that supports and respects society. Bergen Arts and Science Charter School believes that focusing on an overall high academic achievement includes providing opportunities for individual skills and talents to develop to higher levels. This inspires in students a lifelong love of learning and desire for self-improvement and creativity. Bergen Arts and Science Charter School focuses on high academic achievement, allowing opportunities for all students, from the academically challenged, to the students with academic talents who want to compete in academic Olympiads. The curriculum has its basis in the New Jersey Core Curriculum Content Standards, transcending the requirements and infusing technology into the curriculum. Every child is encouraged to meet his or her potential, with adaptations or additions made to programs to accommodate individual needs.

Discussion of Progress

During the 2010-2011 school year, BASCS served through 8th grade; the graduates will be attending the following school BASCS High School, Bergen Academy and Englewood Academy.

Summary of Curriculum Development Progress

The procedures used to develop the BASCS curriculum was as follows:

- Over 75% of the BASCS teaching staff was hired to write/design curriculum during the summer of 2010, in their content/grade level areas of expertise under the supervision of Lead Teachers, Curriculum Supervisor and an outside consultant/specialist in Curriculum and Instruction
- The procedural requirements included effectively training teachers to write and use the conceptual framework of UbD; Grant/Wiggins Backwards Design curriculum mapping by month
- Teachers incorporated 21st Century Skills and Themes and a strong emphasis was placed on multiculturalism and the integration of technology as part of a multi-dimensional approach to curriculum development

MAJOR INITIATIVES (CONTINUED)

- Department meetings, grade level meetings, staff meetings, articulation dialogues across grade/content cohort meeting, professional learning communities, mentor mentee meetings and semi-annual self evaluation accountability meetings remained as the vehicles used to further discuss and develop the BASCS curriculum and exceptional education program for all students
- Teachers selected resources and materials that supported the implementation of the NJCCCS
- A continued requirement for the curriculum development and delivery system was for all teachers to design Annual Plans, UbD unit plans and lesson plans
- Annual Plans required listing the NJCCCS/indicators taught by week/month and identified assessments used by week/month/quarterly and semiannually
- The annual plan was considered a living document that was continually modified by teachers based on how well the students were meeting or exceeding the standards. The annual plans were reviewed weekly by the curriculum supervisor to ensure that they were aligned to UbD unit plans and lesson plans
- Teachers were introduced to a database system that required recording their annual plans, UbD unit plans and lesson plans
- Teachers were introduced to a database system which required them to record their annual plan, UbD unit plans and lesson plans, listing the standards covered in each. The purpose of recording their lesson plans onto the database was to ensure that all standards were taught one month prior to students taking the NJ ASK test. Over 90% of the staff remains proficient or above using the Grant Wiggins and Jay McTigh model. Levels of proficiency are determined by an analytical rubric created by the senior curriculum supervisor.
- The curriculum supervisors and special education coordinator piloted the Response to Intervention process for K to 2 students. The purpose was to ensure the incorporation of the NJCCCS and the delivery of the curriculum in the classroom lead to high academic achievement for every child. The effectiveness of the pilot was evidenced by the increase in students' achievement.
- One of the innovative practices used to ensure high achievement for all students included contracting with a Florida based company, 3D Learner. Twelve third grade students were selected by teachers to participate in this program over the Winter Break in February of 2011. The curriculum supervisor with the help of third grade teachers and the special education coordinator had access to the building and facilitated the program. The benefits of all services outlined were evidenced by the significant gain in points from the first practice test to the second of most of all the students that partook in any of the services/programs.
- Language Arts teachers in grades 6 through 8 looped with their students to ensure that they would be able to build on students academic levels and help all students meet and exceed standards.

- In September, teachers set their own goals for the 2010-2011 school year. Exemplars were created, the bar was set high and objectives and timetables were designed for them to meet their goals. Everyone's ideal of the Extraordinary Teacher was taken into consideration when designing their goals. With the goals posted on the website, teachers set out to meet their goals. At the end of the year, it was determined by department that many of the goals posted had been realized, the goals that were not reached were discussed and plans were put into action to ensure that the high expectations set will be met by all teachers for all students in the 2011-2012 school year. Please note that we are awaiting the results of the NJ ASK to determine if goals set around the pertaining to the NJ ASK have been met.
- The school Profession Development practices included the purchase of an online PD tool that allowed teachers to assess and develop both individually and collectively
- In addition to the scheduled collaborative meetings, the school calendar included 5 (1/2 day) professional development days
- Topics for PD were based on student data in class and district data as well as teacher performance (measured by the observation and evaluation process). In addition, professional development surveys were designed by the school based PD committee to determine teachers' needs.
- Teachers received additional instructional support, mentoring, coaching and daily feedback from the curriculum supervisor as part of an ongoing process of curriculum development throughout the year.

Public Relations and Outreach Activities and Outcomes

BASCS has cultivated an open relationship with the public, and regularly submits press releases to local and state newspapers and distributes materials and information to inform the public of all offerings at BASCS. We strive to partner with community agencies for the betterment of the school and community.

Mr. Nihat Guvercin, Lead Person, assumes primary responsibility for public relations and outreach, supported by staff members. Proposed activities for the upcoming year include planned luncheons bringing community leaders, staff, students and parents together, and planned visits to local businesses, universities, community leaders and organizations.

A selection of these activities from the 2010-2011 academic year is listed below:

- **LEADERSHIP SERIES FOR STUDENTS**
Bergen Arts and Science Charter School invited remarkable leaders to speak to our middle-school students. Various community leaders prepared inspirational presentations for the fifth, sixth and seventh graders regarding leadership and core values. We were extremely fortunate to have these role models visit BASCS and interact with our future leaders. All of the presentations were held from 11am-12pm, and parents were invited to all events

Public Relations and Outreach Activities and Outcomes (Continued)

Speakers included:

Lodi Police Chief Vincent Caruso

Garfield Police Chief Kevin Amos

NJ Charter Schools Association CEO Carlos Perez

Freeholder John Hogan

Supervising State Supervisor John Page

Freeholder John Driscoll, Jr.

Freeholder Bernadette McPherson

Senator Loretta Weinberg

Manager at NJDOE Kenneth Figgs

Senator Robert Gordon

Assemblywoman Joan Voss

NJIT President Robert Altenkirch

Senator Gerald Cardinale

Bergen County Prosecutor John Molinelli

CEO of Big Brothers, Big Sisters of Essex County Carlos Lejniaks

Passaic County Prosecutor Camelia Valdes

- **BASCS COMMUNITY SERVICE**

In the spring, students from Bergen Arts and Science Charter School gave up some of their free time to perform community service at Our Lady of Mt. Carmel Church in Passaic. Students came from this experience feeling excited and fulfilled in the fact that they served their fellow man in a way that touched each and every one of them. We would like to keep our students involved and on the path of service to others.

- **JAPAN FUNDRAISER**

BASCS organized a fundraiser for both the staff and the students. Students and staff bought a "Dress Down" day for \$2 per day/per person. Mr. Santiago also collected donations in the morning from families arriving to school. We plan on continuing our efforts to aid the victims of natural disasters with upcoming events and fundraisers.

- **IVY LEARNING PARTNERSHIP**

Beginning on January 24th, BASCS has partnered with an outside program, Ivy Learning, to join in collaboration with the school's Homework Club. Ivy Learning is a tutoring program that will provide 2 teachers to assist all students in Homework Club with their homework *and/or* class projects from 3:30- 4:30 p.m. The fee for Homework Club will remain the same and students can register at the office for the club.

- **FOURTH ANNUAL SCIENCE FAIR AT NJIT**

The 2011 Science Fair at NJIT was held on Saturday, February 19th, was a great success! Teachers, parents and special VIP guests came out to support the diligent BASCS students on the college campus in Newark, NJ. We thank everyone for all their hard work in making the first BASCS Science Fair off-school premises such a pleasure. The list of winners can be found under the Science Fair tab on the BASCS website.

Public Relations and Outreach Activities and Outcomes (Continued)

- **WASHINGTON D.C. EXCURSION**

Two BASCS students, Parth Shah and Sayo Watanabe, were given the chance to visit D.C. with their parents and BASCS administration on May 25th. The trip comprised of tours within the offices of Congressman Steve Rothman and Congressman Donald Payne as well the students congratulating Congressman Rothman for his reelection.

- **BASCS/NJIT PARTNERSHIP MEMORANDUM OF UNDERSTANDING**

NJIT and Bergen Arts & Sciences Charter School (BASCS) have signed Partnership Memorandum of Understanding. The partner organizations share the common goals of raising student interest, participation and performance in science, mathematics, and technology so that all students can meet challenging national and state standards. This Memorandum of Understanding (MOU) sets forth a framework for collaborative action to enable the partners to achieve these goals.

Bergen Arts and Science Charter School participated in the I-SWEEP, International Science Fair Competition winning 1 Silver Medal, 1 Bronze Medal and 1 Special International Award. Bergen Arts and Science Charter School Robotics team won 1st place for the best robot design at FIRST LEGO LEAGUE (FLL-Robotics) Bergen Region Qualification. The Science Olympiad Team won 2nd place at the North Jersey Science Olympiads Division B (Grades 6-9) Category. Science Olympiad has been recognized as a model program in the National Standards developed by the National Research Council. Bergen Arts and Science Charter School held its 3rd Annual Science Fair in February 2010, where the North Jersey Science Olympiad champions and FLL Robotics Team members were awarded certificates of achievement and medals.

4. INTERNAL ACCOUNTING CONTROLS: Management of the Board of Trustees is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance 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 also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School's management.

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

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. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 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 deposits 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 Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds.

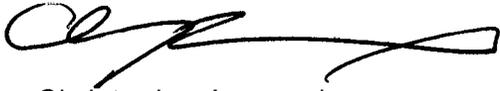
8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPA's, was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, "*Audits of State, Local Governments and Non-Profits Organizations*" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is 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. OMB Circular A-133, "*Audits of State, Local Governments and Non-Profits Organizations*" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State

Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is 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.

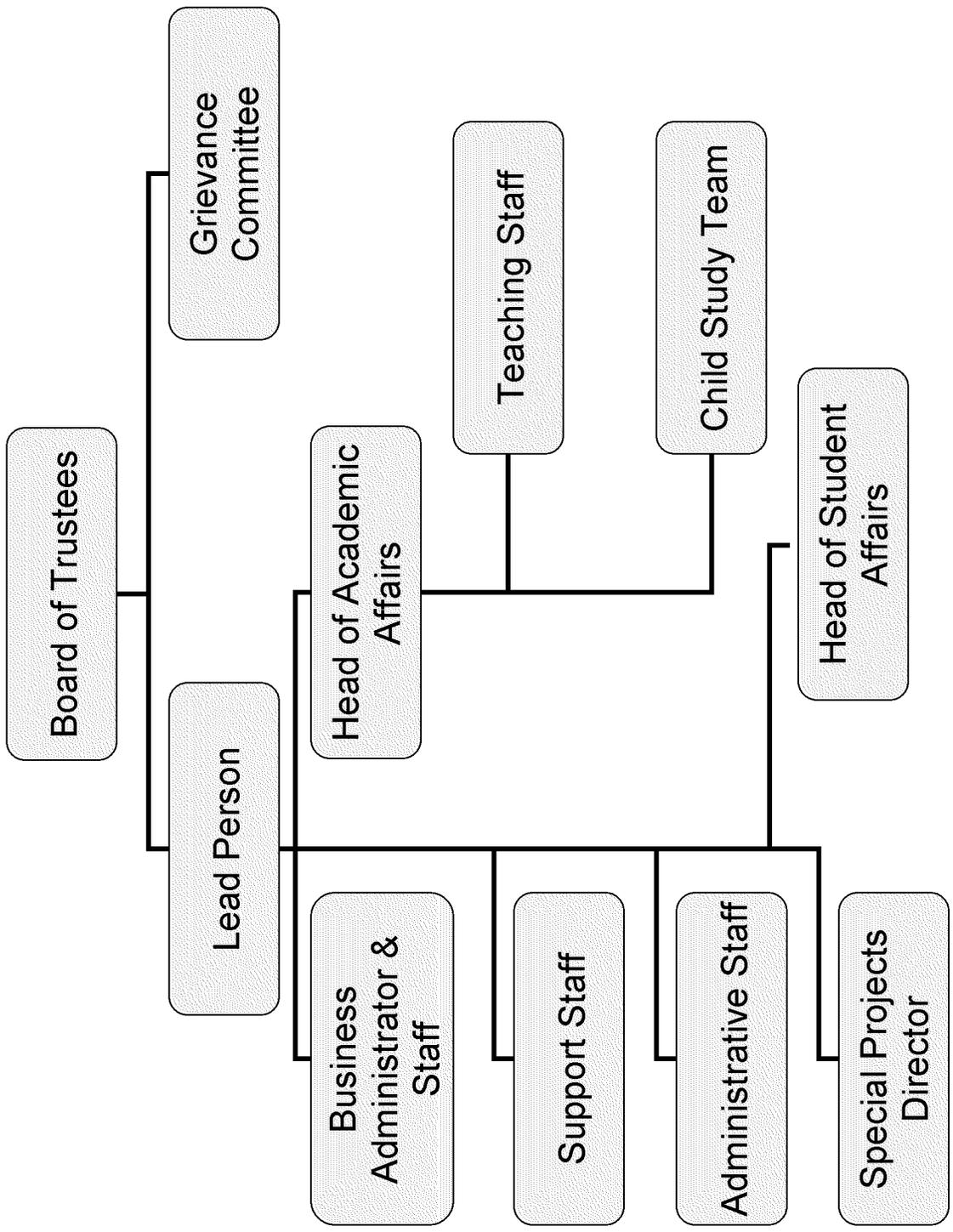
9. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Bergen Arts and Science Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Christopher Lessard', with a long horizontal flourish extending to the right.

Christopher Lessard
Business Administrator

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ORGANIZATIONAL CHART



**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2011**

Members of the Board of Trustees

Position

Mehmet Secilmis

President

Regina Otun

Vice President

Ali Kemal Kucukselim

Treasurer

Arzu Kaya-Uranli

Trustee

Serdar Tumkor

Trustee

Emin Bahadir

Trustee

Cem Karadeniz

Trustee

Ozgur Dogru

Trustee

Jose Martinez

Trustee

Other Officials

Nihat Guvercin

Lead Person

Christopher Lessard

Business Administrator

Recep Ornek

Board Secretary

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue
Union, NJ 07083

Attorney

Mark S. Rattner
Riker Danzig Scherer Hyland Perretti LLP
Headquarters Plaza
One Speedwell Avenue
Morristown, NJ 07962

Official Depository

Wells Fargo
190 River Road
Executive Offices
Summit, NJ 07901

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Bergen Arts and Science Charter School
Garfield, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund and the aggregate remaining fund information of the Bergen Arts and Science Charter School (Charter School) in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bergen Arts and Science Charter School in the County of Bergen, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

www.cpa-bc.com ♦ info@cpa-bc.com

5 Independence Way ♦ Suite 300 ♦ Princeton, NJ 08540 ♦ (609) 275-4810

Metro Park Center ♦ 33 Wood Avenue So. ♦ Iselin, NJ 08830 ♦ (732) 603-2100

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011 on our consideration of the Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information on pages 18 and 62 respectively are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations,"* and New Jersey OMB's Circular 04-04, *"Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,"* respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relations to the basic financial statements taken as a whole.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

October 13, 2011

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of Bergen Arts and Science Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ❖ General revenues accounted for \$6,137,229 in revenue or 100% percent of all revenues.
- ❖ The Charter School had \$5,663,440 in expenses; none of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,137,229 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$5,976,588 in revenues and \$5,495,844 in expenditures. The General Fund's fund balance increased \$480,744 over 2010. This increase was anticipated by the Board of Trustees.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Bergen Arts and Science Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Statement of Net Assets and the Statement of Activities (Continued)

In the *Statement of Net Assets* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ **Governmental Activities** — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ **Business-Type Activities** — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Enterprise Fund

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

Notes to the Financial Statements

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

The Charter School as a Whole

Recall that the *Statement of Net Assets* provides the perspective of the Charter School as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

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

The Charter School's combined net assets were \$1,872,988 for 2011 and \$1,381,068 for 2010.

Governmental Activities

The Charter School's total revenues were \$6,137,229 for 2011 and \$5,555,879 for 2010, this includes \$251,843 for 2011 and \$116,606 for 2010 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$5,663,440 for 2011 and \$4,494,811 for 2010. Instruction comprises 56% for 2011 and 53% for 2010 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

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

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

Capital Outlay represents school equipment purchased under the \$2,000 threshold.

Business-Type Activities

Revenues for the Charter School's business-type activities (food service program, school store and after care program) were comprised of charges for services and federal and state reimbursements.

- ❖ Proprietary Fund operating revenues exceeded operating expenses by \$18,131 for 2011 and by \$20,498 for 2010.
- ❖ Charges for services represent \$115,461 for 2011 and \$90,045 for 2010. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$120,392 for 2011 and \$110,675 for 2010.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$6,137,229 for 2011 and \$5,555,879 for 2010 and expenditures were \$5,663,440 for 2011 and \$4,494,811 for 2010. The net change in fund balance for fiscal years 2011 and 2010 was most significant in the general fund, an increase of \$473,789 in 2011 and an increase of \$1,061,068 in 2010.

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2011.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent of Increase/ (Decrease)
Local Sources	\$ 3,069,243	50.01%	\$ 357,760	13.19%
State Sources	2,907,345	47.37%	334,114	12.98%
Federal Sources	160,641	2.62%	(110,524)	-40.76%
Total	\$ 6,137,229	100.00%	\$ 581,350	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2011.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent of Increase/ (Decrease)
Instruction	\$ 2,600,255	45.97%	\$ 524,891	25.29%
Administration	1,379,780	24.39%	449,729	48.36%
Support Services	1,650,938	29.19%	174,701	11.83%
Capital Outlay	25,512	0.45%	(18,945)	-42.61%
Total	\$ 5,656,485	100.00%	\$ 1,130,376	

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
GARFIELD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

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

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

For the Future

The Bergen Arts and Science Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Nihat Guvercin, CEO/Lead Person at Bergen Arts and Science Charter School, 465 Boulevard, Elmwood Park, New Jersey 07407.

SECTION A - BASIC FINANCIAL STATEMENTS

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 872,154	\$ 71,902	\$ 944,056
Interfund Receivables	191,572	4,685	196,257
Receivables	832,821	7,501	840,322
Prepaid Expenses	84,500		84,500
Capital Assets, Net	24,343	17,568	41,911
Total Assets	2,005,390	101,656	2,107,046
LIABILITIES:			
Interfund Payable	145,425	12,868	158,293
Accounts Payable	38,883	35,221	74,104
Deferred Revenue	1,661		1,661
Total Liabilities	185,969	48,089	234,058
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	31,298	17,568	48,866
Unrestricted	1,788,123	35,999	1,824,122
Total Net Assets	\$ 1,819,421	\$ 53,567	\$ 1,872,988

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Statement of Activities
For The Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 2,600,255	\$ 547,537	\$ -	\$ -	\$ -	\$ (3,147,792)	\$ -	\$ (3,147,792)
Administration	517,708	81,726				(599,434)		(599,434)
Support Services	1,650,938	232,809				(1,883,747)		(1,883,747)
Capital Outlay	25,512					(25,512)		(25,512)
Unallocated Depreciation	6,955					(6,955)		(6,955)
Total Governmental Activities	4,801,368	\$ 862,072	-	-	-	(5,663,440)	-	(5,663,440)
BUSINESS-TYPE ACTIVITIES:								
Food Service	217,722		115,461	120,392	-	-	18,131	18,131
Total Business-Type Activities	217,722		115,461	120,392	-	-	18,131	18,131
Total Primary Government	\$ 5,019,090		\$ 115,461	\$ 120,392	\$ -	\$ (5,663,440)	\$ 18,131	\$ (5,645,309)
GENERAL REVENUES								
General Purposes						\$ 3,056,812	\$ -	\$ 3,056,812
Federal and State Aid Not Restricted						3,067,986		3,067,986
Miscellaneous Income						12,431		12,431
Total General Revenues						6,137,229	-	6,137,229
Change in Net Assets						473,789	18,131	491,920
Net Assets - Beginning						1,345,632	35,436	1,381,068
Net Assets - Ending						\$ 1,819,421	\$ 53,567	\$ 1,872,988

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Governmental Funds
 Combining Balance Sheet
 June 30, 2011

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 872,154	\$ -	\$ 872,154
Interfund Receivables	191,572		191,572
Receivables From Other Governments	47,324	154,361	201,685
Receivables, Net	631,136		631,136
Prepaid Expenses	84,500		84,500
Total Current Assets	1,826,686	154,361	1,981,047
Total Assets	\$ 1,826,686	\$ 154,361	\$ 1,981,047
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 145,425	\$ 145,425
Accounts Payable	31,608	7,275	38,883
Deferred Revenue		1,661	1,661
Total Liabilities	31,608	154,361	185,969
Fund Balances:			
Unreserved:			
General Fund	1,795,078		1,795,078
Total Fund Balances	1,795,078	-	1,795,078
Total Liabilities and Fund Balances	\$ 1,826,686	\$ 154,361	

Amounts reported for *governmental activities* in the statement of net assets (A-1) which are different:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$34,775 and the accumulated depreciation is \$10,432.

	24,343
Net Assets of Governmental Activities	\$ 1,819,421

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 3,056,812	\$ -	\$ 3,056,812
Interest on Investments	118		118
Miscellaneous	12,313		12,313
Total Local Sources	3,069,243		3,069,243
State Sources	2,907,345		2,907,345
Federal Sources		160,641	160,641
Total Revenues	5,976,588	160,641	6,137,229
EXPENDITURES:			
Instruction	2,473,185	127,070	2,600,255
Administration	1,379,780		1,379,780
Support Services	1,617,367	33,571	1,650,938
Capital Outlay	25,512		25,512
Total Expenditures	5,495,844	160,641	5,656,485
NET CHANGE IN FUND BALANCES	480,744		480,744
FUND BALANCES, JULY 1	1,314,334		1,314,334
FUND BALANCES, JUNE 30	\$ 1,795,078	\$ -	\$ 1,795,078

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Total net change in fund balances - governmental fund (from B-2)	\$	480,744
Amounts reported for governmental activities in the statement of activities (A-2) which are different:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (6,955)	<u>(6,955)</u>
Change in net assets of governmental activities	\$	<u>473,789</u>

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

PROPRIETARY FUNDS

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Fund Net Assets
June 30, 2011

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	After Care	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 59,972	\$ -	\$ 11,930	\$ 71,902
Due From Other Funds		4,685		4,685
Intergovernmental Accounts Receivable:				
Federal	7,326			7,326
State	175			175
Total Current Assets	<u>67,473</u>	<u>4,685</u>	<u>11,930</u>	<u>84,088</u>
Noncurrent Assets:				
Machinery and Equipment	19,520			19,520
Less Accumulated Depreciation	(1,952)			(1,952)
Total Noncurrent Assets	<u>17,568</u>	<u>-</u>	<u>-</u>	<u>17,568</u>
Total Assets	<u>\$ 85,041</u>	<u>\$ 4,685</u>	<u>\$ 11,930</u>	<u>\$ 101,656</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Interfund Accounts Payable	\$ 1,882	\$ 1,186	\$ 9,800	12,868
Accounts Payable		35,221		35,221
Total Liabilities	<u>1,882</u>	<u>36,407</u>	<u>9,800</u>	<u>48,089</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	17,568			17,568
Unrestricted	65,591	(31,722)	2,130	35,999
Total Net Assets	<u>83,159</u>	<u>(31,722)</u>	<u>2,130</u>	<u>53,567</u>
Total Liabilities and Net Assets	<u>\$ 85,041</u>	<u>\$ 4,685</u>	<u>\$ 11,930</u>	<u>\$ 101,656</u>

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund			Total
	Food Service	School Store	After Care	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 40,151	\$ -	\$ -	\$ 40,151
Daily Sales Non-reimbursable Program		12,480	62,830	75,310
Total Operating Revenues	40,151	12,480	62,830	115,461
OPERATING EXPENSES:				
Salaries	33,414		76,040	109,454
Management Fees	8,080			8,080
Supplies and Materials	3,402			3,402
Depreciation Expense	1,952			1,952
Cost of Sales	77,442	13,410		90,852
Miscellaneous Expenses	3,982			3,982
Total Operating Expenses	128,272	13,410	76,040	217,722
OPERATING INCOME (LOSS)	(88,121)	(930)	(13,210)	(102,261)
NONOPERATING REVENUES:				
State Source:				
State School Breakfast/Lunch Program	2,264			2,264
Federal Source:				
National School Breakfast/Lunch/Snack Program	118,128			118,128
Total Nonoperating Revenues	120,392	-	-	120,392
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES	32,271	(930)	(13,210)	18,131
CHANGE IN NET ASSETS	32,271	(930)	(13,210)	18,131
TOTAL NET ASSETS, JULY 1	50,888	(30,792)	15,340	35,436
TOTAL NET ASSETS, JUNE 30	\$ 83,159	\$ (31,722)	\$ 2,130	\$ 53,567

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Proprietary Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	After Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 39,266	\$ 12,480	\$ 62,830	\$ 114,576
Cash Payments to Suppliers and Employees	<u>(117,208)</u>	<u>18,312</u>	<u>(65,654)</u>	<u>(164,550)</u>
Net Cash Used In Operating Activities	<u>(77,942)</u>	<u>30,792</u>	<u>(2,824)</u>	<u>(49,974)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements	<u>120,392</u>			<u>120,392</u>
Net Cash Provided By Noncapital Financing Activities	<u>120,392</u>	<u>-</u>	<u>-</u>	<u>120,392</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition And Construction Of Capital Assets	<u>(19,520)</u>			<u>(19,520)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(19,520)</u>	<u>-</u>	<u>-</u>	<u>(19,520)</u>
Net Increase (Decrease) In Cash And Cash Equivalents	22,930	30,792	(2,824)	50,898
Cash And Cash Equivalents, Beginning Of Year	<u>37,042</u>	<u>(30,792)</u>	<u>14,754</u>	<u>21,004</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 59,972</u>	<u>\$ -</u>	<u>\$ 11,930</u>	<u>\$ 71,902</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Profit (Loss) Used for Operating Activities	\$ (88,121)	\$ (930)	\$ (13,210)	\$ (102,261)
Depreciation	1,952			1,952
Change In Assets And Liabilities:				
Increase (Decrease) In Due From Other Funds	12,197	(4,685)	586	8,098
Increase (Decrease) In Receivables From Other Governments	(885)			(885)
Increase (Decrease) In Interfund Payable	1,882	1,186	9,800	12,868
Increase (Decrease) In Accounts Payable	<u>(4,967)</u>	<u>35,221</u>		<u>30,254</u>
Net Cash Used In Operating Activities	<u>\$ (77,942)</u>	<u>\$ 30,792</u>	<u>\$ (2,824)</u>	<u>\$ (49,974)</u>

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

FIDUCIARY FUNDS

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Assets
 June 30, 2011

	Unemployment Compensation Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and Cash Equivalents	\$ 4,985	38,107
	<u> </u>	<u> </u>
Total Assets	4,985	\$ 38,107
	<u> </u>	<u> </u>
LIABILITIES:		
Interfund Accounts Payable	\$ -	33,279
Due to Student Groups		4,828
	<u> </u>	<u> </u>
Total Liabilities	-	\$ 38,107
	<u> </u>	<u> </u>
NET ASSETS:		
Reserved for Unemployment Claims	4,985	
	<u> </u>	
Total Net Assets	\$ 4,985	
	<u> </u>	

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets
 For Fiscal Years Ended June 30, 2011

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions	<u>\$ 45,032</u>
Total Additions	<u>45,032</u>
DEDUCTIONS:	
Payment of Claims	<u>41,319</u>
Total Deductions	<u>41,319</u>
CHANGE IN NET ASSETS	<u>3,713</u>
NET ASSETS, JULY 1	<u>1,272</u>
NET ASSETS, JUNE 30	<u><u>\$ 4,985</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bergen Arts and Science Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standards-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

A. Reporting Entity

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. Bergen Arts and Science Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and are giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

The primary criterion for including activities within the School's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

B. Basis of Presentation. Basis of Accounting

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation. Basis of Accounting (Continue)

Basis of Presentation

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

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

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation. Basis of Accounting (Continued)

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

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

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation. Basis of Accounting (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 are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not Applicable

Debt Service Fund: Not Applicable

The Charter School reports the following proprietary fund:

Enterprise (Food Service, School Store, After Care) Funds: These enterprise funds account for all revenues and expenses pertaining to their specific operations. The funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation. Basis of Accounting (Continued)

Basis of Accounting

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. 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/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting to the GAAP basis of accounting

Total Revenues & Expenditures (Budgetary Basis)		\$ 160,641
Adjustments:		
Less Encumbrances at June 30, 2011		-
Plus Encumbrances at June 30, 2010		-
		-
Total Revenues and Expenditures (GAAP Basis)		\$ 160,641

Encumbrances Accounting

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

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

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Equity

Interfund Transactions:

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

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

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & computer equipment	5-10

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

Deferred Revenue:

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

Accrued Liabilities and Long-term Obligations:

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

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

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

Revenues — Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses

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

Extraordinary and Special Items:

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Management Estimates:

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

Accrued Salaries and Wages:

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States 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.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of June 30, 2011, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Funds	Fiduciary Funds	Total
Operating Account	\$ 872,154	\$ -	71,902	\$ 43,092	\$ 987,148

The Charter School had no investments at June 30, 2011.

The carrying amount of the Board's cash and cash equivalents at June 30, 2011 was \$987,148 and the bank balance was \$1,345,553. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

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

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

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

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

As of June 30, 2011, 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 are classified as Category 1, both at year-end and throughout the year.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3: RECEIVABLES

Receivables at June 30, 2011, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 631,136	\$ 631,311
Federal Aid	154,361	161,687
Other	47,324	47,324
Gross Receivables	832,821	840,322
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 832,821</u>	<u>\$ 840,322</u>

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 191,572	\$ -
Special Revenue Fund		145,425
Proprietary Fund	4,685	12,868
Fiduciary Fund		33,279
Total	<u>\$ 196,257</u>	<u>\$ 191,572</u>

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 34,775	\$ -	\$ -	\$ 34,775
Totals at Historical Cost	<u>34,775</u>	<u>-</u>	<u>-</u>	<u>34,775</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	10,432	-	-	10,432
Total Accumulated Depreciation	<u>10,432</u>	<u>-</u>	<u>-</u>	<u>10,432</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>24,343</u>	<u>-</u>	<u>-</u>	<u>24,343</u>
Government Activity Capital Assets, Net	<u>\$ 24,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,343</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

NOTE 6: RENTAL LEASE

The school has entered into two (2) one (1) year leases expiring June 30, 2010, with the option to renew for one (1) year to lease building space at 200 MacArthur Avenue, Garfield, New Jersey in the amount of \$484,184 plus real estate taxes. Total lease payments made during the year ended June 30, 2011 was \$387,283. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	<u>\$ 484,184</u>
Total future minimum lease payments	<u>\$ 484,184</u>

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7: PENSION PLANS

Description of Plans

All required employees of the school are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 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 60 and are generally determined to be 1/60 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 TPAF and PERS provides for specified medical benefits for members 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 two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7: PENSION PLANS (CONTINUED)

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	\$65,477	100%	\$65,477
06/30/10	45593	100%	\$45,593
06/30/09	None	100%	None

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	\$101,446	100%	\$101,446
06/30/10	None	100%	None
06/30/09	None	100%	None

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2010, there were 87,288 retirees receiving post-retirement medical benefits. 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 premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

NOTE 9: RISK MANAGEMENT

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

The charter school has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the charter school is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The charter school is billed quarterly for amounts due to the State. The table is summary of charter school contributions, employee contributions, reimbursements to

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9: RISK MANAGEMENT (CONTINUED)

the State for benefits paid and the ending balance of the charter school's expendable trust fund for the current year:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ -	\$ 45,032	\$ 41,319	\$ 3,713
2009-2010	-	69,682	68,410	1,272

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$1,795,078 General Fund fund balance in the fund financial statements at June 30, 2011, \$1,795,078 is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 3,164,096	\$ (107,284)	\$ 3,056,812	\$ 3,056,812	\$ -
Total Local Levy Budget	3,164,096	(107,284)	3,056,812	3,056,812	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	2,268,847		2,268,847	2,320,020	51,173
Special Education Aid	58,886		58,886	120,209	61,323
Security Aid	(2,406)		(2,406)	4,773	7,179
Other State Aid				109,054	109,054
Total Categorical Aid	2,325,327	-	2,325,327	2,554,056	228,729
Revenues From Other Sources:					
Interest Income				118	118
Miscellaneous Revenue	1,500		1,500	12,313	10,813
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				251,843	251,843
Reimbursed TPAF Pension Contributions (Non-Budgeted)				101,446	101,446
Total Revenues From Other Sources	1,500	-	1,500	365,720	262,774
Total Revenues	5,490,923	(107,284)	5,383,639	5,976,588	491,503
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,705,040	142,312	1,847,352	1,829,374	17,978
Other Salaries for Instruction	87,290	(4,890)	82,400	82,035	365
Purchased Prof/Tech Services	5,000	(2,593)	2,407	2,407	
Other Purchased Services	31,500	475	31,975	28,297	3,678
General Supplies	208,500	176,743	385,243	379,276	5,967
Textbooks	70,000	19,182	89,182	88,206	976
Miscellaneous	25,000	38,600	63,600	63,590	10
Total Instruction	2,132,330	369,829	2,502,159	2,473,185	28,974
Administration:					
Salaries - General Administration	184,030	37,246	221,276	221,276	
Salaries of Secretarial/Clerical Assistants	53,640	10,382	64,022	64,022	
Total Benefits Cost	569,755	67,277	637,032	610,228	26,804
Purchases Prof/Tech Services	46,225	6,795	53,020	28,754	24,266
Judgements Against Charter Schools					
Communications/Telephone	53,750		53,750	52,747	1,003
Travel	5,200	10,000	15,200	14,055	1,145
Supplies and Materials	35,000	(7,100)	27,900	21,497	6,403
Miscellaneous Expenses	12,000	4,000	16,000	13,912	2,088
Total Administration	959,600	128,600	1,088,200	1,026,491	61,709

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 590,996	\$ 225,692	\$ 816,688	\$ 812,713	\$ 3,975
Purchased Prof/Ed Services	193,100	(46,375)	146,725	103,391	43,334
Purchased Prof/Tech Services	12,000	(3,000)	9,000	7,116	1,884
Maintenance Services	206,000	(72,150)	133,850	133,848	2
Rental of Land and Buildings	484,184	(96,000)	388,184	387,283	901
Other Purchased Services	1,000	2,248	3,248	2,722	526
Transportation-Other Than To/From School	16,000	10,000	26,000	24,055	1,945
Insurance for Property, Liability and Fidelity	28,874	367	29,241	29,214	27
Supplies and Materials	48,000	8,178	56,178	53,396	2,782
Energy Costs (Heat and Electricity)	60,000	1,280	61,280	61,275	5
Miscellaneous Expenses	1,000	2,500	3,500	2,354	1,146
Total Support Services	1,641,154	32,740	1,673,894	1,617,367	56,527
Capital Outlay:					
Instructional Equipment					
Non-Instructional Equipment	1,500,000	(315,752)	1,184,248	25,512	1,158,736
Total Capital Outlay	1,500,000	(315,752)	1,184,248	25,512	1,158,736
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
				251,843	(251,843)
Reimbursed TPAF Pension Contributions (Non-Budgeted)					
				101,446	(101,446)
Total Expenditures	6,233,084	215,417	6,448,501	5,495,844	1,054,103
Excess (Deficiency) of Revenues Over (Under) Expenditures	(742,161)	(322,701)	(1,064,862)	480,744	1,545,606
FUND BALANCE, JULY 1	1,314,334		1,314,334	1,314,334	
FUND BALANCE, JUNE 30	\$ 572,173	\$ (322,701)	\$ 249,472	\$ 1,795,078	\$ 1,545,606
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 572,173	\$ (322,701)	\$ 249,472	\$ 1,795,078	\$ 1,545,606
Total	\$ 572,173	\$ (322,701)	\$ 249,472	\$ 1,795,078	\$ 1,545,606

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 248,465	\$ (87,824)	\$ 160,641	\$ 160,641	\$ -
Total Revenues	248,465	(87,824)	160,641	160,641	-
EXPENDITURES:					
Instruction:					
Salaries	248,465	(202,465)	46,000	46,000	
Other Salaries for Instruction		27,000	27,000	27,000	
Purchased Prof/Tech Services		49,703	49,703	49,703	
General Supplies		4,367	4,367	4,367	
Total Instruction	248,465	(121,395)	127,070	127,070	-
Support Services:					
Salaries		4,400	4,400	4,400	
Personal Services - Employee Benefits		11,609	11,609	11,609	
Purchased Technical Services		15,062	15,062	15,062	
Other Purchased Services		2,500	2,500	2,500	
Total Support Services	-	33,571	33,571	33,571	
Total Expenditures	248,465	(87,824)	160,641	160,641	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2011

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 5,976,588	[C-2] \$ 160,641
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>5,976,588</u>	[B-2] \$ <u>160,641</u>
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 5,495,844	[C-2] \$ 160,641
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>5,495,844</u>	[B-2] \$ <u>160,641</u>

OTHER SUPPLEMENTAL INFORMATION

SECTION E – SPECIAL REVENUE FUND

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

	NCLB Title I	I.D.E.A. Part B	ARRA I.D.E.A. Part B	Grand Total
REVENUE SOURCES:				
Federal	\$ 75,105	\$ 80,890	\$ 4,646	\$ 160,641
Total Revenues	75,105	80,890	4,646	160,641
EXPENDITURES:				
Instruction:				
Salaries	44,000	2,000		46,000
Other Salaries for Instruction		27,000		27,000
Purchased Prof/Tech Services		49,424	279	49,703
General Supplies			4,367	4,367
Total Instruction	44,000	78,424	4,646	127,070
Support Services:				
Salaries	4,400			4,400
Personal Services - Employee Benefits	9,143	2,466		11,609
Other Purchased Prof/Tech Services	15,062			15,062
Other Purchased Services	2,500			2,500
Total Support Services	31,105	2,466	-	33,571
Total Expenditures	75,105	80,890	4,646	160,641
Total Financing Sources (Uses)	-	-	-	-
Total Outflows	75,105	80,890	4,646	160,641
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -

SECTION G – PROPRIETARY FUND

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

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

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

SECTION H – FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

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

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

Payroll Fund – this agency fund is used to account for payroll transactions of the school district.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Assets
 As of June 30, 2011

	Trust	Agency				Total Agency Fund
	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	Student Activities	Health Benefits Trust	
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ 4,985	\$ 7,940	\$ 2,000	\$ 5,818	\$ 22,349	\$ 38,107
Total Current Assets	<u>\$ 4,985</u>	<u>\$ 7,940</u>	<u>\$ 2,000</u>	<u>\$ 5,818</u>	<u>\$ 22,349</u>	<u>\$ 38,107</u>
LIABILITIES						
Liabilities:						
Interfund Accounts Payable Due to Student Groups	\$ -	\$ 7,940	\$ 2,000	\$ 990 4,828	\$ 22,349	\$ 33,279 4,828
Total Liabilities	<u>-</u>	<u>\$ 7,940</u>	<u>\$ 2,000</u>	<u>\$ 5,818</u>	<u>\$ 22,349</u>	<u>\$ 38,107</u>
NET ASSETS:						
Reserved Fund Balance	4,985					
Total Net Assets	<u>4,985</u>					
Total Liabilities	<u>\$ 4,985</u>					

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Changes in Fiduciary Net Assets
 For the Fiscal Year Ended June 30, 2011

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Contributions	<u>\$ 45,032</u>
Total Additions	<u>45,032</u>
DEDUCTIONS:	
Expenditures	<u>41,319</u>
Total Deductions	<u>41,319</u>
CHANGE IN NET ASSETS	3,713
NET ASSETS, JULY 1	<u>1,272</u>
NET ASSETS, JUNE 30	<u><u>\$ 4,985</u></u>

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 7,023	\$ 14,814	\$ 16,019	\$ 5,818
Total Assets	<u>\$ 7,023</u>	<u>\$ 14,814</u>	<u>\$ 16,019</u>	<u>\$ 5,818</u>
LIABILITIES:				
Interfund Accounts Payable	\$ -	\$ 990	\$ -	\$ 990
Due to Student Activities	7,023	13,824	16,019	4,828
Total Liabilities	<u>\$ 7,023</u>	<u>\$ 14,814</u>	<u>\$ 16,019</u>	<u>\$ 5,818</u>

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and Cash Equivalents	\$ 12	\$ 1,276,198	\$ 1,268,270	\$ 7,940
Total Assets	\$ 12	\$ 1,276,198	\$ 1,268,270	\$ 7,940
LIABILITIES:				
Interfund Accounts Payable	\$ 12	\$ 7,928	\$ -	\$ 7,940
Payroll Deductions and Withholdings		1,268,270	1,268,270	
Total Liabilities	\$ 12	\$ 1,276,198	\$ 1,268,270	\$ 7,940

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Health Benefits Trust
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
Health Benefits Trust	<u>\$ 18,869</u>	<u>\$ 116,565</u>	<u>\$ 113,085</u>	<u>\$ 22,349</u>
Total	<u><u>\$ 18,869</u></u>	<u><u>\$ 116,565</u></u>	<u><u>\$ 113,085</u></u>	<u><u>\$ 22,349</u></u>

STATISTICAL SECTION (UNAUDITED)

Bergen Arts and Science Charter School has been in operation for four (4) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for four (4) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Net Assets by Component
 Last Four Fiscal Years
(Accrual Basis of Accounting)
 (Unaudited)

	2011	2010	2009	2008
Governmental Activities				
Invested in capital assets, net of related debt	\$ 31,298	\$ -	\$ -	\$ 12,790
Restricted		14,050		
Unrestricted	1,788,123	1,331,582	284,564	134,180
Total Governmental Activities Net Assets	<u>\$ 1,819,421</u>	<u>\$ 1,345,632</u>	<u>\$ 284,564</u>	<u>\$ 146,970</u>
Business-Type Activities				
Unrestricted	\$ 35,999	\$ 35,436	\$ 14,938	12,864
Total Business-Type Activities Net Assets	<u>\$ 53,567</u>	<u>\$ 35,436</u>	<u>\$ 14,938</u>	<u>\$ 12,864</u>
Charter School-wide				
Invested in capital assets, net of related debt	\$ 48,866	\$ -	\$ -	\$ 12,790
Restricted		14,050		
Unrestricted	1,824,122	1,367,018	299,502	147,044
Total Charter School-wide Net Assets	<u>\$ 1,872,988</u>	<u>\$ 1,381,068</u>	<u>\$ 299,502</u>	<u>\$ 159,834</u>

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Changes in Net Assets
 Last Four Fiscal Years
(Accrual Basis of Accounting)
 (Unaudited)

	2011	2010	2009	2008
Expenses				
Governmental Activities:				
Instruction	\$ 3,147,792	\$ 2,394,912	\$ 1,999,352	\$ 1,938,670
Administration	599,434	488,981	747,778	522,219
Support Services	1,883,747	1,597,759	1,184,320	1,345,765
Unallocated Depreciation	6,955	3,477		1,421
Total Governmental Activities Expenses	<u>5,663,440</u>	<u>4,494,811</u>	<u>4,307,144</u>	<u>3,808,075</u>
Business-Type Activities:				
Food Service and Before & After School Care	217,722	180,222	117,786	73,785
Total Business-Type Activities Expenses	<u>217,722</u>	<u>180,222</u>	<u>117,786</u>	<u>73,785</u>
Total Charter School Expenses	<u>\$ 5,881,162</u>	<u>\$ 4,675,033</u>	<u>\$ 4,424,930</u>	<u>\$ 3,881,860</u>
Program Revenues				
Governmental Activities:				
Operating Grants and Contributions	\$ -	\$ -	\$ -	88,435
Total Governmental Activities Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,435</u>
Business-Type Activities:				
Charges for Services	115,461	90,045	45,204	37,477
Operating Grants and Contributions	120,392	110,675	74,656	49,172
Total Business-Type Activities Expenses	<u>235,853</u>	<u>200,720</u>	<u>119,860</u>	<u>86,649</u>
Total Charter School Program Revenues	<u>\$ 235,853</u>	<u>\$ 200,720</u>	<u>\$ 119,860</u>	<u>\$ 175,084</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (5,663,440)	\$ (4,494,811)	\$ (4,307,144)	\$ (3,719,640)
Business-Type Activities	18,131	20,498	2,074	12,864
Total Charter School-wide Net Expense	<u>\$ (5,645,309)</u>	<u>\$ (4,474,313)</u>	<u>\$ (4,305,070)</u>	<u>\$ (3,706,776)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
General Purposes	\$ 3,056,812	\$ 2,702,099	\$ 2,089,748	\$ 1,691,491
Federal and State Aid Not Restricted	3,067,986	2,844,396	2,362,608	2,162,947
Tuition		4,700		
Miscellaneous Income	12,431	4,614	5,172	12,172
Total Governmental Activities	<u>6,137,229</u>	<u>5,555,809</u>	<u>4,457,528</u>	<u>3,866,610</u>
Total Charter School-wide	<u>\$ 6,137,229</u>	<u>\$ 5,555,809</u>	<u>\$ 4,457,528</u>	<u>\$ 3,866,610</u>
Change in Net Assets				
Governmental Activities	\$ 473,789	\$ 1,061,068	\$ 150,384	\$ 146,970
Business-Type Activities	18,131	20,498	2,074	12,864
Total Charter School	<u>\$ 491,920</u>	<u>\$ 1,081,566</u>	<u>\$ 152,458</u>	<u>\$ 159,834</u>

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fund Balances - Governmental Funds
 Last Four Fiscal Years
(Modified Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ending June 30,			
	2011	2010	2009	2008
General Fund				
Reserved	\$ -	\$ 14,050	\$ -	\$ -
Unreserved	1,795,078	1,300,284	284,564	134,180
Total General Fund	\$ 1,795,078	\$ 1,314,334	\$ 284,564	\$ 134,180

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last Four Fiscal Years
(Modified Accrual Basis of Accounting)
 (Unaudited)

	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local Tax Levy	\$ 3,056,812	\$ 2,702,099	\$ 2,089,748	\$ 1,691,491
Miscellaneous	12,313	4,541	5,172	12,172
State Sources	2,907,345	2,573,231	2,180,299	1,617,546
Federal Sources	160,641	271,165	182,309	633,836
Total Revenues	<u>6,137,229</u>	<u>5,555,879</u>	<u>4,457,528</u>	<u>3,955,045</u>
Expenditures:				
Instruction	2,600,255	2,075,364	1,686,340	1,689,048
Administration	1,379,780	930,051	1,117,449	806,166
Support Services	1,650,938	1,476,237	1,127,661	1,315,666
Capital Outlay	25,512	44,457	375,694	9,985
Total Expenditures	<u>5,656,485</u>	<u>4,526,109</u>	<u>4,307,144</u>	<u>3,820,865</u>
Net Change in Fund Balance	<u>\$ 480,744</u>	<u>\$ 1,029,770</u>	<u>\$ 150,384</u>	<u>\$ 134,180</u>

Source: Charter School records

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last Four Fiscal Years
(Modified Accrual Basis of Accounting)
 (Unaudited)

Fiscal Year Ending June 30,	Donations	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2011	\$ -	\$ -	\$ 12,313	\$ 12,313
2010		295	4,246	4,541
2009			5,172	5,172
2008	10,500		1,672	12,172

Source: Charter School records

OPERATING INFORMATION

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 Last Four Fiscal Years
 (Unaudited)

Function	2011	2010	2009	2008
Instruction	45	37	41	33
Administrative	6	5	5	5
Support Services	16	20	6	
Total	<u>67</u>	<u>62</u>	<u>52</u>	<u>38</u>

Source: Charter School Personnel Records

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Operating Statistics
 Last Four Fiscal Years
 (Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2011	498	\$ 5,630,973	\$ 13,218	9.72%	38	13:1	498	482	14.46%	96.79%
2010	426	4,481,652	12,047	14.00%	37	11:1	426	402	12.68%	94.37%
2009	372	3,931,450	10,568	-15.69%	27	13:1	372	360	18.28%	96.77%
2008	304	3,810,880	12,536	0.00%	26	11:1	304	287	0.00%	94.41%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 School Building Information
 Last Four Fiscal Years
 (Unaudited)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>Charter School Building</u>				
<u>Middle School</u>				
Square Feet	20,780	20,780	20,780	20,780
Capacity (students)	540	480	480	480
Enrollment	498	372	372	304

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of additions.
 Enrollment is based on the annual October Charter School count.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Insurance Schedule
June 30, 2011

PACKAGE POLICY - G.R. MURRAY INSURANCE	<u>Coverage</u>	<u>Deductible</u>
Property		
Business Personal Property	\$ 450,000	
Blanket for Extra Expense	50,000,000	
Blanket Valuable Papers & Records	10,000,000	
Loss of Rents	480,000	\$ 1,000
Flood Zones A&V	10,000,000	500,000
All other Flood Zones	50,000,000	10,000
EDP		
Blanket Hardware/Software	100,000	
Transit	25,000	
Loss of Income	10,000	
Boiler & Machinery		
Property Damage & Extra Expense	1,000,000,000	1,000
Crime		
Public Employee Dishonesty	100,000	
Loss of Money & Securities	50,000	
Money Orders & Counterfeit	50,000	
Forgery or Alteration	50,000	
Computer Fraud - Deductible is for each coverage part	50,000	500
General Liability		
Each Occurrence	16,000,000	
Products/Completed Ops Annual Agg	16,000,000	
Sexual Abuse Per Occurrence	16,000,000	
Sexual Abuse Annual Pool Agg	17,000,000	
Personal & Advertising Injury Per Occurrence	16,000,000	
Personal & Advertising Injury Annual Agg	16,000,000	
Employee Benefits	16,000,000	1,000
Medical Payments	10,000	
Business Auto		
Hired & Non-Owned Auto Liability	16,000,000	
Directors & Officers		
Aggregate Limit of Liability for Policy Year for all Claims Other Than Employment Practices Wrongful Acts	3,000,000	
Aggregate Limit of Liability for Policy Year for Employment Practices Wrongful Acts	3,000,000	
Retention per Claim	7,500	
Workers Compensation		
Employers Liability Limits		
Bodily Injury by Accident - Each Accident	2,000,000	
Bodily Injury by Disease- Each Employee	2,000,000	
Bodily Injury by Disease - Aggregate Limit	2,000,000	

Source: Charter School's Records

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

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

Honorable President and
Members of the Board of Trustees
Bergen Arts and Science Charter School
Garfield, New Jersey

We have audited the basic financial statements of the Bergen Arts and Science Charter School (Charter School), in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 13, 2011. 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 and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

Management of the Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

www.cpa-bc.com ♦ info@cpa-bc.com

*5 Independence Way ♦ Suite 300 ♦ Princeton, NJ 08540 ♦ (609) 275-4810
Metro Park Center ♦ 33 Wood Avenue So. ♦ Iselin, NJ 08830 ♦ (732) 603-2100*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of management, the audit committee, Bergen Arts and Science Charter School Board of Trustees, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

October 13, 2011

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

Honorable President and
Members of the Board of Trustees
Bergen Arts and Science Charter School
Garfield, New Jersey

Compliance

We have audited the compliance of the Bergen Arts and Science Charter School (Charter School), in the County of Bergen, State of New Jersey, 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 year ended June 30, 2011. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

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 Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

In our opinion, the Bergen Arts and Science Charter School, in the County of Bergen, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 a deficiencies, in internal control over compliance, such that there is 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. The Charter School's responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. We did not audit the Charter School's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use management, the audit committee, Bergen Arts and Science Charter School Board of Trustees, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'R. Barre', with a stylized, cursive script.

Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

October 13, 2011

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June, 30, 2011

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2011	
				From	To						Accounts Receivable	Deferred Revenue
U.S. Department of Education												
Passed-through State Department of Education												
Special Revenue Fund:												
Title I Carryover	84.010	NCLB 2011	\$ 75,852	9/1/10	8/31/11	-	\$ 6,000	\$ (75,105)	\$ -	\$ -	\$ (69,105)	\$ -
Title III	84.010	NCLB 2010	88,009	9/1/09	8/31/10	(63,809)	63,809					
Title III Carryover	84.365A	NCLB 2011	3,604	9/1/10	8/31/11	(1,943)	1,943					
Title IV Carryover	84.365	NCLB 2010	879	9/1/09	8/31/10	(879)	879					
I.D.E.A. Part B Basic	84.186	NCLB 2010	1,661	9/1/09	8/31/10		1,661					1,661
I.D.E.A. Part B Basic Carryover	84.027	NCLB 2011	80,890	9/1/10	8/31/11	(18,533)	18,533	(80,890)				
ARRA - I.D.E.A. Part B	84.027	NCLB 2011	66,875	9/1/09	8/31/10		280	(4,646)				
ARRA - Title I, Carryover	84.281	NCLB 2010	94,823	9/1/10	8/31/11	(3,500)	3,500					
ARRA - I.D.E.A. Part B, Carryover	84.281	NCLB 2011	25,723	9/1/09	8/31/10	(9,642)	9,642					1,661
ARRA - I.D.E.A. Part B, Carryover	84.281	NCLB 2010	94,823	9/1/09	8/31/10							
Total Special Revenue Fund						(98,306)	106,247	(160,641)	-	-	(154,361)	3,322
U.S. Department of Agriculture												
Passed-through State Department of Education												
Enterprise Fund:												
National School Breakfast Program	10.553	N/A	9,774	7/1/10	6/30/11		9,095	(9,774)				
National School Breakfast Program Carryover	10.553	N/A	9,652	7/1/09	6/30/10	(647)	647					
National School Lunch Program	10.555	N/A	93,112	7/1/10	6/30/11		86,976	(93,112)				
National School Lunch Program Carryover	10.555	N/A	72,259	7/1/09	6/30/10	(5,038)	5,038					
National School Snack Program	10.558	N/A	21,082	7/1/10	6/30/11		21,082	(21,592)				
National School Snack Program Carryover	10.558	N/A	18,339	7/1/09	6/30/10	(666)	666					
Total Enterprise Fund						(6,351)	123,504	(124,478)	-	-	(7,326)	-
Sub-Total Federal Financial Awards						\$ (104,657)	\$ 229,751	\$ (285,119)	\$ -	\$ -	\$ (161,687)	\$ 3,322

See accompanying notes to financial statements.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June, 30, 2011

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period		Balance at June 30, 2010			Balance at June 30, 2011			MEMO						
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balance		Adjustments/ Repayment of Prior Years' Balances	(Accounts Receivable)	Interfund Payable/ Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:																	
General Fund:																	
"Local Levy" State Share - Charter School Akr	11-495-034-5120-071	\$ 2,320,020	07/02/10	07/01/11	\$ -	\$ -	\$ -	\$ 2,320,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,320,020
Categorical - Special Education Aid	11-495-034-5120-089	120,209	07/02/10	07/01/11	-	-	-	(120,209)	-	-	-	-	-	-	-	-	120,209
Categorical - Security Aid	11-495-034-5120-084	4,773	07/02/10	07/01/11	-	-	-	(4,773)	-	-	-	-	-	-	-	-	4,773
Other State Aid	11-495-034-5120-057	109,054	07/02/10	07/01/11	-	-	-	(109,054)	-	-	-	-	-	-	-	-	109,054
TPAF-Pension	11-495-034-5120-057	101,446	07/02/10	07/01/11	-	-	-	(101,446)	-	-	-	-	-	-	-	-	101,446
Reimbursed TPAF - Social Security	11-495-034-5095-002	251,843	07/02/10	07/01/11	-	-	-	(251,843)	-	-	-	-	-	-	-	-	251,843
Total General Fund								(2,907,345)									2,907,345
State Department of Agriculture																	
Enterprise Fund:																	
National School Breakfast Program Carryover	10-100-010-3350-021	656	07/03/09	07/01/10	(43)	-	-	43	-	-	-	-	-	-	-	-	613
National School Lunch Program (State Share)	11-100-010-3350-023	2,487	07/02/10	07/01/11	(222)	-	-	2,312	-	-	-	-	-	-	-	-	2,487
National School Lunch Program Carryover	10-100-010-3350-022	3,151	07/03/09	07/01/10	(265)	-	-	222	-	-	-	-	-	-	-	-	2,929
Total Enterprise Fund								(2,487)									2,487
Total State Financial Assistance								(2,909,832)									\$ 2,909,832

See accompanying notes to financial statements.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2011

NOTE 1. GENERAL

The accompanying schedules of expenditures of financial awards and state financial assistance include federal and state activities of the Board of Trustees, Bergen Arts and Science Charter School. The board of trustees is defined in Note 1 to the Board'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 expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2011

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to GAAP basis is none for the general fund and none for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 2,907,345	\$ 2,907,345
Special Revenue Fund	160,641	-	160,641
Food Service Fund	118,128	2,264	120,392
Total Awards & Financial Assistance	<u>\$ 278,769</u>	<u>\$ 2,909,609</u>	<u>\$ 3,188,378</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Bergen Arts and Science Charter School has no loan balance outstanding at June 30, 2011.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued		<u>Unqualified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified?	_____ Yes	_____ None Reported <u> X </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u> X </u> No

State Awards

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies that are not considered to be material weaknesses?	_____ Yes	_____ None Reported <u> X </u>
Type of auditors’ report issued on compliance for major programs		<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	_____ Yes	<u> X </u> No

Identification of major state programs:

GMIS Number(s)	Name of State Program
_____ 11-495-034-5120-071 _____	_____ Local Levy – State Share _____
_____	_____
_____	_____
_____	_____

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

Findings

There were no matters reported.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

***Section III – State Financial Assistance
Findings and Questioned Costs***

This section identifies audit findings required to be reported by NJOMB Circular Letter 04-04.

STATE AWARDS

Findings

There were no matters reported.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and
Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2011

STATUS OF PRIOR YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

Findings

There were no matters reported.