



Community Charter School of Paterson



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

**PREPARED BY
COMMUNITY CHARTER SCHOOL OF PATERSON**

COMMUNITY CHARTER SCHOOL OF PATERSON

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Community Charter School of Paterson

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October 09, 2012

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Community Charter School of Paterson (the “Charter School” or “CCSP”) for the fiscal year ended June 30, 2012.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Community Charter School of Paterson’s MD&A can be found immediately following the Independent Auditor’s Report.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments and the U.S. Office of Management and Budget Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey OMB’s Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*.”

Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) Reporting Entity and Its Services

The Community Charter School of Paterson (CCSP) is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of CCSP is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

CCSP was founded by New Jersey Community Development Corporation (NJCDC), a non-profit community development and social service agency based in Paterson, along with a group of committed parents and community members. CCSP's charter school application was approved in 2007 and the School opened in September of 2008. The Charter School's maximum enrollment is 500 students, with 100 students each in grades K-4. The Charter School operates in two locations; grades 1-4 (400 students) are based in a 34,000 square-foot former industrial in Paterson's Great Falls Historic District. The Charter School's 100 Kindergarten students are housed on the second floor of a neighboring building constituting 12,000 square feet. The addition of the second site helped to alleviate some overcrowding and allowed the Charter School to provide a more comprehensive program such as the addition of a music program and required space, a Parent Resource Center, and a Teacher Resource Room.

The location of the Charter School within Paterson's Great Falls Historic District is of special note. Foremost, the area surrounding the Great Falls, located just one block from the School, was recently declared our nation's newest national Park, which will, over time, bring substantial new resources to the area that will benefit our academic program. Additionally, Governor Chris Christie recently designated the School's founding entity, NJCDC, to create a "cradle to career" comprehensive pipeline of services within the neighborhood to benefit local children and families – modeled after the pioneering work of the Harlem Children's Zone. The Charter School will play a substantial role in this effort.

The Charter School has completed its fourth year of service to the children and families of Paterson. By the end of 2011-2012 school year, CCSP had a student enrollment of 473 as follows:

- Kindergarten – 100 students
- First Grade – 96 students
- Second Grade – 100 students
- Third Grade – 98 students
- Fourth Grade – 79 students

2) Charter Renewal and Enrollment Outlook

During the year ended June 30, 2012, the Charter School successfully went through the New Jersey Department of Education charter renewal process. This culminated in the Commissioner of Education granting CCSP a new charter for another five years beyond the end of the 2011-12 school year. The renewal also granted CCSP's requests to expand enrollment by 400 students to a total of 900 students through eighth grade. In 2012-2013, the Charter School added 100 students in the fifth grade. Each year thereafter another grade will be added (each with 100 students) up to eighth grade.

CCSP's enrollment for the upcoming 2012-2013 school year is as follows:

- Kindergarten – 100 students
- First Grade – 100 students
- Second Grade – 100 students
- Third Grade – 100 students
- Fourth Grade – 100 students
- Fifth Grade – 100 students

In addition to the enrolled students, the number of students on our waiting lists for the 2012-2012 school-year is as follows:

- Kindergarten – 183 students
- First Grade – 54 students
- Second Grade – 41 students
- Third Grade – 40 students
- Fourth Grade – 18 students
- Fifth Grade – 13 students

The School has a diverse population reflective of the community at-large. The following is the racial demographic breakdown:

- White 1.7%
- African American 40.8%
- Hispanic 55.6%
- Asian 1.9%

3) Economic Condition and Outlook

The Charter School is located in the City of Paterson in the County of Passaic, within the State of New Jersey. Paterson's population stands at 146,199 (2010 census) and is 32% African American; 58% Hispanic/Latino and 10% other races. Paterson is known as the "Silk City" for its dominant role in silk production during the latter half of the 19th century. The city is served by the New Jersey Transit Main Line commuter rail service, with the station located in Downtown Paterson. Bus service to locations in Passaic, Bergen, Essex and Hudson counties is provided by New Jersey Transit, making the city a regional transit hub.

The Paterson Public Schools serve students in kindergarten through twelfth grade. There are also two other charter schools, the Paterson Charter School for Science and Technology and the John P. Holland Charter School. The district is one of 31 former Abbott districts statewide, which are now referred to as "SDA Districts" based on the requirement for the state to provide additional funding for Early Childhood Education for all 3 to 5 year olds in those districts. The school system has over 30,000 students who speak 25 different languages. The school system currently has 52 schools with over 6,000 employees.

The city is host to the state's annual robotics competition that is held at Passaic County Community College. The competition called the North Jersey Robotics Competition or NJRC began with the idea to challenge the educational attainment of the students of Paterson. The competition brings schools from around New Jersey to take part in the event.

Paterson boasts numerous locations on the National Register of Historic Places, including museums, civic buildings such as City Hall, - Public School Number 2 and the Danforth Memorial Library; churches such as the Cathedral of St. John the Baptist and St. Michael's Roman Catholic Church; and individual residences and districts of the city, such as the Paterson Downtown Commercial Historic District, the Great Falls/Society for the Establishment of Useful Manufactures Historic District and the Eastside Park Historic District.

In 2011, Paterson was severely affected in the aftermath of Hurricane Irene, particularly by flooding of the Passaic River, which led to the displacement of thousands and the closure of bridges over the river. Touring the area on August 31, 2011 with Federal Emergency Management Agency Administrator Craig Fugate, U.S. Homeland Security Secretary Janet Napolitano declared, "This is as bad as I've seen, and I've been in eight states that have been impacted by Irene." The president the same day declared New Jersey a disaster area, and subsequently visited the city.

In 2011-2012 the City of Paterson continued to experience financial hardships common to urban municipalities in New Jersey, a reversal of which is not anticipated in the near future.

4) Major Initiatives

CCSP's results from 2009-2010 NJASK in both content areas for each grade level tested were significantly lower than the state average, our District Factor Group, and our sending districts. We realized that we needed to make significant changes in our instructional practices, strategies, and assessments. Therefore, we instituted some major changes to our instructional practices and assessment programs. Our goal was to increase our Proficiency on the NJASK in all content areas tested by 15% in the 2010-2011 school year.

To facilitate this growth, CCSP began four important instructional practices: data-driven instruction, benchmark assessments, small group instruction and a digital clearing house for data. In August of 2010, we began to implement data-driven instruction as a school wide initiative. Data-driven instruction is a proven, research-based, educational best practice that has been utilized in many school districts throughout the United States. Data-driven instruction uses data to monitor student learning and growth in real time. This approach provides concrete information to make well-informed decisions regarding student learning and achievement. At CCSP, we implemented this practice in all grade levels in both Language Arts and Mathematics. Pre and post assessments were developed in Mathematics and Language Arts so that we could measure growth in individual student achievement, as well as identify trends across grade levels. DIBELS reading assessments were given three times during the year, and students were leveled into Guided Reading groups based on this data. Coaches helped the teachers to analyze data and discussed instructional strategies and modeled lessons to increase student achievement in both content areas. The administrative team presents assessment data to the Board each month to provide updates and to illustrate progress towards goals.

In conjunction with this initiative, in January 2011 we instituted benchmark assessments in both Language Arts and Mathematics in grades three and four to measure student achievement on concepts taught throughout the year. These benchmarks were modeled after the NJASK in both grade levels and served as a formative assessment to assist instruction and to increase student achievement. Teachers received continual professional development in data driven instruction, rubric scoring, collaborative scoring, and small group remediation of skills that students had not mastered.

We also began a focus on small group instruction. Using the data from the DIBELS, pre and post assessments, and formative benchmark assessments, teachers implemented small group instruction within their Language Arts and Mathematics instructional blocks. In this way, students who needed additional practice on skills and concepts that were not mastered based on assessment data, were given targeted, additional support on those skills and concepts. All students' instructional needs were met, and the achievement gap was lessened.

We reduced the time of whole group instruction to focus more on the needs of individual students, a true differentiated instructional approach. Students who were identified as consistently scoring below grade level targets received additional support from Basic Skills Instructors.

4) Major Initiatives - *continued*

The final component to increase our students' achievement and mastery on the NJASK in third and fourth grades was to create a means to maintain and house the data that teachers were using to drive their instruction. We began to utilize our ExamView software to create a computerized system to track student achievement and create our pre, post, and benchmark assessments. Teachers were given Individual Student Reports and Item Analysis Reports for their classes within 48 hours of administering the assessments. This intervention empowered teachers to use the data within a very short amount of time in order to increase student achievement. Each teacher had a Data Binder that housed all the data from the School, their grade level, their class, and individual students. Using this Data Binder during Student-Parent-Teacher Conferences, teachers were able to show parents and students assessment results and speak to students' strengths and areas of instructional focus. During teacher evaluations and administrative walk-throughs, teachers were asked to explain the data from their classes and offer insights into individual students, creating a data driven culture within our School.

When we received our NJASK results in the 2010-2011 school year our results increased significantly. In third grade, we increased 14 points in Language Arts and 10 points in Mathematics in our Proficient and Advanced Proficient categories combined. In fourth grade, we increased 17 points in Language Arts and 24 points in Mathematics in our Proficient and Advanced Proficient combined categories. While we did not increase the 15 points as we had hoped, we are pleased with the growth shown and are confident that the changes we made in our instructional practices were keys to our initial growth and realize that continued interventions are necessary. To that end, we have decided to expand these initiatives in the 2012-2013 school year and to utilize current data to develop additional interventions.

We have embraced data driven instruction and began our year with full implementation of small group instruction, benchmarks, and utilizing ExamView software to ensure its success. Moreover, we have expanded our Data Binders and benchmarks systems to all grades within the School. In keeping with our focus on implementing a data-driven system, we began the year in September by instituting benchmarks in grades K-4. Teachers instituted small group instruction from the beginning of the year in all grade levels so students had the benefit of reinforcement of skills and concepts from the first day of school. As a result, we were able to gauge student achievement from the beginning of the year for all students at CCSP, not only grades three and four. Additionally, in K-2, Mathematics assessments were developed using the Common Core Standards, in conjunction with the New Jersey adoption and implementation of the standards and CCSP's implementation of these standards into our curriculum.

As part of our commitment to perpetual improvement, our Data Binder initiative was changed in the 2011-2012 school year. With input from the instructional staff and the impetus to truly individualize instruction, we created individual Student Data Binders. Each student now has his own Data Binder that houses all different types of assessments. Not only does it house benchmarks, pre and post assessments in LAL and Mathematics, but it also includes anecdotal

4) Major Initiatives - continued

records, observations, and goals set by the students, parents and teachers. In this way, the teacher can again, refer to the data during student and parent conferences, but can also conference with the student individually during class time. These Student Data Binders will travel with the student to the next grade level, so that the next teacher can see the student's strengths and areas of instructional focus so that instruction can be individualized immediately to help lessen any achievement gaps. Student Data Binders are part of the teacher evaluation and walk-throughs, to make sure that the data is being recorded, analyzed, and understood by the teacher and other instructional supports and to decrease summer learning loss.

To complement instruction that is delivered during the day, CCSP has designed several "extended programs" to supplement students' learning: the Extended Day Program, the Extended Week Program and the Extended Year Program. In support of the School's "unrelenting focus on literacy", one of the primary goals of the Extended Day Program is to reinforce literacy skills taught during the day. Other programmatic goals include homework assistance and exposure to extra-curricular activities that are not offered during the school day. The Extended Week Program, which took place on Saturdays, was designed to empower students to meet success on the NJASK by reinforcing key skills in Language Arts and Math. In support of our unrelenting focus on literacy, the Extended Year Program's goal was to address students' deficiencies in Language Arts. Continuing the practice of data-driven and small group instruction, teachers utilized these extended opportunities to target students' individual learning needs.

It is also important to note that CCSP is a Full-Service Community School. Under this concept, we marshal the full resources of our school and community at-large to promote student success. We partner with many different community-based agencies, bringing resources into the school and ensuring our students and families benefit from services available in the community. We open school early, close late, and offer summer services as well.

The Community Charter School of Paterson is committed to continuously improving our statewide assessment results, and we believe that the instructional practices, strategies, and educational initiatives begun and expanded in the past two years will assist us in this goal. We also believe that our embrace of the full service community school concept will help promote student achievement as it strengthens families. We will not rest until all of our students score proficient and above on the NJASK and NJPASS.

5) Internal Accounting Controls

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure 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 system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met.

5) Internal Accounting Controls - *continued*

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

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

6) 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 the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. 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 the subsequent year. No reservation of fund balance was made at June 30, 2012.

During the 2011-2012 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

7) Accounting System and Report

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school.

The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statements", Note 1.

8) Financial Statement Information at Fiscal Year-End

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the fiscal year ended June 30, 2012 fiscal year:

**Summary of the General Fund
and Special Revenue Fund Revenues**

| Revenue | 2012 | 2011 | Increase/ (decrease) | % Change |
|-----------------|---------------------|---------------------|---------------------------------|-----------------|
| Local sources | \$ 555,228 | \$ 603,703 | \$ (48,475) | -8.03% |
| State sources | 6,001,057 | 5,741,688 | 259,369 | 4.52% |
| Federal sources | 714,434 | 730,864 | (16,430) | -2.25% |
| | <u>\$ 7,270,719</u> | <u>\$ 7,076,255</u> | <u>\$ 194,464</u> | <u>2.75%</u> |

The Charter School experienced a general increase in revenue of about 2.75% which is consistent with the general increase in state funding during 2012. The decrease in revenue from federal sources is because of the expiration of the Stimulus ARRA funding during the year.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2012:

**Summary of the General Fund
and Special Revenue Fund Expenditures**

| Expenditures | 2012 | 2011 | Increase/ (decrease) | % Change |
|---------------------|---------------------|---------------------|---------------------------------|-----------------|
| Instruction | \$ 2,782,133 | \$ 2,552,194 | \$ 229,939 | 9.01% |
| Administrative | 1,621,229 | 1,631,286 | (10,057) | -0.62% |
| Support | 2,658,238 | 2,273,029 | 385,209 | 16.95% |
| Capital outlay | 389,353 | 161,870 | 227,483 | 140.53% |
| | <u>\$ 7,450,953</u> | <u>\$ 6,618,379</u> | <u>\$ 832,574</u> | <u>12.58%</u> |

The Charter School increased its available facilities space in 2012 by leasing additional 12,000 square feet exclusively for the Kindergarten students. The 140% increase in capital outlay was as a result of leasehold improvements costs incurred to bring the additional space to State of New Jersey code compliant.

9) Cash Management

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

10) Risk Management

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation.

11) Other Information

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Scott J. Loeffler, CPA. 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 Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*”

The auditor’s report on the basic financial statements is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

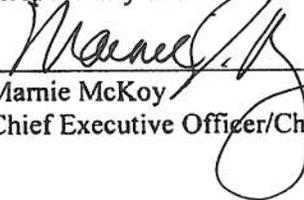
The 2011-12 school year was one of great strides in terms of academic achievement at the Community Charter School of Paterson. In addition, the year was marked by increased levels of parental and community involvement as the Charter School moved further towards its objective of becoming a true Full-Service Community School. Lastly, CCSP continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

12) Acknowledgments

A note of appreciation is extended to the Finance and Facilities Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to the Community Charter School of Paterson Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Community Charter School of Paterson are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,



Marnie McKoy
Chief Executive Officer/Chief Advocate



Robert Guarasci
Board President

ROSTER OF TRUSTEES AND OFFICERS

JUNE 30, 2012

Members of Board of Trustees

Robert Guarasci, Board President

Michael Jackson, Vice President

Martin Vergara, Board Member

Michael De Blasio, Board Member

Michael Powell, Board Member

Shelly Whitfield, Board Member

Keisha Smith, Board Member

Administration

Marnie Mckoy, Chief Executive Officer/Chief Advocate

Dr. Karen Dolci, Vice Principal

Olugbenga Olabintan, CPA – School Business Administrator

Stacie White, MPA – Assistant School Business Administrator/Board Secretary

Flavio Rivera, Treasurer of School Monies

COMMUNITY CHARTER SCHOOL OF PATERSON

CONSULTANTS AND ADVISORS

Independent Auditors

Scott J. Loeffler
Certified Public Accountant/Consultant
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Attorney

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Official Depository

TD Bank
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Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Community Charter School of Paterson, (the "Charter School") in the County of Passaic, State of New Jersey as of and for the fiscal year ended June 30, 2012, which collectively comprise 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 09, 2012 on my consideration of the Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not required part of the basic financial statements and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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 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 my opinion, is fairly stated, in all material respects, in relations to the basic financial statements taken as a whole.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a small "CPA" written in the upper right of the signature.

Scott J. Loeffler, CPA
October 09, 2012

Required Supplementary Information

Part I

Management's Discussion and Analysis

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

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Introduction

This section of the Community Charter School of Paterson's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities ended the fiscal year with \$2,884,554. Net assets of business-type activities, which represent food service operations/after care and summer instructional programs, ended the fiscal year with \$-0-.
- General revenues accounted for \$6,550,739 in revenue or 90.17 percent of total revenues of \$7,265,173. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$714,434 or 9.83 percent of total revenues.
- The Charter School had \$7,171,825 in expenses related to governmental activities; \$714,434 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$6,550,739 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2012, of \$2,012,706.

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Using the Basic Financial Statements

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

The report is organized so the reader can understand the Community Charter School of Paterson as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Community Charter School of Paterson, the General Fund is the most significant fund.

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2012?" The statements of Net Assets and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Statement of Net Assets and Statement of Activities-continued

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care and summer instructional programs 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 major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less 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 the governmental funds are reconciled in the financial statements.

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. Net assets may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$2,884,544 at the close of 2012. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

| | Governmental Activities | | Business Type Activities | | Total | |
|---|----------------------------|---------------------|--------------------------------|---------------|---------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Assets | | | | | | |
| Current Assets | \$ 2,338,747 | \$ 3,330,507 | \$ 90,987 | \$ 56,498 | \$ 2,429,734 | \$ 3,387,005 |
| Capital Assets, net | 871,838 | 598,256 | - | - | 871,838 | 598,256 |
| Total Assets | 3,210,585 | 3,928,763 | 90,987 | 56,498 | 3,301,572 | 3,985,261 |
| Liabilities | | | | | | |
| Current Liabilities | 326,041 | 1,137,567 | 90,987 | 56,498 | 417,028 | 1,194,065 |
| Long Term Liabilities | - | - | - | - | - | - |
| Total Liabilities | 326,041 | 1,137,567 | 90,987 | 56,498 | 417,028 | 1,194,065 |
| Net Assets | | | | | | |
| Invested in | | | | | | |
| Capital Assets (net of related debt) | 871,838 | 598,256 | - | - | 871,838 | 598,256 |
| Unrestricted | 2,012,706 | 2,192,940 | - | - | 2,012,706 | 2,192,940 |
| Total Net Assets | \$ 2,884,544 | \$ 2,791,196 | \$ - | \$ - | \$ 2,884,544 | \$ 2,791,196 |

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

The largest portion of the Charter School's net assets is its current assets. The Charter School uses these current assets to provide services.

The total net assets of the Charter School increased by \$93,368 during the current fiscal year ended June 30, 2012. The majority of the increase is attributable to a surplus of \$2,012,706 in the General Fund. Operating grants and contributions increased by 6.79 percent.

The table that follows reflects the change in net assets for fiscal year 2012.

| | Governmental Activities | | Business Type Activities | | Total | |
|---------------------------------------|----------------------------|------------|--------------------------------|----------|-----------|------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charge for Services | | | \$18,047 | \$91,731 | \$18,047 | \$91,731 |
| Operating grants and Contributions | \$714,434 | \$730,764 | 296,706 | 216,071 | 1,011,140 | 946,835 |
| Total Program Revenues | 714,434 | 730,764 | 314,753 | 307,802 | 1,029,187 | 1,038,566 |
| General Revenues: | | | | | | |
| Local Aid | 552,249 | 558,015 | | | 552,249 | 558,015 |
| Federal and State Aid | 6,001,057 | 5,858,720 | | | 6,001,057 | 5,858,720 |
| Miscellaneous | 2,979 | 45,688 | | | 2,979 | 45,688 |
| Transfers | (5,546) | (26,104) | 5,546 | 26,104 | - | - |
| Total general Revenues | 6,550,739 | 6,436,319 | 5,546 | 26,104 | 6,556,285 | 6,462,423 |
| Total Revenues | 7,265,173 | 7,167,083 | 320,299 | 333,906 | 7,585,472 | 7,500,989 |
| Expenses: | | | | | | |
| Instructions | 2,782,133 | 2,552,194 | | | 2,782,133 | 2,552,194 |
| Administrative & Support Services | 4,273,921 | 3,878,211 | | | 4,273,921 | 3,878,211 |
| Unallocated Depreciation | 115,771 | 161,870 | | | 115,771 | 161,870 |
| Food Service | - | - | 320,299 | 333,906 | 320,299 | 333,906 |
| Total Expenses | 7,171,825 | 6,592,275 | 320,299 | 333,906 | 7,492,124 | 6,926,181 |
| Change in Net Assets | \$ 93,348 | \$ 574,808 | \$ - | \$ - | \$ 93,348 | \$ 574,808 |

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2012.

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Governmental Activities - *continued*

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|-----------------------------------|--|--|
| Instruction | \$ 2,782,133 | \$ 2,478,559 |
| Administrative & Support Services | 4,273,921 | 3,863,061 |
| Unallocated Depreciation | 115,771 | 115,771 |
| Total Expenses | <u><u>\$ 7,171,825</u></u> | <u><u>\$ 6,457,391</u></u> |

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation and the after-school program. These programs had revenues of \$314,753 (which includes a transfer from the General Fund of \$5,546 to cover deficit) and operating expenses of \$320,299 for fiscal year 2012. The Charter School intended to have food services be self operating without assistance from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$6,550,739 and expenditures of \$7,171,825. Despite the negative change in fund balance for the year the Charter School had a healthy fund balance from the prior years and was therefore able to meet its current costs.

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

During the course of fiscal 2012, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$6,374,286, which included a local tax levy of \$555,182. Expenditures and other financing uses were budgeted at \$6,775,774. The Charter School anticipated budgeted fund balance of \$1,972,101 in its 2011-2012 budget year. General Fund revenues were lower than expenditures by \$180,234. Actual revenues and other financing sources were \$6,556,285 and expenditures were \$6,736,519.

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

The State of New Jersey reimbursed the Charter School \$217,182 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members. This unbudgeted amount was included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2012, the Charter School had funds invested in capital assets in its governmental activities. The table below reflects fiscal year 2012 balances:

| | Governmental Activities | Business Type Activities | Total |
|---|------------------------------------|---|-------------------|
| Capital assets, being depreciated: | | | |
| Leasehold improvements | \$ 858,561 | \$ - | \$ 858,561 |
| Equipment | 226,568 | | 226,568 |
| Furniture and fixtures | 13,280 | | 13,280 |
| Vehicle | 20,285 | | 20,285 |
| Total capital assets being depreciated | <u>1,118,694</u> | <u>-</u> | <u>1,118,694</u> |
| Less accumulated depreciation for: | | | |
| Leasehold improvements | 113,819 | - | 113,819 |
| Equipment | 115,554 | - | 115,554 |
| Furniture and fixtures | 5,312 | - | 5,312 |
| Vehicle | 12,171 | - | 12,171 |
| Total accumulated depreciation | <u>246,856</u> | <u>-</u> | <u>246,856</u> |
| Total capital assets net | <u>\$ 871,838</u> | <u>\$ -</u> | <u>\$ 871,838</u> |

The Charter School's 2012-2013 budget projects spending approximately \$400,000 for capital projects.

Long-term debt

At June 30, 2012, the Charter School did not have any long term debt.

COMMUNITY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2012-2013. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. Amounts available for appropriation in the general fund budget are \$2,012,706. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

COMMUNITY CHARTER SCHOOL OF PATERSON
Business Office
75 Spruce Street
Paterson, New Jersey 07501

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2012.

COMMUNITY CHARTER SCHOOL OF PATERSON

A-1

Statement of Net Assets

June 30, 2012

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,134,355 | \$ 46,817 | \$2,181,172 |
| Accounts receivable | 81,604 | 44,170 | 125,774 |
| Other current assets | 18,500 | | 18,500 |
| Interfund receivables | 104,288 | | 104,288 |
| Capital assets (net of accum deprec of \$246,856) | 871,838 | | 871,838 |
| Total assets | <u>\$ 3,210,585</u> | <u>\$ 90,987</u> | <u>\$3,301,572</u> |
| Liabilities | | | |
| Accounts payable | \$ 279,611 | \$ 4,351 | \$ 283,962 |
| Intergovernmental payables - state | 38,162 | | 38,162 |
| Other liabilities | 8,268 | | 8,268 |
| Interfunds payables | | 86,636 | 86,636 |
| Total liabilities | <u>326,041</u> | <u>90,987</u> | <u>417,028</u> |
| Net assets | | | |
| Invested in capital assets | 871,838 | | 871,838 |
| Unrestricted, undesignated | 2,012,706 | - | 2,012,706 |
| Total net assets | <u>2,884,544</u> | <u>-</u> | <u>2,884,544</u> |
| Total liabilities & net assets | <u>\$ 3,210,585</u> | <u>\$ 90,987</u> | <u>\$3,301,572</u> |

See independent auditor's report and accompanying notes to basic financial statements.

COMMUNITY CHARTER SCHOOL OF PATERSON

A-2

Statement of Activities

Year ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | Totals |
|---|---------------------|----------------------|------------------------------------|---|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 2,782,133 | | \$ 303,574 | \$ (2,478,559) | | \$ (2,478,559) |
| Administrative & Support services: | | | | | | |
| General administration | 1,621,229 | | | (1,621,229) | | (1,621,229) |
| Support services | 2,652,692 | | 410,860 | (2,241,832) | | (2,241,832) |
| Capital outlay | | | | - | | |
| Unallocated depreciation | 115,771 | | | (115,771) | | (115,771) |
| Total governmental activities | <u>7,171,825</u> | | <u>714,434</u> | <u>(6,457,391)</u> | | <u>(6,457,391)</u> |
| Business-type activities: | | | | | | |
| Food service | 320,299 | \$ 9,972 | 296,706 | | \$ (13,621) | (13,621) |
| After care/summer programs | - | 8,075 | | | 8,075 | 8,075 |
| Total business-type activities | <u>320,299</u> | <u>18,047</u> | <u>296,706</u> | <u>-</u> | <u>(5,546)</u> | <u>(5,546)</u> |
| Total primary government | <u>\$ 7,492,124</u> | <u>\$ 18,047</u> | <u>\$ 1,011,140</u> | <u>(6,457,391)</u> | <u>(5,546)</u> | <u>(6,462,937)</u> |
| General revenues, transfers and special items: | | | | | | |
| Local sources | | | | 552,249 | - | 552,249 |
| State sources | | | | 6,001,057 | | 6,001,057 |
| Miscellaneous | | | | 2,979 | | 2,979 |
| Transfers | | | | (5,546) | 5,546 | (0) |
| Total general revenues, transfers and special items | | | | <u>6,550,739</u> | <u>5,546</u> | <u>6,556,285</u> |
| Change in net assets | | | | 93,348 | - | 93,348 |
| Net assets - beginning | | | | 2,791,196 | | 2,791,196 |
| Net assets - ending | | | | <u>\$ 2,884,544</u> | <u>\$ -</u> | <u>\$ 2,884,544</u> |

See independent auditor's report and accompanying notes to basic financial statements.

Funds Financial Statements

Governmental Funds

**COMMUNITY CHARTER SCHOOL OF PATERSON
Governmental Funds**

B-1

Balance Sheet

June 30, 2012

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Totals Governmental Funds</u> |
|--|-------------------------|-------------------------------------|--|
| Assets | | | |
| Cash and cash equivalents | \$ 1,642,176 | \$ 492,179 | \$ 2,134,355 |
| Accounts receivable: | - | | - |
| State | 26,347 | - | 26,347 |
| Federal | - | 55,257 | 55,257 |
| Other current assets | 18,500 | - | 18,500 |
| Interfund receivable | 635,266 | | 635,266 |
| Total assets | <u>\$ 2,322,289</u> | <u>\$ 547,436</u> | <u>\$ 2,869,725</u> |
| Liabilities and Fund Balances | | | |
| Interfund payables | | \$ 530,978 | \$ 530,978 |
| Accounts payables | \$ 263,153 | 16,458 | 279,611 |
| Intergovernmental payables - federal | - | - | - |
| Intergovernmental payables - state | 38,162 | - | 38,162 |
| Intergovernmental payables - other | 8,268 | - | 8,268 |
| | - | - | - |
| Total liabilities | <u>309,583</u> | <u>547,436</u> | <u>857,019</u> |
| Fund balances: | | | |
| Unreserved: | | | - |
| Undesignated | 2,012,706 | - | 2,012,706 |
| Total fund balances | <u>2,012,706</u> | <u>-</u> | <u>2,012,706</u> |
| Total liabilities and fund balances | <u>\$ 2,322,289</u> | <u>\$ 547,436</u> | |

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

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

| | |
|--------------------------|----------------|
| Cost of capital assets | 1,118,694 |
| Accumulated depreciation | (246,856) |
| | <u>871,838</u> |

Net assets of governmental activities - A-1

\$ 2,884,544

See independent auditor's report and accompanying notes to basic financial statements.

COMMUNITY CHARTER SCHOOL OF PATERSON
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012

| | General Fund | Special Revenue Fund | Total |
|--|-------------------------|-------------------------------------|--------------|
| Revenues: | | | |
| Local sources: | | | |
| Local tax levy | \$ 552,249 | | \$ 552,249 |
| Miscellaneous | 2,979 | | 2,979 |
| Total revenues - local sources | 555,228 | | 555,228 |
| Federal sources | - | \$ 714,434 | 714,434 |
| State sources | 5,783,875 | | 5,783,875 |
| TPAF/FICA reimbursements | 217,182 | - | 217,182 |
| Total revenues | 6,556,285 | 714,434 | 7,270,719 |
| | | | |
| Current expense: | | | |
| Instruction | 2,478,559 | 303,574 | 2,782,133 |
| Administrative | 1,621,229 | | 1,621,229 |
| Support services | 2,247,378 | 410,860 | 2,658,238 |
| Capital outlay | 389,353 | - | 389,353 |
| Total expenditures | 6,736,519 | 714,434 | 7,450,953 |
| Excess (deficiency) of revenues over (under) expenditures | (180,234) | - | (180,234) |
| Fund balances, beginning of year | 2,192,940 | - | 2,192,940 |
| Fund balances, end of year | \$ 2,012,706 | \$ - | \$ 2,012,706 |

See independent auditor's report and accompanying notes to basic financial statements.

COMMUNITY CHARTER SCHOOL OF PATERSON
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2012

B-3

Total net change in fund balances - governmental funds (B-2) \$ (180,234)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

| | | | | |
|--|----------------------|----------------|--|---------|
| | Depreciation expense | \$ (115,771) | | |
| | Capital outlays | <u>389,353</u> | | |
| | | | | 273,582 |

Change in net assets of governmental activities (A-2) \$ 93,348

See independent auditor's report and accompanying notes to basic financial statements.

Proprietary Funds

COMMUNITY CHARTER SCHOOL OF PATERSON
Proprietary Funds

B-4

Statement of Net Assets

June 30, 2012

| | |
|----------------------------------|--------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 46,817 |
| Accounts receivable: | |
| Federal | 43,531 |
| State | 294 |
| Other | 345 |
| Total current assets | <u>\$ 90,987</u> |
| Liabilities | |
| Current liabilities: | |
| Interfund payable - General Fund | 86,636 |
| Accounts payable | 4,351 |
| Total current liabilities | <u>\$ 90,987</u> |
| Net assets | |
| Unrestricted | - |
| Total net assets | <u><u>\$ -</u></u> |

See independent auditor's report and accompanying notes to basic financial statements.

**COMMUNITY CHARTER SCHOOL OF PATERSON
Proprietary Funds**

B-5

Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2012

| | |
|---|------------------|
| Operating revenues: | |
| Charges for services: | |
| Daily sales - nonreimbursable programs | \$ 18,047 |
| Miscellaneous revenue | - |
| Total operating revenues | <u>18,047</u> |
| Operating expenses: | |
| Cost of sales | 315,584 |
| Salaries | - |
| Employee benefits | - |
| Professional /technical service | 730 |
| Supplies and materials | 3,985 |
| Depreciation | - |
| Miscellaneous | - |
| Total operating expenses | <u>320,299</u> |
| Operating income (loss) | <u>(302,252)</u> |
| Nonoperating revenues: | |
| State sources: | |
| One-Time State Food Subsidy Program | 154 |
| State School Lunch Program | 3,816 |
| Federal sources: | |
| National School Lunch Program | 172,282 |
| National School Breakfast Program | 68,869 |
| After School Snacks | 24,392 |
| Fresh Fruits and Vegetable Program | 27,193 |
| Total nonoperating revenues | <u>296,706</u> |
| Net income/(loss) before contributions & transfers | (5,546) |
| Other financing sources: | |
| Transfer in/(out) - Board contribution | 5,546 |
| | <u>5,546</u> |
| Change in net assets | - |
| Total net assets-beginning of year | <u>-</u> |
| Total net assets-end of year | <u>\$ -</u> |

See independent auditor's report and accompanying notes to basic financial statements.

COMMUNITY CHARTER SCHOOL OF PATERSON
Proprietary Fund

B-6

Statement of Cash Flows

Year ended June 30, 2012

| | |
|--|------------------|
| Cash flows from operating activities | |
| Operating loss | \$ (302,252) |
| Adjustment to reconcile operating loss to net cash used in operating activities: | |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (3,353) |
| Increase in due to general fund | 35,642 |
| Decrease in accounts payable | (1,153) |
| Net cash used in operating activities | <u>(271,116)</u> |
| | |
| Cash flows from noncapital financing activities | |
| Cash received from state reimbursements | 3,970 |
| Cash received from federal reimbursements | 292,736 |
| Operating subsidies and transfers from other funds | 5,546 |
| Net cash provided by noncapital financing activities | <u>302,252</u> |
| | |
| Cash flows from investing activities | - |
| | |
| Net decrease in cash and cash equivalents | 31,136 |
| Cash and cash equivalents, beginning | 15,681 |
| Cash and cash equivalents, ending | <u>\$ 46,817</u> |

See independent auditor's report and accompanying notes to basic financial statements.

Fiduciary Funds

**COMMUNITY CHARTER SCHOOL OF PATERSON
Fiduciary Funds**

B-7

Statement of Fiduciary Net Assets

June 30, 2012

| | <u>Student Activity Fund</u> | <u>Unemployment Insurance Fund</u> | <u>Agency Fund Payroll</u> | <u>TOTAL</u> |
|---|--------------------------------------|--|------------------------------------|-----------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 13,823 | \$ - | \$17,652 | \$31,475 |
| Total assets | <u>\$ 13,823</u> | <u>\$ -</u> | <u>\$17,652</u> | <u>\$31,475</u> |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Interfund payables | | | \$17,652 | \$17,652 |
| Account payable - due to students group | \$ 13,823 | \$ - | | 13,823 |
| Total liabilities | <u>13,823</u> | <u>-</u> | <u>17,652</u> | <u>31,475</u> |
| Net Assets | - | | | |
| Total liabilities and net assets | <u>\$ 13,823</u> | <u>\$ -</u> | <u>\$17,652</u> | <u>\$31,475</u> |

See independent auditor's report and accompanying notes to basic financial statements.

COMMUNITY CHARTER SCHOOL OF PATERSON
Fiduciary Funds

B-8

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

| | <u>Unemployment Compensation</u> |
|------------------------|---|
| Additions: | |
| Board contributions | \$ 10,054 |
| Employee contributions | 18,378 |
| Total additions | <u>28,432</u> |
| Deductions: | |
| Unemployment payments | <u>28,432</u> |
| Total deductions | <u>28,432</u> |
| Change in net assets | - |
| Net assets, beginning | <u>-</u> |
| Net assets, ending | <u><u>\$ -</u></u> |

See independent auditor's report and accompanying notes to basic financial statements.

Notes to Basic Financial Statements

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

1 Description of the Charter School District and Reporting Entity

Community Charter School of Paterson (the "Charter School" was incorporated in the State of New Jersey in September 27, 2007 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School's Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Chief Executive Officer (CEO) is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School's duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

The Community Charter School of Paterson Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The Community Charter School of Paterson 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 care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies

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

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

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

A Basis of Presentation

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

Charter School Government-wide Financial 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 Charter School, except for fiduciary funds.

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - continued

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

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

Governmental Funds

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

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - continued

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2012 there was no Capital Projects Fund.

Proprietary Funds

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

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

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

Fiduciary Funds

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

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. ***Basis of accounting*** refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

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

Basis of Accounting

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determine and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E Cash, Cash Equivalent and Investments

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

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

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

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Assets.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

| <u>Description of Capital Asset</u> | <u>Estimated Lives (Years)</u> |
|-------------------------------------|--------------------------------|
| Leasehold improvements | 15 |
| Equipment | 5-12 |
| Furniture and fixtures | 10 |
| Vehicle | 5 |

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

I Compensated Absences

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

The Charter School had no compensated absences as of June 30, 2012.

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-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. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - continued

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

M Net Assets

Net Assets represent the difference between assets and liabilities in the Government-wide financial statements. 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 long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

N Management Estimates

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

O On-Behalf Payments

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

3 Deposits and Investments

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that 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 (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected 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.

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2012, the Charter School's carrying amount of deposits and investments are as follows:

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Enterprise Funds</u> | <u>Agency Funds</u> | <u>Total</u> |
|---------------|-------------------------|----------------------------|-----------------------------|-------------------------|--------------|
| Operating A/C | \$ 1,642,176 | \$ 492,179 | \$ 46,817 | \$ 31,475 | \$ 2,212,647 |

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2012, the Charter School's carrying amount of deposits was \$2,212,647 and the bank balance was \$2,545,128. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2012 were secured by federal deposit insurance and \$2,295,128 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

3 Deposits and Investments - continued

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School'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 Charter School's name.

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

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. 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.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2012, the Charter School did not hold any investments.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

4 Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2012:

| Governmental activities | Beginning Balance | Net Additions (Deletions) | Ending Balance |
|---|------------------------------|--------------------------------------|---------------------------|
| Capital assets, being depreciated: | | | |
| Leasehold improvements | \$ 469,208 | \$ 389,353 | \$ 858,561 |
| Equipment | 226,568 | | 226,568 |
| Furniture and fixtures | 13,280 | | 13,280 |
| Vehicle | 20,285 | | 20,285 |
| Total capital assets being depreciated | <u>729,341</u> | <u>389,353</u> | <u>1,118,694</u> |
| Less accumulated depreciation for: | | | |
| Leasehold improvements | 60,565 | 53,254 | 113,819 |
| Equipment | 58,422 | 57,132 | 115,554 |
| Furniture and fixtures | 3,984 | 1,328 | 5,312 |
| Vehicle | 8,114 | 4,057 | 12,171 |
| Total accumulated depreciation | <u>131,085</u> | <u>115,771</u> | <u>246,856</u> |
| Total capital assets net | <u>\$ 598,256</u> | <u>\$ 273,582</u> | <u>\$ 871,838</u> |

Depreciation expense of \$115,771 was charged to an unallocated function.

5 Lease Obligations

Facilities Leases

The Charter School leases its facilities under two operating lease agreements:

75 Spruce Street, Paterson, New Jersey – a four year lease through June 30, 2012 covering 28,550 square foot space housing grades one through fourth and the administrative offices. The basic annual rent for the four year term was \$750,000. The amount paid under this lease for the year ended June 30, 2012 was \$917,500.

35 Spruce Street, Paterson, New Jersey – a one year lease covering 10,000 square foot space housing Kindergarten and the business office. The amount paid under this lease for the year ended June 30, 2012 was \$213,667.

Both leases are renewable every year. And there were no future minimum amounts payable under the leases as of June 30, 2012.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

5 Lease Obligations - *continued*

Facilities Leases - *continued*

The Charter School also leases several parking spaces under an operating lease agreement at a monthly payment of \$3,300. The parking spaces are for the use of its employees who are charged reasonable monthly fees. The amount paid under this lease for the year ended June 30, 2012 was \$39,600.

Equipment Leases

The Charter School leases office equipment (three copiers) under two operating lease agreements. For the year ended June 30, 2012, the Charter School incurred \$22,374 in equipment lease expenditures. Future minimum lease payments required under the operating leases are as follows:

| Year ending June 30: | Equipment Lease I | Equipment Lease II | Total |
|---------------------------------|------------------------------|-------------------------------|------------------|
| 2013 | \$ 17,688 | \$ 6,720 | \$ 24,408 |
| 2014 | 17,688 | 2,240 | 19,928 |
| 2015 | 5,896 | - | 5,896 |
| 2016 | | - | - |
| 2017 | | - | - |
| Thereafter | | - | - |
| | <u>\$ 41,272</u> | <u>\$ 8,960</u> | <u>\$ 50,232</u> |

6 Pension Plans

Description of Plans

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

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

Vesting and Benefit Provisions

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

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

Significant Legislation

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/71th of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

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

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans – *continued*

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

The Charter School's contribution to PERS for the year ended June 30, 2012 was \$6,682.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$217,182 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

7 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, 2011, there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contribution 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 made post retirement (PRM) contributions of \$1.38 billion for TPAF for fiscal year 2009 and \$3.22 million for fiscal year 2008.

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.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

8 Compensated Absences

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2012, Charter School-wide compensated absences amounted to \$-0-.

9 Deferred Compensation

The Charter School is in the process of offering its employees a choice of deferred compensation plans created in accordance with Internal Revenue Section 403(b).

10 Economic Dependency

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

11 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School of Paterson believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

12 Risk Management

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

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

13 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2012 is as follows:

| Fund | Interfund Receivable | Interfund Payable |
|-----------------------|---------------------------------|------------------------------|
| General Fund | \$ 635,266 | |
| Special Revenue Fund | - | \$ 530,978 |
| Enterprise Fund | | 86,636 |
| Trust and Agency Fund | - | 17,652 |
| | <u>635,266</u> | <u>635,266</u> |

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

14 Receivables

Receivables as of June 30, 2012 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

| | |
|-------------------|-------------------|
| State aid | \$ 26,641 |
| Federal aid | 98,788 |
| Other | 345 |
| Total receivables | <u>\$ 125,774</u> |

15 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements except the following:

The Charter School increased enrollment by 100 students as of September 2012 for the 2012-2013 school-year by adding another grade – 5th grade. This is pursuant to the approval of the Charter School's renewal application to expand enrollment all through the 8th grade – 100 students in each of 5th, 6th, 7th and 8th grade. Additional grade will be added each year through school year 2015-2016. Further, the Charter School entered into a lease agreement for additional space (10,000 square feet) at 5-9 Mill Street, Paterson, New Jersey to house the 5th grade students. It is a two-year lease with renewal options. The first year rent is \$147,000.

16 Related Party

New Jersey Community Development Corporation (NJCDC), a non-profit community development and social service agency based in Paterson is the founder of the Charter School. Officials of NJCDC are members of the Board of Trustees of the Charter School. NJCDC is the landlord of the two facilities leased by the Charter School – 75 and 32 Spruce Street, Paterson, New Jersey. In the opinion of management, the rental payments under both leases approximate the market.

Required Supplementary Information

Part II

Budgetary Comparison

COMMUNITY CHARTER SCHOOL OF PATERSON
General Fund

C-1

Budget Comparison Schedule

Year ended June 30, 2012

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|---------------------|---|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local tax levy | \$ 555,182 | | \$ 555,182 | \$ 552,249 | \$ (2,933) |
| Miscellaneous | - | | - | 2,979 | 2,979 |
| Total revenues -local sources | <u>555,182</u> | | <u>555,182</u> | <u>555,228</u> | <u>46</u> |
| State sources | 5,819,104 | | 5,819,104 | 5,783,875 | (35,229) |
| TPAF-Social Security | | | - | 217,182 | 217,182 |
| Total revenues | <u>6,374,286</u> | | <u>6,374,286</u> | <u>6,556,285</u> | <u>181,999</u> |
| Expenditures | | | | | |
| Current expense: | | | | | |
| Instruction | | | | | |
| Salaries of teachers | 2,148,321 | \$ (87,307) | 2,061,014 | 2,056,591 | 4,423 |
| Other salaries for instruction | 241,500 | (25,550) | 215,950 | 215,817 | 133 |
| Purchased professional technical services | 29,000 | (29,000) | - | - | - |
| Other purchased services | 12,375 | 33,743 | 46,118 | 46,118 | - |
| General educational supplies | 65,000 | 40,380 | 105,380 | 104,334 | 1,046 |
| Textbooks | 52,500 | (250) | 52,250 | 51,971 | 279 |
| Miscellaneous expenses | 20,000 | (15,529) | 4,471 | 3,728 | 743 |
| | <u>2,568,696</u> | <u>(83,513)</u> | <u>2,485,183</u> | <u>2,478,559</u> | <u>6,624</u> |
| Administrative cost: | | | | | |
| Salaries | 446,460 | 47,771 | 494,231 | 494,231 | - |
| Total benefit costs | 631,199 | (91,700) | 539,499 | 538,116 | 1,383 |
| Professional /Technical service | 220,148 | (44,191) | 175,957 | 175,957 | - |
| Other purchased services | 44,000 | 39,220 | 83,220 | 83,220 | - |
| Communications and Telephones | 16,000 | (1,139) | 14,861 | 14,861 | - |
| Supplies and materials | 30,000 | 46,293 | 76,293 | 76,293 | - |
| Miscellaneous expenses | 21,925 | 319 | 22,244 | 21,369 | 875 |
| | <u>1,409,732</u> | <u>(3,427)</u> | <u>1,406,305</u> | <u>1,404,047</u> | <u>2,258</u> |
| Support services: | | | | | |
| Salaries | 538,097 | 91,972 | 630,069 | 624,321 | 5,748 |
| Purchased prof/tech service | 197,944 | (83,013) | 114,931 | 114,631 | 300 |
| Other purchased services | 96,256 | 41,510 | 137,766 | 137,694 | 72 |
| Rent on land and buildings | 1,091,000 | (7,778) | 1,083,222 | 1,078,500 | 4,722 |
| Insurance-fidelity, liability property | 45,000 | (14,626) | 30,374 | 30,082 | 292 |
| Supplies and materials | 60,000 | 15,259 | 75,259 | 64,634 | 10,625 |
| Energy & Utilities | 136,000 | 3,245 | 139,245 | 131,842 | 7,403 |
| Miscellaneous expenses | 27,400 | 18,020 | 45,420 | 45,310 | 110 |
| Transportation other than to/from school | 25,000 | (10,182) | 14,818 | 14,818 | - |
| Food Services - Transfer to cover deficit | - | 6,000 | 6,000 | 5,546 | 454 |
| Total support services | <u>2,216,697</u> | <u>60,407</u> | <u>2,277,104</u> | <u>2,247,378</u> | <u>29,726</u> |
| Capital outlay: | | | | | |
| Instructional equipment | 10,000 | (10,000) | - | - | - |
| Non-instructional equipment | 5,000 | (5,000) | - | - | - |
| Purchase land/improvements | 385,000 | 5,000 | 390,000 | 389,353 | 647 |
| Total capital outlay | <u>400,000</u> | <u>(10,000)</u> | <u>390,000</u> | <u>389,353</u> | <u>647</u> |
| TPAF-Social Security | | 217,182 | 217,182 | 217,182 | - |
| Total expenditures | <u>6,595,125</u> | <u>180,649</u> | <u>6,775,774</u> | <u>6,736,519</u> | <u>39,255</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(220,839)</u> | <u>(180,649)</u> | <u>(180,234)</u> | <u>(180,234)</u> | <u>142,744</u> |
| Fund balances, beginning of year | <u>2,192,940</u> | <u>-</u> | <u>2,192,940</u> | <u>2,192,940</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 1,972,101</u> | <u>\$ (180,649)</u> | <u>\$ 2,012,706</u> | <u>\$ 2,012,706</u> | <u>\$ 142,744</u> |

**COMMUNITY CHARTER SCHOOL OF PATERSON
Special Revenue Fund**

C-2

**Budget Comparison Schedule
Budgetary Basis
Year ended June 30, 2012**

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|-------------------|---|
| Revenues | | | | | |
| Federal sources | \$ 714,434 | \$ - | \$ 714,434 | \$ 714,434 | \$ - |
| Total revenues -all sources | <u>714,434</u> | <u>-</u> | <u>714,434</u> | <u>714,434</u> | <u>-</u> |
| Expenditures | | | | | |
| Current Expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | 286,412 | - | 286,412 | 286,412 | - |
| Purchased Prof. and technical services | - | - | - | - | - |
| Other purchased services | - | - | - | - | - |
| General supplies | 17,162 | - | 17,162 | 17,162 | - |
| Miscellaneous expenditures | - | - | - | - | - |
| Total instruction | <u>303,574</u> | <u>-</u> | <u>-</u> | <u>303,574</u> | <u>-</u> |
| Support services | | | | | |
| Support services salaries | 33,260 | - | 33,260 | 33,260 | - |
| Employee benefits | 61,845 | - | 61,845 | 61,845 | - |
| Purchased professional services | 278,345 | - | 278,345 | 278,345 | - |
| Other purchased services | 2,543 | - | 2,543 | 2,543 | - |
| Supplies | 24,448 | - | 24,448 | 24,448 | - |
| Miscellaneous expenditures | 10,419 | - | 10,419 | 10,419 | - |
| Total support services | <u>410,860</u> | <u>-</u> | <u>410,860</u> | <u>410,860</u> | <u>-</u> |
| Capital Outlay: | | | | | |
| Facilities acquisition and construction services | | | - | | - |
| Instructional equipment | - | - | - | - | - |
| Noninstructional equipment | - | - | - | - | - |
| Construction services | - | - | - | - | - |
| Total facilities acquisition and construction services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>\$ 714,434</u> | <u>\$ -</u> | <u>\$ 410,860</u> | <u>\$ 714,434</u> | <u>\$ -</u> |

Notes to Required Supplementary Information

COMMUNITY CHARTER SCHOOL OF PATERSON
Note to Required Supplementary Information
Budget to GAAP Reconciliation

C-3

Year ended June 30, 2012

| | | General Fund | Special Revenue Fund |
|--|-------|-----------------|----------------------------|
| Sources/inflows of resources | | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule: | [C-1] | \$ 6,556,285 | |
| | [C-2] | | \$ 714,434 |
| Difference - budget to GAAP: | | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | | 0 | 0 |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | [B-2] | \$ 6,556,285 | \$ 714,434 |
| Uses/outflows of resources | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] | \$ 6,736,519 | |
| | [C-2] | | \$ 714,434 |
| Differences - budget to GAAP | | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | | | 0 |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. | | | |
| Net transfer (outflows) to general fund | | 0 | 0 |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] | \$ 6,736,519 | \$ 714,434 |

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

Other Supplementary Information

School Level Schedules

Special Revenue Fund

**COMMUNITY CHARTER SCHOOL OF PATERSON
Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2012

| | <u>Title IA C/Year 2011-2012</u> | <u>Title IA ARRA C/Fwd 2009-2011</u> | <u>Title IA C/Fwd 2010-2011</u> | <u>I.D.E.A. C/Year 2011-2012</u> | <u>I.D.E.A. C/Fwd 2010-2011</u> | <u>I.D.E.A. ARRA C/Fwd 2009-2011</u> | <u>Title IIA C/Year 2011-2012</u> | <u>Title IID C/Fwd 2010-2011</u> | <u>Total</u> |
|---|--|--|---|--|---|--|---|--|-------------------|
| Revenues | | | | | | | | | |
| Federal sources | \$ 361,704 | \$ 38,474 | \$ 189,565 | \$ 102,226 | \$ 14,492 | \$ 7,441 | \$ 419 | \$ 113 | \$ 714,434 |
| Total revenues -all sources | <u>\$ 361,704</u> | <u>\$ 38,474</u> | <u>\$ 189,565</u> | <u>\$ 102,226</u> | <u>\$ 14,492</u> | <u>\$ 7,441</u> | <u>\$ 419</u> | <u>\$ 113</u> | <u>\$ 714,434</u> |
| Expenditures | | | | | | | | | |
| Instruction | | | | | | | | | |
| Salaries of teachers | \$ 282,524 | \$ 3,888 | | | | | | | \$ 286,412 |
| Purchased Prof. and technical services | | | | | | | | | - |
| Other purchased services | | | | | | | | | - |
| General supplies | | | \$ 5,210 | \$ 3,500 | \$ 1,011 | \$ 7,441 | | | 17,162 |
| Miscellaneous expenditures | | | | | | | | | - |
| Total instruction | <u>282,524</u> | <u>3,888</u> | <u>5,210</u> | <u>3,500</u> | <u>1,011</u> | <u>7,441</u> | | | <u>303,574</u> |
| Support services | | | | | | | | | |
| Support services salaries | | 2,440 | 20,275 | | 10,545 | | | | 33,260 |
| Employee benefits | 57,056 | | 1,853 | | 2,936 | | | | 61,845 |
| Purchased professional services | 19,581 | | 159,925 | 98,726 | | | | \$ 113 | 278,345 |
| Other purchased services | 2,543 | | | | | | | | 2,543 |
| Supplies | | 22,146 | 2,302 | | | | | | 24,448 |
| Miscellaneous expenditures | | 10,000 | | | | | \$ 419 | | 10,419 |
| Total support services | <u>79,180</u> | <u>34,586</u> | <u>184,355</u> | <u>98,726</u> | <u>13,481</u> | <u>-</u> | <u>419</u> | <u>113</u> | <u>410,860</u> |
| Facilities acquisition and construction services | | | | | | | | | |
| Instructional equipment | - | - | - | - | - | - | - | - | - |
| Noninstructional equipment | - | - | - | - | - | - | - | - | - |
| Construction services | - | - | - | - | - | - | - | - | - |
| Total facilities acquisition and construction services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>\$ 361,704</u> | <u>\$ 38,474</u> | <u>\$ 189,565</u> | <u>\$ 102,226</u> | <u>\$ 14,492</u> | <u>\$ 7,441</u> | <u>\$ 419</u> | <u>\$ 113</u> | <u>\$ 714,434</u> |

Capital Projects Fund

At June 30, 2012, there was no capital project fund.

Enterprise Fund

COMMUNITY CHARTER SCHOOL OF PATERSON
Enterprise Funds

G-1

Combining Statement of Net Assets

June 30, 2012

Assets

Current assets:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 46,817 |
| Accounts receivable: | |
| Federal | 43,531 |
| State | 294 |
| Other | 345 |
| Total current assets | <u>\$ 90,987</u> |

Liabilities

Current liabilities:

| | |
|----------------------------------|------------------|
| Interfund payable - General Fund | 86,636 |
| Accounts payable | 4,351 |
| Total current liabilities | <u>\$ 90,987</u> |

Net assets

| | |
|------------------|--------------------|
| Unrestricted | - |
| Total net assets | <u><u>\$ -</u></u> |

COMMUNITY CHARTER SCHOOL OF PATERSON
Enterprise Fund

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2012

| | <u>Food Services</u> | <u>After-Care Program</u> | <u>Total</u> |
|--|--------------------------|-------------------------------|------------------|
| Operating revenues: | | | |
| Charges for services: | | | |
| Daily sales - nonreimbursable programs | \$ 9,972 | \$ 8,075 | \$ 18,047 |
| Miscellaneous revenue | - | - | - |
| Total operating revenues | <u>9,972</u> | <u>8,075</u> | <u>18,047</u> |
| Operating expenses: | | | |
| Cost of sales | 315,584 | - | 315,584 |
| Salaries | - | - | - |
| Employee benefits | - | - | - |
| Professional /technical service | 730 | - | 730 |
| Supplies and materials | 3,985 | - | 3,985 |
| Depreciation | - | - | - |
| Miscellaneous | - | - | - |
| Total operating expenses | <u>320,299</u> | <u>-</u> | <u>320,299</u> |
| Operating income (loss) | <u>(310,327)</u> | <u>8,075</u> | <u>(302,252)</u> |
| Nonoperating revenues: | | | |
| State sources: | | | |
| One-Time State Food Subsidy Program | 154 | - | 154 |
| State School Lunch Program | 3,816 | - | 3,816 |
| Federal sources: | | | |
| National School Lunch Program | 172,282 | - | 172,282 |
| National School Breakfast Program | 68,869 | - | 68,869 |
| After School Snacks | 24,392 | - | 24,392 |
| Fresh Fruits and Vegetable Program | 27,193 | - | 27,193 |
| Total nonoperating revenues | <u>296,706</u> | <u>-</u> | <u>296,706</u> |
| Net income/(loss) before contributions & transfers | (13,621) | 8,075 | (5,546) |
| Other financing sources: | | | |
| Transfer in/(out) - Board contribution | 13,621 | (8,075) | 5,546 |
| | <u>13,621</u> | <u>(8,075)</u> | <u>5,546</u> |
| Change in net assets | - | - | - |
| Total net assets-beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Total net assets-end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

COMMUNITY CHARTER SCHOOL OF PATERSON
Enterprise Fund

G-3

Statement of Cash Flows

Year ended June 30, 2012

| | |
|--|------------------|
| Cash flows from operating activities | |
| Operating loss | \$ (302,252) |
| Adjustment to reconcile operating loss to net cash used in operating activities: | |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (3,353) |
| Increase in due to general fund | 35,642 |
| Decrease in accounts payable | (1,153) |
| Net cash used in operating activities | <u>(271,116)</u> |
| | |
| Cash flows from noncapital financing activities | |
| Cash received from state reimbursements | 3,970 |
| Cash received from federal reimbursements | 292,736 |
| Operating subsidies and transfers from other funds | 5,546 |
| Net cash provided by noncapital financing activities | <u>302,252</u> |
| | |
| Cash flows from investing activities | - |
| | |
| Net increase in cash and cash equivalents | 31,136 |
| Cash and cash equivalents, beginning | 15,681 |
| Cash and cash equivalents, ending | <u>\$ 46,817</u> |

Fiduciary Fund

COMMUNITY CHARTER SCHOOL OF PATERSON
Fiduciary Funds

H-1

Combining Statement of Fiduciary Net Assets

June 30, 2012

| | Student Activity Fund | Unemployment Insurance Fund | Agency Fund Payroll | Total |
|---|-----------------------------|-----------------------------------|---------------------------|-----------|
| Assets | | | | |
| Cash and cash equivalents | \$ 13,823 | \$ - | \$ 17,652 | \$ 31,475 |
| Total assets | \$ 13,823 | \$ - | \$ 17,652 | \$ 31,475 |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Payroll deductions and withholdings | | \$ - | \$ - | \$ - |
| Interfund payables | | | 17,652 | 17,652 |
| Account payable - due to students group | \$ 13,823 | | | 13,823 |
| Total liabilities | 13,823 | - | 17,652 | 31,475 |
| Net Assets | - | | | |
| Total liabilities and net assets | \$ 13,823 | \$ - | \$ 17,652 | \$ 31,475 |

COMMUNITY CHARTER SCHOOL OF PATERSON
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

| | <u>Unemployment Compensation</u> |
|------------------------|---|
| Additions: | |
| Board contributions | \$ 10,054 |
| Employee contributions | 18,378 |
| Total additions | <u>28,432</u> |
| Deductions: | |
| Unemployment payments | <u>28,432</u> |
| Total deductions | <u>28,432</u> |
| Change in net assets | - |
| Net assets, beginning | <u>-</u> |
| Net assets, ending | <u><u>\$ -</u></u> |

COMMUNITY CHARTER SCHOOL OF PATERSON
Student Activity Agency Fund
Schedule of Receipts and Disbursements

H-3

Year ended June 30, 2012

| | <u>Balance June 30, 2011</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2012</u> |
|---------------------|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| Assets | | | | |
| Parent council fund | \$ 4,715 | \$ 41,518 | \$ 32,409 | \$ 13,823 |
| Total assets | <u>\$ 4,715</u> | <u>\$ 41,518</u> | <u>\$ 32,409</u> | <u>\$ 13,823</u> |

COMMUNITY CHARTER SCHOOL OF PATERSON
Payroll Agency Fund
Schedule of Receipts and Disbursements

H-4

Year ended June 30, 2012

| | <u>Balance June 30, 2011</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2012</u> |
|-------------------------------------|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 40,693 | \$ 4,038,486 | \$ 4,061,527 | \$ 17,652 |
| Total assets | <u>\$ 40,693</u> | <u>\$ 4,038,486</u> | <u>\$ 4,061,527</u> | <u>\$ 17,652</u> |
| | | | | |
| Liabilities | | | | |
| Payroll deductions and withholdings | \$ 40,693 | \$ 4,020,834 | \$ 4,061,527 | |
| Interfund payable | - | 17,652 | | \$ 17,652 |
| Total liabilities | <u>\$ 40,693</u> | <u>\$ 4,038,486</u> | <u>\$ 4,061,527</u> | <u>\$ 17,652</u> |

Long Term Debt
At June 30, 2012, there was no long term debt.

Statistical Section

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-1

Net Assets By Component
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

| | <u>2012</u> | <u>Fiscal Year Ending June 30,</u> <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|---------------------|---|---------------------|-------------------|
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 871,838 | \$ 729,341 | \$ 481,224 | |
| Restricted | - | - | - | |
| Unrestricted | <u>2,012,706</u> | <u>2,195,940</u> | <u>1,735,064</u> | \$ 476,518 |
| Total governmental activities net assets | <u>\$ 2,884,544</u> | <u>\$ 2,925,281</u> | <u>\$ 2,216,288</u> | <u>\$ 476,518</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | |
| Restricted | - | - | - | |
| Unrestricted | - | - | - | \$ 495 |
| Total business-type activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 495</u> |
| School-wide | | | | |
| Invested in capital assets, net of related debt | \$ 871,838 | \$ 729,341 | \$ 481,224 | |
| Restricted | - | - | - | |
| Unrestricted | <u>2,012,706</u> | <u>2,195,940</u> | <u>1,735,064</u> | \$ 477,013 |
| Total charter school net assets | <u>\$ 2,884,544</u> | <u>\$ 2,925,281</u> | <u>\$ 2,216,288</u> | <u>\$ 477,013</u> |

Notes

| |
|--|
| GASB requires that ten year of statistical data be presented. However, only four year of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented. |
|--|

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-2

Changes In Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

| | Fiscal Year Ending June 30, | | | |
|---|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2010 | 2009 |
| Expenses | | | | |
| Governmental activities | | | | |
| Instruction | | | | |
| Regular | \$ 2,782,133 | \$ 2,552,194 | \$ 2,642,231 | \$ 1,843,358 |
| Support Services: | | | | |
| General administration | 1,621,229 | 1,899,409 | 1,446,493 | 738,958 |
| School administrative services | 2,435,510 | 1,841,515 | 1,561,524 | 1,089,537 |
| On-behalf TPAF/FICA Reimbursements | 217,182 | 163,391 | 102,516 | - |
| Capital outlay | | 161,870 | 177,519 | 311,883 |
| Unallocated depreciation | 115,771 | | 8,078 | - |
| Total governmental activities expenses | 7,171,825 | 6,618,379 | 5,938,361 | 3,983,736 |
| Business-type activities: | | | | |
| Food service | 320,299 | 333,906 | 227,379 | 184,495 |
| Child Care | - | - | - | - |
| Total business-type activities expense | 320,299 | 333,906 | 227,379 | 184,495 |
| Total charter school expenses | \$ 7,492,124 | \$ 6,952,285 | \$ 6,165,740 | \$ 4,168,231 |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Operating grants and contributions | \$ 714,434 | \$ 730,864 | \$ 721,307 | \$ 242,847 |
| Capital grants and contributions | - | - | - | - |
| Total governmental activities program revenues | 714,434 | 730,864 | 721,307 | 242,847 |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Food service | 9,972 | | | 63,359 |
| Child care | 8,075 | | | - |
| Operating grants and contributions | 296,706 | 333,906 | 226,884 | 121,631 |
| Capital grants and contributions | | | | - |
| Total business type activities program revenues | 314,753 | 333,906 | 226,884 | 184,990 |
| Total charter school program revenues | \$ 1,029,187 | \$ 1,064,770 | \$ 948,191 | \$ 427,837 |
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (6,457,391) | \$ (5,887,515) | \$ (5,217,054) | \$ (3,740,889) |
| Business-type activities | (5,546) | - | (495) | 495 |
| Total charter school-wide net expense | \$ (6,462,937) | \$ (5,887,515) | \$ (5,217,549) | \$ (3,740,394) |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Property taxes levied for general purposes, net | \$ 552,249 | \$ 558,015 | \$ 615,546 | \$ 413,288 |
| Grants and contributions | 6,001,057 | 5,741,688 | 6,239,232 | 3,804,119 |
| Miscellaneous income | 2,979 | 45,688 | 101,946 | - |
| Transfers | (5,546) | (26,104) | | - |
| Total governmental activities | 6,550,739 | 6,319,287 | 6,956,724 | 4,217,407 |
| Business-type activities: | | | | |
| Transfers | 5,546 | 26,104 | | - |
| Total business-type activities | 5,546 | 26,104 | - | - |
| Total charter school-wide | \$ 6,556,285 | \$ 6,345,391 | \$ 6,956,724 | \$ 4,217,407 |
| Change in Net Assets | | | | |
| Governmental activities | \$ 98,894 | \$ 457,876 | \$ 1,739,670 | \$ 476,518 |
| Business-type activities | (5,546) | - | (495) | 495 |
| Total charter school | \$ 93,348 | \$ 457,876 | \$ 1,739,175 | \$ 477,013 |

Notes

GASB requires that ten year of statistical data be presented. However, only four year of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-3

Fund Balances - Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

| | Fiscal Year Ending June 30, | | | |
|------------------------------------|------------------------------------|---------------------|---------------------|-------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | |
| General Fund | | | | |
| Unreserved | \$ 2,012,706 | \$ 2,192,940 | \$ 1,735,064 | \$ 476,516 |
| Total general fund | <u>\$ 2,012,706</u> | <u>\$ 2,192,940</u> | <u>\$ 1,735,064</u> | <u>\$ 476,516</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | |
| Special revenue fund | - | - | - | - |
| Capital projects fund | - | - | - | - |
| Debt service fund | - | - | - | - |
| Permanent fund | - | - | - | - |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Notes

The J-3 is a ten year schedule. This sample is for the year of implementation of GASB 44. Charter Schools are not required by GASB to report years prior to the implementation date of Statement 44.

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-4

Changes in Fund Balances - Governmental Funds
Last Four Fiscal Years
(Unaudited)

| Function | 2012 | 2011 | 2010 | 2009 |
|------------------------------------|---------------------|-------------------|---------------------|-------------------|
| Revenues | | | | |
| Local tax levy | \$ 552,249 | \$ 558,015 | \$ 615,546 | \$ 413,288 |
| Miscellaneous | 2,979 | 45,688 | 101,946 | - |
| State sources | 6,001,057 | 5,741,688 | 5,749,930 | 3,804,119 |
| Federal sources | 714,434 | 730,864 | 721,307 | 242,847 |
| Total revenue | <u>7,270,719</u> | <u>7,076,255</u> | <u>7,188,729</u> | <u>4,460,254</u> |
| Expenditures | | | | |
| Instruction | 2,782,133 | 2,552,194 | 2,756,441 | 1,843,358 |
| Administration | 1,621,229 | 2,062,800 | 1,434,799 | 738,958 |
| Support Services | 2,658,238 | 1,841,515 | 1,561,524 | 1,089,537 |
| Capital Outlay | 389,353 | 161,870 | 177,419 | 311,883 |
| Total expenditures | <u>7,450,953</u> | <u>6,618,379</u> | <u>5,930,183</u> | <u>3,983,736</u> |
| Net change in fund balances | <u>\$ (180,234)</u> | <u>\$ 457,876</u> | <u>\$ 1,258,546</u> | <u>\$ 476,518</u> |

Source: Charter School's Records

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-5

General Fund Other Local Revenue by Source
Last Four Fiscal Years
(Unaudited)

| <u>Function</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------------------|-----------------|------------------|-------------------|-------------|
| Other local revenues | | | | |
| Miscellaneous | \$ 2,979 | \$ 45,688 | \$ 101,946 | \$ - |
| Total other local revenue | <u>\$ 2,979</u> | <u>\$ 45,688</u> | <u>\$ 101,946</u> | <u>\$ -</u> |

Source: Charter School's Records

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Four Fiscal Years

| Fiscal Year Ended June 30, | Governmental Activities | | | | Type Activities | Total Charter School | Percentage of Personal Income * | Per Capita * |
|-------------------------------|----------------------------------|---|-------------------|--|--------------------|-------------------------|------------------------------------|-----------------|
| | General Obligation Bonds b | Certificates of Participatio n | Capital Leases | Bond Anticipatio n Notes (BANs) | Capital Leases | | | |
| 2009 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 0.00% | \$ - |
| 2010 | - | - | - | - | - | - | 0.00% | - |
| 2011 | - | - | - | - | - | - | 0.00% | - |
| 2012 | - | - | - | - | - | - | 0.00% | - |

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

Note: Details regarding the Charter School's outstanding debt can be found in the notes to the financial statements.

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-14

Demographic and Economic Statistics
Last Four Fiscal Years
(Unaudited)

| <u>Year</u> | <u>Population ^a</u> | <u>Personal Income ^b</u> | <u>County Per Capita Personal Income ^c</u> | <u>Unemployment Rate ^d</u> |
|-------------|--------------------------------|-------------------------------------|---|---|
| 2009 | 145,834 | \$ 5,896,943,624 | \$ 40,436 | 16.30% |
| 2010 | 146,199 | 5,911,702,764 | 40,436 | 16.30% |
| 2011 | 146,199 | 5,911,702,764 | 40,436 | 16.30% |
| 2012 | 146,199 | 5,911,702,764 | 40,436 | 16.30% |

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

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

^c Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

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

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-15

| Principal Employers | | |
|------------------------------------|-------------------------|-------------------------------|
| Current Year | | |
| (Unaudited) | | |
| 2012 | | |
| | a | a |
| <u>Employer</u> | <u>Employees</u> | <u>Rank</u> |
| | | <u>[Optional]</u> |
| | | <u>Percentage of</u> |
| | | <u>Total Municipal</u> |
| | | <u>Employment</u> |
| Saint Joseph's Reg. Medical Center | 4,700 | |
| City of Paterson | 3,000 | |
| William Paterson University | 1,117 | |
| Marcal Paper Products | 1,000 | |
| Accurate Box | 180 | |
| Frost King-Thermwell Products | Not Available | |
| Barnert Hospital | Not Available | |
| | 9,997 | 0.00% |

a Information not available.

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Paterson-Economy.html>

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-16

Full-Time Equivalent Charter School Employees by Function/Program
Last Four Fiscal Years
(Unaudited)

| <u>Function/Program</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Instruction | | | | |
| Regular | 36 | 36 | 36 | 30 |
| Special education | 6 | 7 | 7 | 4 |
| Vocational | | | | |
| Other instruction | 11 | 8 | 8 | 5 |
| Support Services: | | | | |
| Student & instruction related services | | | | |
| General administration | 7 | 7 | 5 | 4 |
| School administrative services | | | | |
| Other administrative services | | | | |
| Central services | | | | |
| Administrative Information Technology | 1 | 1 | 1 | 1 |
| Plant operations and maintenance | 3 | 5 | 5 | 5 |
| Pupil transportation | | | | |
| Other support services | 7 | 5 | 5 | 5 |
| Special Schools | | | | |
| Food Service | 7 | 13 | 13 | 8 |
| | | | | |
| Total | <u>78</u> | <u>82</u> | <u>80</u> | <u>62</u> |

Source: Charter School Personnel Records

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-17

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 | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|------------|---|---|--------------------------------------|-------------------------------|
| | | | | | | Kindergarten | Elementary | | | | |
| 2009 | 359 | \$ 3,983,736 | \$ 11,097 | N/A | 39 | 1:10 | 1:10 | 478.0 | 453 | N/A | 94.77% |
| 2010 | 486 | 5,930,183 | 12,202 | 48.86% | 51 | 1:10 | 1:10 | 488.0 | 459 | 2.09% | 94.06% |
| 2011 | 478 | 6,618,379 | 13,846 | 11.60% | 51 | 1:10 | 1:10 | 478.0 | 468 | -2.05% | 97.91% |
| 2012 | 475 | 7,061,600 | 14,867 | 19.08% | 53 | 1:10 | 1:10 | 473.3 | 433 | -3.01% | 91.49% |

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

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

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-18

School Building Information
Last Four Fiscal Years
(Unaudited)

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------------|-------------|-------------|-------------|-------------|
| Square Feet | 38,550 | 28,550 | 28,000 | 28,000 |
| Capacity (students) | 500 | 500 | 500 | 500 |
| Enrollment | 475 | 478 | 486 | 359 |

Source: School Records

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-19

Schedule of Required Maintenance Expenditures
By School Facility
Last Four Fiscal Years
(Unaudited)

| | |
|-------|----------------------------|
| 2009 | \$ 877,745 |
| 2010 | 915,259 |
| 2011 | 1,278,752 |
| 2012 | 1,602,693 |
| | - |
| Total | <u><u>\$ 4,674,449</u></u> |

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

COMMUNITY CHARTER SCHOOL OF PATERSON
County of Passaic, New Jersey

J-20

Insurance Schedule

June 30, 2012
(Unaudited)

| | Coverage |
|---|------------------|
| Commercial property and general liability: | |
| Property: | |
| Personal Property | \$ 1,000,000 |
| Business Income | 3,450,000 |
| Electronic Data Processing - Equipment Owned | 60,000 |
| Electronic Data Processing - Equipment In Transit | 10,000 |
| Business Interruption | 15,000 |
| Employee Dishonesty | 200,000 |
| Forgery or Alteration | 5,000 |
| Directors & Officers | 3,000,000 |
| Commercial General Liability: | |
| General Aggregate | 3,000,000 |
| Personal & Advertising Injury Limit | 1,000,000 |
| Damage to Premises Rented by Insured | 10,000 |
| Medical Expense Limit Per Person | 5,000 |
| Employee Benefits Liability | 1,000,000 |
| Abuse Sublimit - Per Person Limit | 1,000,000 |
| Abuse Sublimit - Aggregate Limit | 1,000,000 |
| Automobile | 1,000,000 |
| Umbrella Liability: | |
| Each Occurrence Limit | 1,000,000 |
| General Aggregate | 1,000,000 |
| Retained Limit | 10,000 |
| Workman's Compensation: | |
| Each Accident | 1,000,000 |
| Disease Policy Limit | 1,000,000 |
| Disease Each Employee | 1,000,000 |
| Directors & Officers: | |
| Each Occurrence Limit | 3,000,000 |
| Retained Limit | 5,000 |

Single Audit Section

SCOTT J. LOEFFLER
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EXHIBIT K-1

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

The Honorable Chairperson and
Members of the Board of Trustees
Community Charter School of Paterson
County of Passaic
Paterson, New Jersey

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Community Charter School of Paterson ("the Charter School"), in the County of Passaic, State of New Jersey as of and for the year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements and have issued my report thereon, dated October 09, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District 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 my auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, I 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, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

I noted certain matters that I reported to the Board of Trustees of the Community Charter School of Paterson in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 09, 2012.

This report is intended for the information and use of the Charter School's management, the Charter School's Board of Trustees, others within the entity, the New Jersey State Department of Education, 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.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J. Loeffler, CPA
October 09, 2012

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EXHIBIT K-2

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

The Honorable Chairperson and
Members of the Board of Trustees
Community Charter School of Paterson
County of Passaic,
Paterson, New Jersey

Compliance

I have audited the compliance of the Community Charter School of Paterson, in the County of Passaic, State of New Jersey ("the Charter School") with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The Charter School's major federal and 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 federal and state programs is the responsibility of the Charter School's management. My responsibility is to express an opinion on the Charter School's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Charter School's compliance with those requirements.

In my opinion, Charter School complied in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

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 my audit, I considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employee, in the normal course of performing their assigned functions, to prevent or detect and noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Charter School's management, the Charter School's Board of Trustees, others within the entity, 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.

Licensed Public School Accountant No. 870



Scott J. Loeffler, CPA
October 09, 2012

COMMUNITY CHARTER SCHOOL OF PATERSON

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

| Federal Grant/ Pass-Through Grantor/ Program Title | Federal C.F.D.A No. | Grant Period | Award Amount | Balance at June 30, 2011 | Carryover (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment (Accounts of Prior Receivable Years' at June 30, 2012 | Deferred Revenue at June 30, 2012 | Due to Grantor at June 30, 2012 |
|---|---------------------------|----------------|-----------------|--------------------------------|-----------------------------------|---------------------|---------------------------|--|--|--|
| Special Revenue Fund: | | | | | | | | | | |
| U.S. Department of Education: | | | | | | | | | | |
| Passed-Through State Department of Education | | | | | | | | | | |
| Title I Part A - FY 2011-2012 | 84.010A | 9/1/11-8/31/12 | \$372,060 | | | \$ 310,699 | \$ (361,704) | \$ (51,005) | | |
| IDEA Part B - FY 2011-2012 | 84.027 | 9/1/11-8/31/12 | 102,226 | | | 97,974 | (102,226) | (4,252) | | |
| Title II A - FY 2011-2012 | 84.367 | 9/1/11-8/31/12 | 419 | | | 419 | (419) | - | | |
| Title I Part A - FY 2010-2011 | 84.010A | 9/1/10-8/31/11 | 512,766 | \$(148,493) | | 338,058 | (189,565) | - | | |
| Title I ARRA - FY 2009-2011 | 84.389 | 7/1/09-8/31/11 | 267,877 | (54,459) | | 92,933 | (38,474) | - | | |
| Title II A - FY 2010-2011 | 84.367 | 9/1/10-8/31/11 | 6,725 | (4,287) | | 4,287 | | - | | |
| Title II D - FY 2010-2011 | 84.367 | 9/1/10-8/31/11 | 1,344 | | | 113 | (113) | - | | |
| Title IV - FY 2010-2011 | 84.186 | 9/1/10-8/31/11 | 4,872 | (4,872) | | 4,872 | | - | | |
| IDEA Basic - FY 2010-2011 | 84.027 | 9/1/10-8/31/11 | 102,845 | (44,080) | | 58,572 | (14,492) | - | | |
| IDEA ARRA - FY 2009-2011 | 84.391 | 7/1/09-8/31/11 | 107,711 | (9,075) | | 16,516 | (7,441) | - | | |
| Total Special Revenue/U.S. Department of Education | | | | <u>(265,266)</u> | | <u>924,443</u> | <u>(714,434)</u> | <u>(55,257)</u> | | |
| Enterprise Fund: | | | | | | | | | | |
| U.S. Department of Agriculture | | | | | | | | | | |
| Passed-Through New Jersey Dept of Agriculture | | | | | | | | | | |
| National School lunch program | 10.555 | 7/1/11-6/30/12 | 172,282 | | | 138,381 | (172,282) | (33,901) | | |
| National School lunch program | 10.555 | 7/1/10-6/30/11 | 164,417 | (34,007) | | 34,007 | - | - | | |
| National School breakfast program | 10.553 | 7/1/11-6/30/12 | 68,869 | | | 63,106 | (68,869) | (5,763) | | |
| National School breakfast program | 10.553 | 7/1/10-6/30/11 | 9,340 | (1,484) | | 1,484 | - | - | | |
| National After School snacks | N/A | 7/1/11-6/30/12 | 2,805 | | | 22,928 | (24,392) | (1,464) | | |
| National After School snacks | N/A | 7/1/10-6/30/11 | 12,491 | (2,482) | | 2,482 | - | - | | |
| Fresh Fruits & Vegetable program | 10.582 | 7/1/11-6/30/12 | 27,193 | | | 24,790 | (27,193) | (2,403) | | |
| Fresh Fruits & Vegetable program | 10.582 | 7/1/10-6/30/11 | 23,791 | (2,100) | | 2,100 | - | 0 | | |
| Total Enterprise Fund/Total U.S. Department of Ag | | | | <u>(40,073)</u> | | <u>289,278</u> | <u>(292,736)</u> | <u>(43,531)</u> | | |
| Total Expenditures of Federal Awards | | | | <u>\$ (305,339)</u> | | <u>\$ 1,213,721</u> | <u>\$(1,007,170)</u> | <u>\$ (98,788)</u> | | |

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

COMMUNITY CHARTER SCHOOL OF PATERSON

Schedule of Expenditures of State Awards

Year ended June 30, 2012

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | (Accounts Receivable) at June 30, 2011 | Deferred Revenue at June 30, 2011 | Due to Grantor at June 30, 2011 | Adjustments | Carryover (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Years' Balances | (Accounts Receivable) at June 30, 2012 | Deferred Revenue at June 30, 2012 | Due to Grantor at June 30, 2012 |
|--|-------------------------------|----------------|--------------|--|-----------------------------------|---------------------------------|-------------|-----------------------------|---------------|------------------------|------------------------------------|--|-----------------------------------|---------------------------------|
| State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Equalization Aid | 12-495-034-5120-078 | 7/1/11-6/30/12 | \$ 6,041,112 | | | | | | \$ 6,041,112 | \$ (6,002,950) | | | | \$ 38,162 |
| Equalization Aid | 11-495-034-5120-078 | 7/1/10-6/30/11 | 5,810,540 | \$ 45,194 | | | | | | | \$ (45,194) | | | |
| Special Education Aid | 12-495-034-5120-089 | 7/1/11-6/30/12 | 116,497 | | | | | | 116,497 | (116,497) | | | | |
| Security Aid | 12-495-034-5120-084 | 7/1/11-6/30/12 | 202,835 | | | | | | 202,835 | (202,835) | | | | |
| State Non-Public Aid | 12-100-034-5120-060 | 7/1/10-6/30/11 | 13,842 | | | | | | 13,842 | (13,842) | | | | |
| TPAF/FICA Reimbursements | 12-495-034-5095-002 | 7/1/11-6/30/12 | 217,183 | | | | | | 207,189 | (217,183) | | \$ (9,994) | | |
| TPAF/FICA Reimbursements | 11-495-034-5095-002 | 7/1/10-6/30/11 | 265,906 | (7,700) | | | | | 7,700 | | | | | |
| Total General Fund | | | | 37,494 | | | | | 6,589,175 | (6,553,307) | (45,194) | (9,994) | | 38,162 |
| State Department of Agriculture | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | |
| State School breakfast program | 12-100-010-3350-021 | 7/1/11-6/30/12 | NONE | | | | | | | | | | | |
| State School lunch program | 12-100-010-3350-023 | 7/1/11-6/30/12 | 3,816 | | | | | | 3,522 | (3,816) | | (294) | | |
| State School lunch program | 12-100-010-3350-023 | 7/1/10-6/30/11 | 3,545 | (744) | | | | | 744 | | | 0 | | |
| One-Time State Food Subsidy program | Not Available | 7/1/11-6/30/12 | 154 | | | | | | 154 | (154) | | 0 | | |
| Total Enterprise Fund | | | | (744) | | | | | 4,420 | (3,970) | | (294) | | |
| Total State Financial Assistance | | | | \$ 36,750 | | | | | \$ 6,593,595 | \$ (6,557,277) | \$ (45,194) | \$ (10,288) | | \$ 38,162 |

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

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2012

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. 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.

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal 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.

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- 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 funds (C-3).

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2012

3. Relationship to Basic Financial Statements - *continued*

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

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------|---------------------|---------------------|---------------------|
| General Fund | | \$ 6,553,307 | \$ 6,553,307 |
| Special Revenue Fund | \$ 714,434 | - | 714,434 |
| Enterprise Fund | 292,736 | 3,970 | 296,706 |
| Total | <u>\$ 1,007,170</u> | <u>\$ 6,557,277</u> | <u>\$ 7,564,447</u> |

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.

5. Other

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, 2012.

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I Summary of Auditors' Results

Financial Statements Section

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiency(cies) identified? _____ Yes None reported

Noncompliance material to basic financial statements noted? _____ Yes No

Federal Awards Section

Internal control over major programs:

Material weaknesses identified? _____ Yes No

Significant deficiency(ies) identified? _____ Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ Yes No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.010A, 84.389 | Title I, Part A (Regular and ARRA) |
| 84.027, 84.391 | IDEA Basic, (Regular and ARRA) |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualifies as low-risk auditee? yes no

COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I Summary of Auditors' Results

State Financial Assistance Section

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualifies as low-risk auditee? yes No

Type of auditor's report on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified? Yes None reported

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB Circular 04-04? Yes No

Identification of Major Programs:

| <u>State Grant/Program Number(s)</u> | <u>Name of State Program or Cluster</u> |
|--------------------------------------|---|
| 12-495-034-5120-078 | Equalization Aid - Cluster |
| 12-495-034-5120-089 | Special Education Aid - Cluster |
| 12-495-034-5120-084 | Security Aid - Cluster |

**COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Part II – Schedule of Financial Statement Findings

NONE

**COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Part III – Schedule of Federal Awards and State Financial Assistance

NONE

**COMMUNITY CHARTER SCHOOL OF PATERSON
(County of Passaic)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2012**

There were no prior year's audit findings.