

**JERSEY CITY COMMUNITY
CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2015

**BCA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS**

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 JUNE 30, 2015**

TABLE OF CONTENTS

Page No.

INTRODUCTORY SECTION

Letter of Transmittal 1-8
 Organizational Chart9
 Roster of Officials10
 Consultants and Advisors11

FINANCIAL SECTION

Independent Auditor’s Report..... 12-14

**Required Supplementary Information – Part I
 Management’s Discussion and Analysis** 15-23

Basic Financial Statements

A. Charter School Wide Financial Statements:

A-1 Statement of Net Position (Deficit).....24
 A-2 Statement of Activities.....25

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet.....26
 B-2 Statement of Revenues, Expenditures and Changes in Fund Balances27
 B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities28

Proprietary Funds:

B-4 Statement of Net Position29
 B-5 Statement of Revenues, Expenses and Changes in Net Position30
 B-6 Statement of Cash Flows31

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position32
 B-8 Statement of Changes in Fiduciary Net PositionN/A

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|-----------------|
| Notes to the Financial Statements | 33-63 |
| Required Supplementary Information – Part II | |
| C. Budgetary Comparison Schedules | |
| C-1 Budgetary Comparison Schedule – General Fund..... | 65 |
| C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance –Budget and Actual | N/A |
| C-1b Education Jobs Fund Program – Budget and Actual | N/A |
| C-2 Budgetary Comparison Schedule – Special Revenue Fund..... | 66 |
| Notes to the Required Supplementary Information – Part II | |
| C-3 Budget-to-GAAP Reconciliation..... | 67 |
| Required Supplementary Information – Part III | |
| L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) | |
| L-1 Schedule of the Charter School’s Proportionate Share of the Net Pension Liability – PERS..... | 68 |
| L-2 Schedule of Charter School Contributions – PERS..... | 69 |
| L-3 Schedule of the Charter School’s Proportionate Share of the Net Pension Liability – TPAF | 70 |
| Notes to the Required Supplementary Information – Part III | 71 |
| Other Supplementary Information | |
| D. School Level Schedules | |
| D-1 Combining Balance Sheet..... | N/A |
| D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual | N/A |
| D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual | N/A |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

TABLE OF CONTENTS

| | <u>Page No.</u> |
|--|-----------------|
| E. Special Revenue Fund | |
| E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis..... | 72 |
| E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis | N/A |
| F. Capital Projects Fund | |
| F-1 Summary Schedule of Project Expenditures..... | N/A |
| F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis | N/A |
| F-3 Schedule of Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis | N/A |
| G. Proprietary Funds | |
| Enterprise Fund: | |
| G-1 Combining Schedule of Net Position..... | 73 |
| G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position ... | 74 |
| G-3 Combining Schedule of Cash Flows | 75 |
| Internal Service Fund: | |
| G-4 Combining Schedule of Net Position..... | N/A |
| G-5 Combining Schedule of Revenues, Expenses and Changes in Net Position | N/A |
| G-6 Combining Schedule of Cash Flows..... | N/A |
| H. Fiduciary Funds | |
| H-1 Combining Statement of Fiduciary Net Position | 76 |
| H-2 Combining Statement of Changes in Fiduciary Net Position | N/A |
| H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements | 77 |
| H-4 Payroll Agency Fund Schedule of Receipts and Disbursements | 78 |
| I. Long-Term Debt | |
| I-1 Schedule of Serial Bonds | N/A |
| I-2 Schedule of Obligations | 79 |
| I-3 Debt Service Fund Budgetary Comparison Schedule..... | N/A |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

TABLE OF CONTENTS

Page No.

III. STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section.....80

Financial Trends:

J-1 Net Assets by Component.....81
J-2 Changes in Net Assets/Net Position82
J-3 Fund Balances – Governmental Funds83
J-4 Changes in Fund Balances – Governmental Funds84
J-5 General Fund and Other Local Revenue by Source.....N/A

Revenue Capacity:

J-6 Assessed Value and Estimated Actual Value of Taxable PropertyN/A
J-7 Direct and Overlapping Property Tax RatesN/A
J-8 Principal Property Taxpayers.....N/A
J-9 Property Tax Levies and Collections.....N/A

Debt Capacity:

J-10 Ratios of Outstanding Debts by Type.....85
J-11 Ratios of General Bonded Debt Outstanding.....N/A
J-12 Direct and Overlapping Governmental Activities Debt.....N/A
J-13 Legal Debt Margin Information.....N/A

Demographic and Economic Information:

J-14 Demographics and Economic Statistics.....86
J-15 Principal Employers.....87

Operating Information:

J-16 Full-time Equivalent Charter School Employees by Function/Program88
J-17 Operating Statistics89
J-18 School Building Information90
J-19 Schedule of Required Maintenance Expenditures by School Facility91
J-20 Insurance Schedule92
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios93

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

TABLE OF CONTENTS

| | <u>Page No.</u> |
|---|------------------------|
| IV. SINGLE AUDIT SECTION | |
| K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 94-95 |
| K-2 Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04, Respectively | 96-98 |
| K-3 Schedule of Expenditures of Federal Awards..... | 99 |
| K-4 Schedule of Expenditures of State Financial Assistance | 100 |
| K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance..... | 101-102 |
| K-6 Schedule of Findings and Questioned Costs..... | 103-105 |
| K-7 Summary Schedule of Prior Audit Findings and Questioned Cost | 106 |

INTRODUCTORY SECTION



JERSEY CITY COMMUNITY CHARTER SCHOOL

128 Danforth Avenue – Jersey City, N.J. 07305

(201) 433 – 2288 - Fax: (201) 433 – 5803

Eugene Brown, Head of School

Bima Baje, School Business Administrator/Board Secretary

December 15, 2015

Commissioner

New Jersey Department of Education

100 Riverview Executive Plaza

CN – 500

Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Jersey City Community Charter School (the “Charter School”) for the fiscal year ended June 30, 2015. 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 is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups 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.

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 general-purpose financial statements and schedules, as well as the auditor’s report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section includes information related to the single audit, including the auditor’s report on internal control and compliance with applicable *laws and regulations* and findings and recommendations.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 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 Treasury OMB Circular Letter 04-04 and or 15-08, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*.”

1) REPORTING ENTITY AND ITS SERVICES

The Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

The Charter School provides a comprehensive early childhood program appropriate to grade level K to 8. That program included social, health and nutrition services that support the total education of the students and their families. The Charter School completed the 2014-2015 fiscal year with an average daily enrollment of 586 students, which is 2 students above the previous year's enrollment. The following details the changes in student enrollment of the school over the last ten years.

| <u>Fiscal Year</u> | <u>Average Daily Enrollment Student Enrollment</u> | <u>Percent Change</u> |
|--------------------|--|-----------------------|
| 2014-2015 | 586 | 0.34% |
| 2013-2014 | 584 | 1.74% |
| 2012-2013 | 574 | -1.03% |
| 2011-2012 | 580 | -1.53% |
| 2010-2011 | 589 | 1.20% |
| 2009-2010 | 582 | 3.13% |
| 2008-2009 | 576 | 3.97% |
| 2007-2008 | 554 | 13.76% |
| 2006-2007 | 487 | 1.88% |
| 2005-2006 | 478 | 9.38% |

2) ECONOMIC CONDITION AND OUTLOOK

The Charter School is located in Jersey City, the second largest municipality in New Jersey with a population of 257,342 according to the United States Department of Commerce's 2014 Census. The City is located on the west side of the Hudson River, directly across from lower Manhattan in New York City, and is part of the major business and industrial concentration spanning the New York-Northern New Jersey Metropolitan area.

The City's land area is 14.9 square miles, including a five mile long stretch of Hudson River waterfront that has experienced considerable high rise office tower, residential and multifamily development over the past ten years. The City is connected to New York City by Holland Tunnel and the PATH railroad tubes, and is within ten miles of Newark Liberty International Airport and the container and cargo facilities of Port Newark-Elizabeth.

2) **ECONOMIC CONDITION AND OUTLOOK – CONTINUED**

The City is located in the County of Hudson. The City’s size and current development activity cause it to dominate the economy of Hudson County. The City also serves as the seat of the County Government. Of the approximately 314,272 persons employed in the County, approximately 285,533 or 90% are employed in Jersey City.

The Charter School has completed its 15th year of implementation. During the 2014-2015 School-Year, the school serviced the following number of students per grade:

| <u>Grades</u> | <u>Students</u> |
|---------------|-----------------|
| Kindergarten | 67 |
| Grade 1 | 70 |
| Grade 2 | 67 |
| Grade 3 | 67 |
| Grade 4 | 67 |
| Grade 5 | 70 |
| Grade 6 | 65 |
| Grade 7 | 66 |
| Grade 8 | 63 |
| Total | <u>602</u> |

Growth

At its inception, the Charter School began with 72 kindergarten students. Plans for expansion included adding first grade in the 1998-1999 school year; second grade in the 2000-2001; third, through eighth grades in the subsequent years.

The Charter School is one of the first cohort of charter schools in the State of New Jersey. In December 2000, the school submitted its first renewal application for continuation of its charter. In February 2001, the school received a charter to continue its operation under a charter for five additional years. The school submitted its most recent renewal application during the 2010-2011 school-year and received a charter for an additional five years to 2015-2016. As part of the renewal process, the Charter School was required to develop a five-year fiscal plan.

During the school year, 2003-2004 the Charter School purchased one of its existing facilities (at 128 Danforth Avenue, in Jersey City, New Jersey) from the former owners, the Urban League of Hudson County, Inc. The building had a capacity for up to 350 students. During the 2008-2009 school-year the school completed the expansion of its existing facilities adding 14 classrooms at the 128 Danforth location. In addition, during the school year 2010-2011, the Charter School acquired and renovated a building at 16 Bentley Avenue, Jersey City, New Jersey providing more permanent facilities (classrooms and administrative offices) for the Middle School.

3) MAJOR INITIATIVES

The Charter School ensures that its curriculum is aligned to state standards. Expeditionary Learning is implemented in English Language Arts Literacy (ELA) in grades K- 8. Professional Development participation is conducted throughout the school year and attendance is required for instructional staff. Additionally in grades K-3, we will continue the implementation of the Children's Literacy Initiative placing continued emphasis on Core Practices - Literacy Environment - Physical Elements, Intentional Read Aloud, Message Time Plus and The Workshop Model. In preparation for PARCC administration, students receive additional support with technology and the ELA curriculum.

A new mathematics series entitled, *enVisionmath 2.0 and Digits 2015 on Realize* were implemented in grades K-8. Professional Development activities will be conducted this summer and continued throughout the school year. Staff attendance and participation is required. In preparation for the PARCC administration, students will receive additional support with technology and the math curriculum.

The Interactive Science for grades K-8 is based on best practices from academic research and alignment to next generation science standards. Which results is a program rooted in sound learning approaches, teaching strategies, and ideas to engage all learners, to maximize their learning, so that they can apply their thinking. Lesson plans are reviewed on a bi-weekly basis. Formal and informal observations are conducted throughout the school year providing feedback to improve teacher practice.

All students receive social studies instruction from Kindergarten through grade 8. The challenges of the 21st century are complex, have global implications, and are connected to people, places, and events of the past. The study of social studies focuses on deep understanding of concepts that enable students to think critically and systematically about local, regional, national, and global issues. The resources currently used include Social Studies Civics Today, The American Journey, and Discovering Our Past. Authentic learning experiences that enable students to apply content knowledge, develop citizenship skills, and collaborate with students from around the world prepare New Jersey students for the 21st-century workplace. Lesson plans will be reviewed on a bi-weekly basis. Formal and informal observations are conducted the school year, making recommendations and providing to improve teacher practice.

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). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

4) INTERNAL ACCOUNTING CONTROLS

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School's Board of Trustees.

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

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. No reservation of fund balance was made as of and for the fiscal year ended June 30, 2015.

6) 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 system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

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 and special revenue funds for the fiscal years ended June 30, 2015 and 2014, and the amount of increases (decreases) in relation to prior year's revenues:

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

| <u>Revenue</u> | <u>2015</u> | <u>2014</u> | <u>Increase/ (Decrease)</u> | <u>% Change</u> |
|-----------------|---------------------|---------------------|---------------------------------|-----------------|
| Local sources | \$ 1,831,234 | \$ 1,883,016 | \$ (51,782) | -2.75% |
| State sources | 5,623,953 | 5,552,478 | 71,475 | 1.29% |
| Federal sources | 612,589 | 621,089 | (8,500) | -1.37% |
| Total | <u>\$ 8,067,776</u> | <u>\$ 8,056,583</u> | <u>\$ 11,193</u> | 0.14% |

The increase in state sources is due to increase in the number of students during the school-year 2014-2015. The increase in state sources is offset by decreases in local levy and federal funding.

The monies received from State and the number of children enrolled in our program determines Federal sources attributable to grants in aid. As our enrollment increases, we anticipate an increase in aid in federal programs.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2015 as compared against the June 30, 2014 expenditure levels.

| <u>Expenditures</u> | <u>2015</u> | <u>2014</u> | <u>Increase/ (Decrease)</u> | <u>% Change</u> |
|---------------------|---------------------|---------------------|---------------------------------|-----------------|
| Instruction | \$ 3,397,747 | \$ 3,591,120 | \$ (193,373) | -5.38% |
| Administrative | 2,759,348 | 3,003,331 | (243,983) | -8.12% |
| Support | 1,065,018 | 1,229,397 | (164,379) | -13.37% |
| Capital outlay | 30,635 | 218,592 | (187,957) | -85.99% |
| Debt service | 1,034,312 | 500,000 | 534,312 | - |
| Total | <u>\$ 8,287,060</u> | <u>\$ 8,542,440</u> | <u>\$ (255,380)</u> | -2.99% |

The increase in total expenditures is primarily due to service costs of long-term debts.

8) **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”, Note 2. 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.

9) **RISK MANAGEMENT**

The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation (see J-20).

10) **OTHER INFORMATION**

Independent Audit

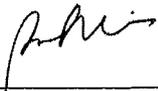
State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of BCA Watson Rice LLP. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 and or 15-08.

The auditor’s report on the general-purpose financial statements, combining and individual fund statements, and schedules are 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.

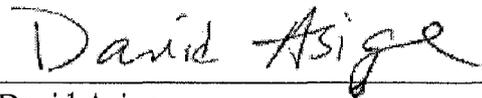
11) ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Jersey City Community Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Jersey City Public School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,



Bina Baje
School Business Administrator
Jersey City Community Charter School

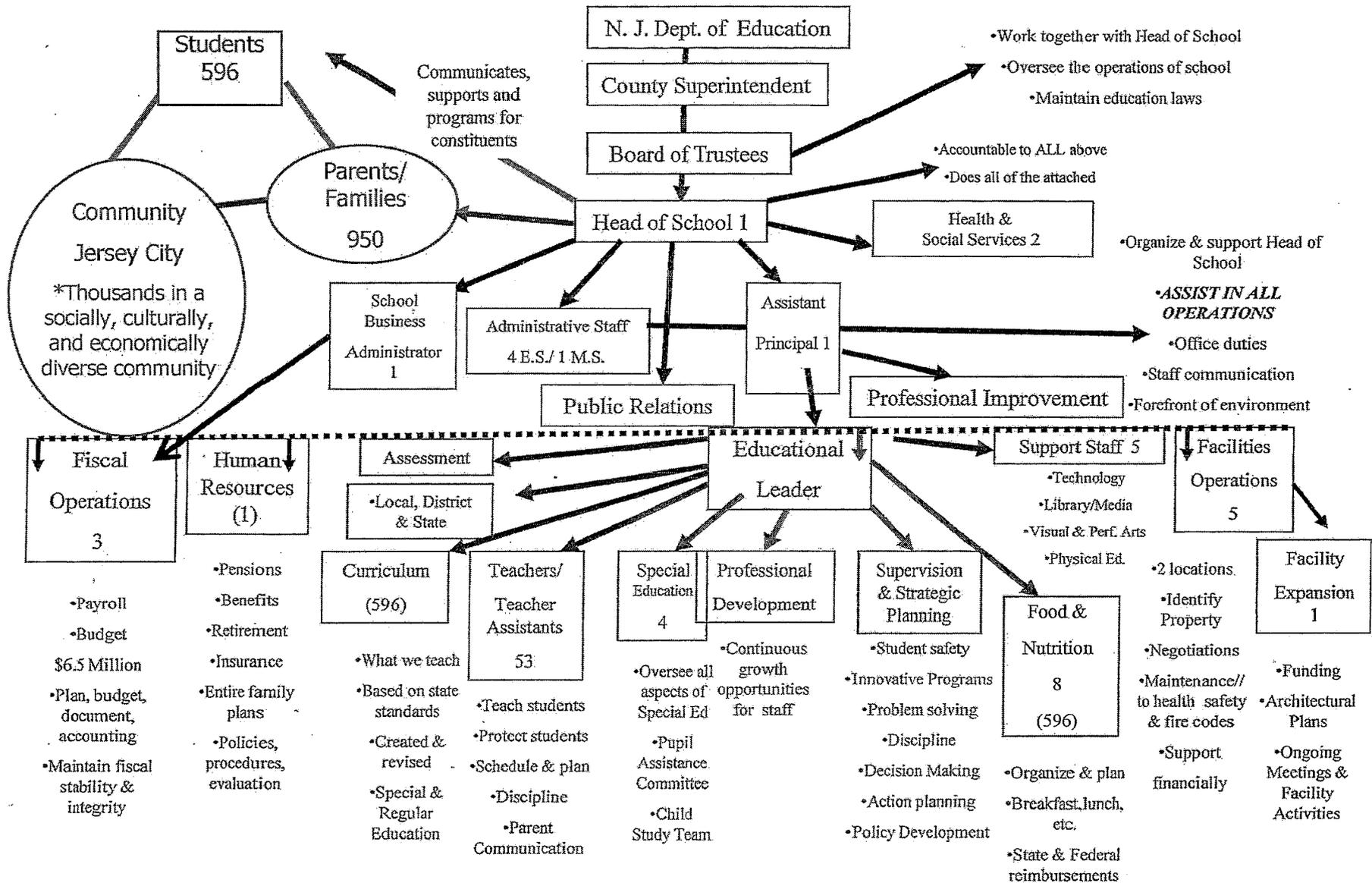


David Asige
President, Board of Trustees
Jersey City Community Charter School

Constituents of JCCCS
The People We Serve

Jersey City Community Charter School "School of Choice"

*Approximately 1,546 people are directly affected by the JCCCS



ROSTER OF OFFICIALS

JUNE 30, 2015

Members of Board of Trustees

| | |
|-----------------------|-------------------------|
| David Asige | Patricia Spegel-Stroman |
| Ericka Adams-Streeter | Zandile P. Nkabinde |
| William Armbruster | Bruce Seidman*** |
| Aflowa Zaza | Eugene Brown*** |

Executive Board

| | |
|------------------------|-------------------------------|
| David Asige | President |
| Ericka Adams-Streeter | Vice President |
| Bruce Seidman, Esq.*** | Board Attorney |
| Eugene Brown*** | Head of School |
| Bima Baje*** | School Business Administrator |
| Nora Galleros, CPA*** | Treasurer of School Monies |

*** Ex-officio

JERSEY CITY COMMUNITY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

BCA Watson Rice LLP
Certified Public Accountants and Advisors
301 Route 17 North, 4th Floor
Rutherford, New Jersey 07070

Attorneys at Law

Marshall, Dennehey, Warner, Coleman & Goggin
Attorneys at Law
425 Eagle Rock Avenue, Suite 302
Roseland, New Jersey 07068

Connell Folley LLP
Attorneys at Law
Harborside Financial Center
2510 Plaza Five
Jersey City, New Jersey 07311

Official Depository

Bayonne Community Bank
104-110 Avenue C
Bayonne, New Jersey 07002

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jersey City Community Charter School (the "Charter School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, the Charter School adopted new accounting guidance, GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*". Our opinion was not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the statement of net position and the ending balance for net position for the Governmental Activities as of June 30, 2014.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Information, and Schedules Related to Accounting and Reporting for Pensions (GASB 68)* on pages 15 through 23, pages 65 through 67 and pages 68 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Schedules of Expenditures of Federal Awards and State Financial Assistance as Required by OMB Circular A-133 and NJ OMB Circular 04-04, and or 15-08, Respectively

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The schedules of expenditures of federal awards and state financial assistance, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of New Jersey Department of Treasury OMB Circular Letter 04-04 and or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section, the combining and individual fund financial statements, and the statistical section as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, the combining and individual fund financial statements, and the statistical section as listed on the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



Barbara Siochi, CPA, CGMA
Licensed Public School Accountant
No. 20CS00260700



BCA Watson Rice LLP
Certified Public Accountants

Rutherford, New Jersey
December 15, 2015

**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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Introduction

This section of the Jersey City Community Charter School's (the "Charter School") comprehensive 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, 2015. 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.

For the year ended June 30, 2015, the Charter School implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures.

Financial Highlights

Key Financial highlights for the fiscal year 2015 are as follows:

- In total, net position of the Charter School decreased from (\$1,308,514) to (\$5,944,861). Net assets of governmental activities decreased by (\$493,221) which represents a 37% decrease from fiscal year 2014. This is primarily due to the provision of annual depreciation of fixed assets. In addition, the Cumulative Effect of Change in Accounting Principle caused a restatement of the prior year, which decreased the net position (Beginning of the Fiscal Year) by (\$4,177,839). This is required by GASB Statement No. 68 and GASB Statement No. 71 which is discussed in detail in the notes to the financial statements and more particularly in Note 3.

Net assets of business-type activities, which represent food service and after care operations, increased by \$34,713 from fiscal year 2014.

- General revenues of \$6,918,012 accounted for 80% of total operating revenues of \$8,596,134. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$1,678,122 or 20% of total revenues.
- The Charter School had \$9,089,355 in expenses related to governmental activities; \$1,678,122 of these expenses was offset by operating grants and contributions. General revenues (primarily Local and State Aid) of \$6,918,012 were adequate to provide for program expenses but not adequate to cover the provision of annual depreciation, and debt services

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

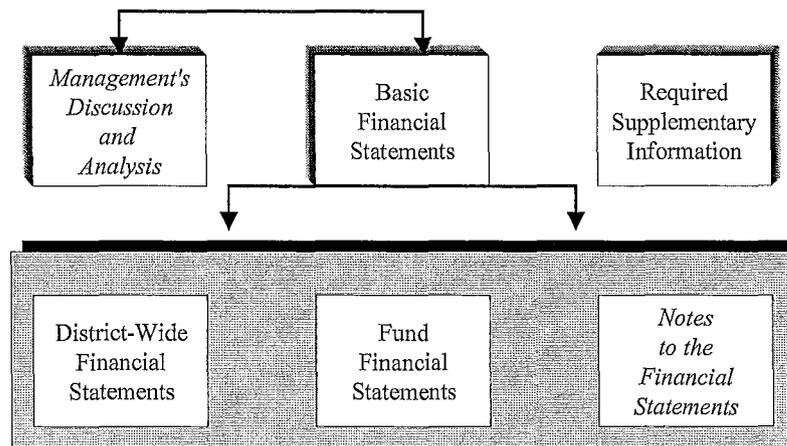
Financial Highlights – Continued

- The General Fund reported fund balances at June 30, 2015 of \$286,252. General Fund’s fund balance decreased by (\$219,284) over 2014. The decrease was due primarily to debt service payments.

Overview of the Financial Statements

This annual report consists of six parts-management’s discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, the statistical section, and the single audit section.

Table A-1. Required Components of the School’s Annual Financial Report



The basic financial statements include two kinds of statements that present different views of the Charter School:

The first two statements are Charter School *financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in *more detail* than the district-wide statements.

- *Governmental funds* statements tell how *basic* services such as regular and special education were financed in the *short term* as well as what remains for future spending.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain certain 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. Table A-1 shows how the required parts of this annual report are arranged and related to one another.

| | School-wide Statements | Fund Financial Statements | | |
|--|--|---|---|--|
| | | <i>Governmental Funds</i> | <i>Proprietary Funds</i> | <i>Fiduciary Funds</i> |
| Scope | Entire School (except fiduciary funds) | The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance | Activities the School operates similar to private businesses: Food Service Fund and Extended Day Program | Instances in which the School administers resources on behalf of someone else, such as State Unemployment Insurance, payroll and payroll agency and student activities |
| Required financial statements | *Statements of Net Assets *Statements of Activities | *Balance Sheet *Statement of revenues, expenditures and changes in fund balances | *Statement of net assets *Statement of revenues, expenditures and changes in fund net assets *Statement of cash flows | *Statement of fiduciary net assets *Statement of changes in fiduciary assets |
| Accounting Basis and Measurement Focus | Actual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities | All assets and liabilities, both financial and capital, short-term and long term | All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during year, regardless of when cash is received or paid | All additions and dedications during the year; regardless of when cash is received or paid |

Table A-2 summarizes the major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. The basic financial statements include two kinds of statements that present different views of the School:

- Charter School-Wide Statements
- Fund Financial Statements

Basic Financial Statements

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

The report is organized so the reader can understand the Charter School as a whole, or as an entire operating entity. The first two basic financial statements, the Statement of Net Position and the Statement of Activities and Changes in Net Position, 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.

Fund Financial Statements

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

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

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

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**

Reporting the Charter School as a Whole

Statement of Net Position 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 2015?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School’s assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into accounts all of the current year’s revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School’s net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. 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 Position 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. Normally, the Charter School’s Food Service and After School Program are reported as business activities within the Enterprise Fund.

Reporting the School Charter School’s Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Charter School’s activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

Reporting the School Charter School's Most Significant Funds – Continued

Governmental Funds – Continued

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 Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2015.

| | Governmental Activities | | Busines Type Activities | | Total | |
|---------------------------------------|----------------------------|----------------------|----------------------------|------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Assets | | | | | | |
| Current Assets | \$ 1,370,808 | \$ 1,347,596 | \$ 153,468 | \$ 285,884 | \$ 1,524,276 | \$ 1,633,480 |
| Capital Assets, net | <u>6,933,550</u> | <u>7,693,056</u> | <u>-</u> | <u>-</u> | <u>6,933,550</u> | <u>7,693,056</u> |
| Total Assets | <u>8,304,358</u> | <u>9,040,652</u> | <u>153,468</u> | <u>285,884</u> | <u>8,457,826</u> | <u>9,326,536</u> |
| Deferred Outflows of Resources | <u>289,571</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>289,571</u> | <u>-</u> |
| Liabilities | | | | | | |
| Current Liabilities | 931,088 | 842,060 | 19,262 | 186,391 | 950,350 | 1,028,451 |
| Long Term Liabilities | <u>13,138,902</u> | <u>9,606,599</u> | <u>-</u> | <u>-</u> | <u>13,138,902</u> | <u>9,606,599</u> |
| Total Liabilities | <u>14,069,990</u> | <u>10,448,659</u> | <u>19,262</u> | <u>186,391</u> | <u>14,089,252</u> | <u>10,635,050</u> |
| Deferred Inflows of Resources | <u>449,538</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>449,538</u> | <u>-</u> |
| Net Assets | | | | | | |
| Invested in Capital Assets | | | | | | |
| - net of related debt | (1,245,359) | (837,201) | - | - | (1,245,359) | (837,201) |
| Unrestricted | <u>(4,833,708)</u> | <u>(570,806)</u> | <u>134,206</u> | <u>99,493</u> | <u>(4,699,502)</u> | <u>(471,313)</u> |
| Total Net Position | <u>\$(6,079,067)</u> | <u>\$(1,408,007)</u> | <u>\$ 134,206</u> | <u>\$ 99,493</u> | <u>\$(5,944,861)</u> | <u>\$(1,308,514)</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

The Charter School as a Whole – Continued

The total net position of the Charter School decreased by (\$458,508) during the current fiscal year ended June 30, 2015.

In 2015, total operating revenues increased by \$11,193, about .14%. This was due to increases in state funding. Total revenues for the business-type activities increased due primarily to increase after care program revenues. Expenses totaled expenses \$356,891.

Governmental Activities

The Charter School's total revenues were \$8,067,776 for 2015 and \$8,287,060 for 2014, respectively. This includes \$204,324 for 2015 and \$187,764 for 2014 of State reimbursed TPAF social security contributions; and \$329,955 for 2015 and \$260,925 for 2014 in TPAF Pension on-behalf contributions.

The total cost of all program and services were \$9,446,247 for 2015 and \$9,140,219 for 2014. Instruction comprises 41% of Charter School expenses for 2015 and 39.2% for 2014.

Business-Type Activity

The business-type activity of the Charter School comprised of food program and after school program operations. Operations had total revenues of \$391,615 and operating expenses of \$356,892 for fiscal year 2015, compared against \$219,360 in total revenues and \$316,580 in operating expenses for 2014. The Charter School continued in its effort to have both the food services and after school programs be self-sustaining 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 \$8,052,092. Governmental funds had expenditures and other financing uses of \$8,548,847. The negative change in fund balance for the year was anticipated by the Board of the Charter School due to long-term payments and refining activities undertaken during the year. Further, the Charter School was able to timely implement all of its planned programs by the end of the fiscal year.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

General Fund Budgeting Highlights

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

During the course of fiscal 2015, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues and other financing sources were \$7,131,613 which included a local tax levy of \$1,796,194. Expenditures and other financing uses were budgeted at \$7,490,956. The Charter School anticipated the use of fund balance in the amount of \$359,343. Actual revenues were \$7,452,291 and actual expenditures were \$7,671,575.

The State of New Jersey reimbursed the Charter School \$204,324 during the year ended June 30, 2015 for the employer's share of social security contributions and \$329,955 in Pension on-behalf contributions for TPAF members.

Capital Assets

At the end of fiscal year 2015, the Charter School had (\$1,245,359) invested in capital assets net of related debt; all of which are reflected in the governmental activities. Additions to capital assets in 2015 amounted to \$30,635 representing the cost of equipment items.

Long-term Debt and Capitalized Lease Obligations

At June 30, 2015, the Charter School had \$8,074,672 in long-term debt – mortgages on the school buildings. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2014-2015. 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**

Contacting the Charter School's Financial Management

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

JERSEY CITY COMMUNITY CHARTER SCHOOL
Business Office
128 Danforth Avenue
Jersey City, New Jersey 07305

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2015**

EXHIBIT A-1

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 782,086 | \$ 96,852 | \$ 878,938 |
| Accounts receivable | 390,863 | 56,616 | 447,479 |
| Interfund receivables | 38,391 | - | 38,391 |
| Security deposit | 6,000 | - | 6,000 |
| Capital assets, net | <u>6,933,550</u> | <u>-</u> | <u>6,933,550</u> |
| Total Assets | <u>8,150,890</u> | <u>153,468</u> | <u>8,304,358</u> |
| Deferred Outflows of Resources | <u>289,571</u> | <u>-</u> | <u>289,571</u> |
| Liabilities | | | |
| Accounts payable and accrued expenses | 864,261 | 19,262 | 883,523 |
| Accrued salaries and benefits | 4,767 | - | 4,767 |
| Intergovernmental payables: | | | |
| State | 56,060 | - | 56,060 |
| Deferred revenue | 6,000 | - | 6,000 |
| Non-current liabilities: | | | |
| Due within one year | 8,364,195 | - | 8,364,195 |
| Due in more than one year | <u>4,774,707</u> | <u>-</u> | <u>4,774,707</u> |
| Total Liabilities | <u>14,069,990</u> | <u>19,262</u> | <u>14,089,252</u> |
| Deferred Inflows of Resources | <u>449,538</u> | <u>-</u> | <u>449,538</u> |
| Net Position (Deficit) | | | |
| Invested in capital assets, net of related debt | (1,141,122) | - | (1,141,122) |
| Unrestricted | <u>(4,937,945)</u> | <u>134,206</u> | <u>(4,803,739)</u> |
| Total Net Position (Deficit) | <u>\$ (6,079,067)</u> | <u>\$ 134,206</u> | <u>\$ (5,944,861)</u> |

See accompanying notes to the basic financial statements.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

EXHIBIT A-2

| 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 | \$ 5,045,477 | \$ - | \$ 1,282,067 | \$ (3,763,410) | \$ - | \$ (3,763,410) |
| Administrative and support services | 2,675,010 | - | 396,055 | (2,278,955) | - | (2,278,955) |
| Interest on long-term debts | 578,727 | - | - | (578,727) | - | (578,727) |
| Unallocated depreciation | 790,141 | - | - | (790,141) | - | (790,141) |
| Total Governmental Activities | 9,089,355 | - | 1,678,122 | (7,411,233) | - | (7,411,233) |
| Business-type Activities | | | | | | |
| Food service | 313,471 | 18,318 | 293,477 | - | (1,676) | (1,676) |
| After Care Program | 43,421 | 79,810 | - | - | 36,389 | 36,389 |
| Total Business-type Activities | 356,892 | 98,128 | 293,477 | - | 34,713 | 34,713 |
| Total Primary Government | \$ 9,446,247 | \$ 98,128 | \$ 1,971,599 | (7,411,233) | 34,713 | (7,376,520) |
| General revenues, transfers and special items: | | | | | | |
| Local sources | | | | 1,796,194 | - | 1,796,194 |
| State sources | | | | 5,089,674 | - | 5,089,674 |
| Miscellaneous | | | | 32,144 | - | 32,144 |
| Total general revenues | | | | 6,918,012 | - | 6,918,012 |
| Change in net position (deficit) | | | | (493,221) | 34,713 | (458,508) |
| Net position (deficit) - beginning, as reported | | | | (1,408,007) | 99,493 | (1,308,514) |
| Cumulative effect of change in accounting principle (Note 17) | | | | (4,177,839) | - | (4,177,839) |
| Net position (deficit) - beginning, as restated | | | | (5,585,846) | 99,493 | (5,486,353) |
| Net position (deficit) - ending | | | | \$ (6,079,067) | \$ 134,206 | \$ (5,944,861) |

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

EXHIBIT B-1

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Totals Governmental Funds</u> |
|---|-------------------------|--|--|
| Assets | | | |
| Cash and cash equivalents | \$ 782,086 | \$ - | \$ 782,086 |
| Accounts receivable: | | | |
| State | 79,387 | - | 79,387 |
| Federal | - | 311,476 | 311,476 |
| Interfund receivables | 338,001 | - | 338,001 |
| Security deposit | 6,000 | - | 6,000 |
| Total Assets | <u>\$ 1,205,474</u> | <u>\$ 311,476</u> | <u>1,516,950</u> |
| Liabilities and Fund Balances | | | |
| <u>Liabilities</u> | | | |
| Accounts payable and accrued expenses | \$ 858,395 | \$ 5,866 | \$ 864,261 |
| Accrued salaries and benefits | 4,767 | - | 4,767 |
| Intergovernmental payables: | | | |
| State | 56,060 | - | 56,060 |
| Deferred revenue | - | 6,000 | 6,000 |
| Interfund payables | - | 299,610 | 299,610 |
| Total Liabilities | <u>919,222</u> | <u>311,476</u> | <u>1,230,698</u> |
| <u>Fund Balances</u> | | | |
| Unassigned | <u>286,252</u> | - | <u>286,252</u> |
| Total Fund Balances | <u>286,252</u> | - | <u>286,252</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,205,474</u> | <u>\$ 311,476</u> | |
| Amounts reported for governmental activities in the statement of net position (A-1) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | |
| | | Cost of capital assets | 12,838,312 |
| | | Accumulated depreciation | <u>(5,904,762)</u> |
| | | | <u>6,933,550</u> |
| Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred in the statement of activities. | | | |
| | | Deferred amounts on net pension assets (liabilities) | <u>(159,967)</u> |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | | |
| | | Pension asset | <u>-</u> |
| Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | | |
| | | Compensated absences payable | (1,042,374) |
| | | Net pension liability | (4,021,856) |
| | | Long-term obligations | <u>(8,074,672)</u> |
| | | | <u>(13,138,902)</u> |
| Net position (deficit) of governmental activities - A-1 | | | <u>\$ (6,079,067)</u> |

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

EXHIBIT B-2

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2015

| | General Fund | Special Revenue Fund | Total |
|---|-------------------------|-------------------------------------|-------------------|
| Revenues | | | |
| <u>Local Sources</u> | | | |
| Local tax levy | \$ 1,796,194 | \$ - | \$ 1,796,194 |
| Interest income | 116 | - | 116 |
| Miscellaneous | <u>32,028</u> | <u>2,896</u> | <u>34,924</u> |
| Total Revenues - Local Sources | 1,828,338 | 2,896 | 1,831,234 |
| State sources | 5,089,674 | - | 5,089,674 |
| On behalf TPAF - Pension (non-budgeted) | 329,955 | - | 329,955 |
| TPAF - Social Security (non-budgeted) | 204,324 | - | 204,324 |
| Federal sources | <u>-</u> | <u>612,589</u> | <u>612,589</u> |
| Total Revenues | <u>7,452,291</u> | <u>615,485</u> | <u>8,067,776</u> |
| Expenditures | | | |
| Instruction | 2,884,369 | 513,378 | 3,397,747 |
| Administrative | 2,153,023 | 72,046 | 2,225,069 |
| Support services | 1,034,957 | 30,061 | 1,065,018 |
| Debt service | 1,034,312 | - | 1,034,312 |
| Capital outlay | 30,635 | - | 30,635 |
| On behalf TPAF - Pension (non-budgeted) | 329,955 | - | 329,955 |
| TPAF - Social Security (non-budgeted) | <u>204,324</u> | <u>-</u> | <u>204,324</u> |
| Total Expenditures | <u>7,671,575</u> | <u>615,485</u> | <u>8,287,060</u> |
| Deficiency of revenue over expenditures | (219,284) | - | (219,284) |
| Fund Balances, July 1, 2014 | <u>505,536</u> | <u>-</u> | <u>505,536</u> |
| Fund Balances, June 30, 2015 | <u>\$ 286,252</u> | <u>\$ -</u> | <u>\$ 286,252</u> |

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015**

EXHIBIT B-3

Total net change in fund balances - governmental funds (B-2) \$ (219,284)

**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 | (790,141) | |
| | Capital outlays | <u>30,635</u> | (759,506) |

Repayment of principal portion of long term loans are expenditures in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets and is not reported in the statement of activities.

| | | |
|--|--|---------|
| | <u>Repayment of long term loan principal</u> | 455,585 |
|--|--|---------|

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

| | | | |
|--|--|---------------|---------------|
| | Pension costs | (3,984) | |
| | Amount of compensated absences earned in excess of paid amount | <u>33,968</u> | <u>29,984</u> |

Change in net position (deficit) of governmental activities (A-2) \$ (493,221)

See accompanying notes to the basic financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 PROPRIETARY FUND
 STATEMENT OF NET POSITION (DEFICIT)
 JUNE 30, 2015**

EXHIBIT B-4

| | <u>Food Program</u> | <u>After Care Program</u> | <u>Total</u> |
|-------------------------------|-------------------------|-------------------------------|-------------------|
| Assets | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | \$ (140,717) | \$ 237,565 | \$ 96,848 |
| Accounts receivable | 56,616 | - | 56,616 |
| Interfund receivables | - | 15,739 | 15,739 |
| Total Current Assets | <u>(84,101)</u> | <u>253,304</u> | <u>169,203</u> |
| | | | |
| Liabilities | | | |
| <u>Current Liabilities</u> | | | |
| Interfund payable | 15,739 | - | 15,739 |
| Accounts payable | 19,258 | - | 19,258 |
| Total Current Liabilities | <u>34,997</u> | <u>-</u> | <u>34,997</u> |
| | | | |
| Net Position (Deficit) | | | |
| Unrestricted | <u>\$ (119,098)</u> | <u>\$ 253,304</u> | <u>\$ 134,206</u> |

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
PROPRIETARY FUND**

EXHIBIT B-5

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)
YEAR ENDED JUNE 30, 2015**

| | <u>Food Program</u> | <u>After Care Program</u> | <u>Total</u> |
|--|-------------------------|-------------------------------|-------------------|
| Operating Revenues: | | | |
| Charges for services: | | | |
| Daily sales - nonreimbursable programs | \$ 18,318 | \$ - | \$ 18,318 |
| Daily sales - after care program | <u>-</u> | <u>79,810</u> | <u>79,810</u> |
| Total Operating Revenues | <u>18,318</u> | <u>79,810</u> | <u>98,128</u> |
| Operating Expenses: | | | |
| Cost of sales | 265,545 | - | 265,545 |
| Salaries | 43,950 | 43,421 | 87,371 |
| Other purchased service | 2,415 | - | 2,415 |
| Other costs | <u>1,561</u> | <u>-</u> | <u>1,561</u> |
| Total Operating Expenses | <u>313,471</u> | <u>43,421</u> | <u>356,892</u> |
| Operating income (loss) | <u>(295,153)</u> | <u>36,389</u> | <u>(258,764)</u> |
| Nonoperating Revenues: | | | |
| State sources: | | | |
| State School Lunch Program | 4,342 | - | 4,342 |
| Federal sources: | | | |
| National School Lunch Program | 59,283 | - | 59,283 |
| National School Breakfast Program | 216,531 | - | 216,531 |
| After School Snacks | <u>13,321</u> | <u>-</u> | <u>13,321</u> |
| Total Non-Operating Revenues | <u>293,477</u> | <u>-</u> | <u>293,477</u> |
| Change in Net Position (Deficit) | (1,676) | 36,389 | 34,713 |
| Net Position (Deficit) - Beginning of Year | <u>(117,422)</u> | <u>216,915</u> | <u>99,493</u> |
| Net Position (Deficit) - End of Year | <u>\$ (119,098)</u> | <u>\$ 253,304</u> | <u>\$ 134,206</u> |

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

EXHIBIT B-6

| | Enterprise Funds | | |
|---|-------------------------|-------------------------------|-----------------------------|
| | Food Program | After Care Program | Total Enterprise |
| Cash Flows from Operating Activities | | | |
| Operating income (loss) | \$ (295,153) | \$ 36,389 | \$ (258,764) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 7,248 | 4,443 | 11,691 |
| (Increase) decrease in interfund receivables | - | (14,844) | (14,844) |
| Increase (decrease) in accounts payable | (169,272) | - | (169,272) |
| Increase (decrease) in interfund payable | <u>15,739</u> | <u>(6,000)</u> | <u>9,739</u> |
| Net cash provided by (used in) operating activities | <u>(441,438)</u> | <u>19,988</u> | <u>(421,450)</u> |
| Cash Flows from Non-Capital Financing Activities | | | |
| State sources | 4,425 | - | 4,425 |
| Federal sources | <u>296,296</u> | <u>-</u> | <u>296,296</u> |
| Net cash provided by non-capital financing activities | <u>300,721</u> | <u>-</u> | <u>300,721</u> |
| Cash Flows from Investing Activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (140,717) | 19,988 | (120,729) |
| Balances - Beginning of Year | <u>-</u> | <u>217,577</u> | <u>217,577</u> |
| Balances - End of Year | <u>\$ (140,717)</u> | <u>\$ 237,565</u> | <u>\$ 96,848</u> |

See accompanying notes to the basic financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2015**

EXHIBIT B-7

| | <u>Agency Funds</u> | | |
|---------------------------|-----------------------------|----------------|---------------|
| | <u>Student Activity</u> | <u>Payroll</u> | <u>Total</u> |
| Assets | | | |
| Cash and cash equivalents | \$ 34,873 | \$ 19,658 | \$ 54,531 |
| Accounts receivable | - | 11,438 | 11,438 |
| Interfund receivables | - | - | - |
| Total Assets | <u>34,873</u> | <u>31,096</u> | <u>65,969</u> |
| Liabilities | | | |
| <u>Liabilities</u> | | | |
| Interfund payables | 7,177 | 31,096 | 38,273 |
| Due to student groups | <u>27,696</u> | - | <u>27,696</u> |
| Total Liabilities | <u>34,873</u> | <u>31,096</u> | <u>65,969</u> |
| Net Position | | | |
| Unrestricted | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to the basic financial statements.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Jersey City Community Charter School (the “Charter School”) 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 accounting principles generally accepted in the United States of America as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity

Jersey City Community Charter School (the “Charter School”) was incorporated in the State of New Jersey on March 13, 1997 as a not-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. Jersey City Community Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Application of Accounting Standards

For the year ended June 30, 2015, the Charter School implemented GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*” and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date*”. These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. These statements also require the identification of the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. As a result of adopting these standards, the entity-wide financial statements reflect a cumulative effect for the change in accounting principle of \$4,177,839.

C. Basis of Presentation

The financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (“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.

D. Basic Financial Statements

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements – Continued

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

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

E. Governmental Funds

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Governmental Funds – Continued

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

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

Capital Projects Fund - 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, 2015, there was no Capital Projects Fund.

Debt Service Fund -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2015, there was no debt service fund.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Proprietary Funds

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

Enterprise Funds

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

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

Internal Service (Self-Insurance) Fund

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

G. Fiduciary Funds

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Fiduciary Funds – Continued

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

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

As of June 30, 2015, the Charter School only had Agency Funds as part of its Fiduciary Funds.

H. Measurement Focus and Basis of Accounting

Measurement Focus – Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements 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.

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 position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or noncurrent, associated with their activities are included on the balance sheet. Fund equity is classified as net position.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Measurement Focus and Basis of Accounting – Continued

Basis of Accounting

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

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

I. Budgets/Budgetary Control

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

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 for the presentation of GAAP basis financial reports.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. 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 investment is 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.

K. Tuition Payable

The Charter School did not send any of its students to any other charter schools during the fiscal year ended June 30, 2015.

L. 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Inventories and Prepaid Expenses – Continued

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond the current reporting year.

M. Interfund Assets/Liabilities

On the fund financial statement, receivable and payables resulting from short-term interfund loans are classified as interfund receivable/payable. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position.

N. Capital Assets

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets. Capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000, as required by the State of New Jersey’s Department of Education.

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

| <u>Description</u> | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Land and Improvements | 15 years |
| Building and Building Improvements | 15 years |
| Furniture and Equipment | 5 years |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Deferred Outflows/Inflows of Resources

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

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

P. 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.*” 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 events that are 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 events that are outside the control of the Charter School and its employees, are accounted for in the period in which such service is rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. In proprietary and similar trust funds, compensated absences are required as an expense and liability of the fund that will pay for them. As of June 30, 2015, a liability existed for compensated absences in the Food Service Fund in the amount \$1,042,374.

Q. Net Pension Liability (Asset)

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

R. Deferred Revenue

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

S. Accrued Liabilities and Long Term Obligation

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

T. Fund Balance

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 a government is bound to observe constraints imposed upon the use of the 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 are 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

T. Fund Balance – Continued

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.

U. Net Position

The *Statement of Net Position* includes the following:

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

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

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

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

V. Contributed Capital

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

W. Interfund Transactions

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

X. Use of Estimates

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

Y. 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.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization on maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

These categories are not broad representations that deposits or investments are "safe" or "unsafe".

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Deposits

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

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

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.

As of June 30, 2015, cash and cash equivalents and investments of the Charter School consisted of the following:

| | General Fund | Enterprise Services | Agency Fund | Total |
|-------------------|-------------------------|--------------------------------|------------------------|-------------------|
| Operating Account | <u>\$ 782,086</u> | <u>\$ 96,852</u> | <u>\$ 54,531</u> | <u>\$ 933,469</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. All bank balances were covered by the federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey Statutes.

Risk Category

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

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

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

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

As of June 30, 2015, the Charter School has funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2015, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

3. RECEIVABLES

Receivables at June 30, 2015 consisted of state and federal receivables for tuition, state aid, and grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|-------------|------------------------------------|-------------------------------------|-------------------|
| State Aid | \$ 79,387 | \$ 814 | \$ 80,201 |
| Federal Aid | 311,476 | 55,802 | 367,278 |
| Total | <u>\$ 390,863</u> | <u>\$ 56,616</u> | <u>\$ 447,479</u> |

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

| <u>Governmental Activities</u> | <u>Balance July 1, 2014</u> | <u>Net Additions (Deletions)</u> | <u>Balance June 30, 2015</u> |
|---|---------------------------------|--------------------------------------|----------------------------------|
| Capital assets not depreciated: | | | |
| Land | \$ 861,909 | \$ - | \$ 861,909 |
| Capital assets being depreciated: | | | |
| Buildings | 11,159,270 | - | 11,159,270 |
| Buildings improvements | 395,304 | 7,933 | 403,237 |
| Machinery and equipment | 370,585 | 22,702 | 393,287 |
| Furniture | 20,609 | - | 20,609 |
| Totals at historical cost | <u>11,945,768</u> | <u>30,635</u> | <u>11,976,403</u> |
| Less: Accumulated depreciation | | | |
| Buildings | 4,572,406 | 743,951 | 5,316,357 |
| Buildings improvements | 167,081 | 31,492 | 198,573 |
| Machinery and equipment | 354,525 | 14,698 | 369,223 |
| Furniture | 20,609 | - | 20,609 |
| Total Accumulated Depreciation | <u>5,114,621</u> | <u>790,141</u> | <u>5,904,762</u> |
| Total capital assets being depreciated net of accumulated depreciation | <u>6,831,147</u> | <u>(759,506)</u> | <u>6,071,641</u> |
| Capital assets, net | <u>\$ 7,693,056</u> | <u>\$ (759,506)</u> | <u>\$ 6,933,550</u> |

Depreciation expense of \$790,141 was charged to an unallocated function.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

5. INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-Wide Statement of Net Position. At June 30, 2015, the interfund balances consisted of the following components:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|---|-------------------|------------------|
| General Fund | \$ 338,001 | \$ - |
| Special Revenue Fund | - | 299,610 |
| Fiduciary Fund | - | 38,273 |
| Total | 338,001 | 337,883 |
| | | |
| GASB No. 34 mandated eliminations within governmental governmental activities Special Revenue Fund | <u>(299,610)</u> | <u>(299,610)</u> |
| External Balance, June 30, 2015 | <u>\$ 38,391</u> | <u>\$ 38,273</u> |

6. MORTGAGE PAYABLE

The Reinvestment Fund Loans

On February 27, 2007, JCCCS entered into two (2) mortgage agreements with The Reinvestment Fund for a total financing in the total amount of \$7,000,000, which includes a senior Note in the amount of \$5,740,000 and a subordinated Note in the amount of \$1,260,000. A portion of the loan proceeds was used to pay off the two outstanding loan balances owed to Bayonne Community Bank and New Jersey Community Loan Fund. The remaining proceeds were designated for the Charter School's expansion project – construction of additional 14 classrooms.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

6. MORTGAGE PAYABLE – CONTINUED

The Reinvestment Fund Loans – Continued

Both mortgages are collateralized by the land, building and building improvements and are due on February 27, 2024. The terms of the mortgages requires no monthly principal payments, only monthly interest payments. The interest rate on the \$5,740,000 Note is a variable equal to the 90-day LIBOR plus 230 basis points per annum (“LIBOR-Base Rate”) as determined by the payee prior to the commencement of each 90 day Interest Period. Interest shall be calculated daily on the basis of the actual number of days elapsed over a 360 day year. The interest rate on the \$1,260,000 is a fixed rate at 3.39% per annum. The mortgages cannot be prepaid prior to January 1, 2014. In March 2014, the Charter School exercised its option to retire the two mortgages for a discount of \$630,000. The net mortgage payment of \$6,370,000 was settled from proceeds of a short-term refinancing with The Reinvestment Fund of \$5,870,000 and from Charter School appropriations of \$500,000.

On March 31, 2015, the Charter School and The Reinvestment Fund entered into a first amendment to the short-term loan wherein, among other things, they agreed to extend the maturity date of the loan from March 31, 2015 to August 1, 2016. As of June 30, 2015, the outstanding amount was \$5,442,114.

The Community Loan Fund of New Jersey Loans

On July 23, 2010, JCCCS entered into an acquisition/renovations mortgage agreements with Community Loan Fund of New Jersey for a total financing of \$3,228,200 – a building acquisition loan in the amount of \$2,855,000 and a Line of Credit in the amount of \$373,200. The entire \$2,855,000 loan and \$50,724 of the \$372,200 were used for the acquisition and renovations of the Middle School building at 16 Bentley Avenue, Jersey City, New Jersey. The \$50,724 balance of the second loan was fully liquidated prior to June 30, 2015.

The acquisition/renovation financing was converted into a permanent mortgage in the amount of \$2,855,000 as of January 1, 2011 after the completion of renovations. The loan is collateralized by the land, building and building improvements at 16 Bentley Avenue, Jersey City, New Jersey. On August 1, 2015, the Charter School and Community Loan Fund of New Jersey entered into a new mortgage amendment. They agreed to extend the maturity date of the mortgage from August 1, 2015 to August 1, 2016. The monthly payment of principal and interest is \$20,636. As of June 30, 2015, the outstanding balance of the loan is \$2,632,558.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

7. MORTGAGE PAYABLE – CONTINUED

The following are the future maturities of The Reinvestment Fund Loans and Community Loan Fund of New Jersey Loan:

| Year Ending June 30, | TRF Loans | Community Loan Fund of NJ Loan | Total |
|---------------------------------|---------------------|---|------------------|
| 2016 | \$ 5,442,114 | \$ 2,632,558 | \$ 8,074,672 |
| Total | <u>\$ 5,442,114</u> | <u>\$ 2,632,558</u> | 8,074,672 |
| Less: Amount due in one year | | | <u>8,074,672</u> |
| Amount due after one year | | | <u>\$ -</u> |

Total interest paid for both loans in 2015 charged to operations is \$659,419.

8. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the *Statement of Net Position (Deficit)*:

| | Balance as Reported July 1, 2014 | Cumulative Effect of Change in Accounting Principle | Balance as Restated July 1, 2014 | New Issues/ Additions | Maturities and/or Payments | Balance June 30, 2015 | Due Within One Year |
|-----------------------|---|--|---|----------------------------------|---|----------------------------------|--------------------------------|
| Compensated absences | \$1,076,342 | \$ - | \$ 1,076,342 | \$ - | \$ 33,968 | \$ 1,042,374 | \$ 104,237 |
| Net pension liability | - | 4,177,839 | 4,177,839 | 185,286 | 341,269 | 4,021,856 | 185,286 |
| Mortgage obligations | <u>8,530,257</u> | - | <u>8,530,257</u> | - | <u>455,585</u> | <u>8,074,672</u> | <u>8,074,672</u> |
| Total long-term debt | <u>\$9,606,599</u> | <u>\$4,177,839</u> | <u>\$13,784,438</u> | <u>\$ 185,286</u> | <u>\$ 830,822</u> | <u>\$ 13,138,902</u> | <u>\$8,364,195</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

9. EQUIPMENT LEASE

The Charter School is currently leasing the following:

- Three (3) copiers commencing September 2010 for a period of sixty (60) months in the amount of \$2,775 per month.
- A printer commencing March 2010 for a period of sixty (60) months in the amount of \$340 per month.
- A copier commencing January 2011 for a period of sixty three (63) months in the amount of \$1,175 per month.
- Two (2) copiers commencing January 2009 for a period of sixty three (63) months in the amount of \$895 per month.
- Two (2) water purification equipment commencing May and July 2013 for sixty (60) months in the amount of \$240 per month.

The above leases are recorded as operating leases by the Charter School.

Total lease payments amounted to \$59,730 for the fiscal year ended June 30, 2015. Future minimum operating lease payments on equipment are as follow:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2016 | \$ 2,880 |
| 2017 | 1,440 |
| Total | <u>\$ 4,320</u> |

10. NET POSITION (DEFICIT)

As of June 30, 2015, governmental activities net position (deficit) consisted of the following components:

| | <u>Capital Assets</u> | <u>Unrestricted</u> |
|--|-----------------------|-----------------------|
| Governmental Activities - Net Position (Deficit) | | |
| Capital Assets, Net | \$ 6,933,550 | \$ - |
| Less: Related Debt | <u>(8,074,672)</u> | <u>-</u> |
| Invested Capital Assets, Net of Related Debt | (1,141,122) | - |
| Unrestricted | <u>-</u> | <u>(4,937,945)</u> |
| Net Position (Deficit), June 30, 2015 | <u>\$ (1,141,122)</u> | <u>\$ (4,937,945)</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

10. NET POSITION (DEFICIT) – CONTINUED

The Charter School has a deficit in net position invested in capital assets, net of related debt, of \$1,141,122 as of June 30, 2015. This deficit is the result of the Charter School's utilization of temporary financing to fund its capital expenditures in previous years; and the faster rate at which the capital assets are depreciated as compared to the rate that the Charter School is paying off its obligations. Capital assets are used by the Charter School in its general operations and the Charter School will utilize unrestricted resources to liquidate obligations incurred for the acquisition of these assets.

The Charter School also has an unrestricted deficit of \$4,937,945 as of June 30, 2015. This deficit is caused by the restatement of the unrestricted net position at the beginning of the fiscal year due to the cumulative effective of change in accounting principle in the amount of \$4,177,839; and the recognition of an obligation related to compensated absences in the total amount of \$1,042,374.

Business-type activities net position did not have any capital assets or restrictions.

11. PENSION PLANS

a) Description of Plans

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the 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.

i. Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as a January 1, 1995, 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. PENSION PLANS – CONTINUED

a) Description of Plans – Continued

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.

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

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

b) Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A:for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally 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.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. 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.

c) Significant Legislation

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

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent of the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

d) Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. PENSION PLANS – CONTINUED

d) Contribution Requirement– Continued

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. The Charter School's contribution to PERS for the year ended June 30, 2015 was \$168,929.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$204,324 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the general-purpose financial statements.

e) GASB 68 Disclosures

i. PERS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For the year ended June 30, 2015, the Charter School recognized pension expense of \$172,998. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. PENSION PLANS – CONTINUED

e) GASB 68 Disclosures – Continued

i. PERS – Continued

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | 120,642 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 228,639 |
| Change in proportion and differences between Charter School contributions and proportionate share contributions | - | 220,899 |
| Charter School contributions subsequent to measurement date | 168,929 | - |
| | <u>\$ 289,571</u> | <u>\$ 449,538</u> |

\$168,929 was reported as deferred outflows of resources related to pensions resulting from Charter School, contributions subsequent to the measurement date of June 30, 2014 was recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>Year Ended June 30,</u> |
|------------|--------------------------------|
| 2016 | \$ (75,589) |
| 2017 | (75,589) |
| 2018 | (75,589) |
| 2019 | (75,589) |
| 2020 | (18,430) |
| Thereafter | (8,109) |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. PENSION PLANS – CONTINUED

f) GASB 68 Disclosures – Continued

ii. PERS – continued

Actuarial assumptions. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

| | |
|---------------------------|---------------------------|
| Inflation | 3.01 percent |
| Salary increases | |
| 2012-2021 | 2.15 – 4.40% based on age |
| Thereafter | 3.15 – 5.4% based on age |
| Investment rate of return | 7.9% |

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target assest allocation as of June 30, 2014 are summarized in the following table:

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. PENSION PLANS – CONTINUED

e) GASB 68 Disclosures – Continued

i. PERS – Continued

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Cash | 6.00% | 0.80% |
| Core bonds | 1.00% | 2.49% |
| Intermediate-term bonds | 11.20% | 2.26% |
| Mortgages | 2.50% | 2.17% |
| High yield bonds | 5.50% | 4.82% |
| Inflation-indexed bonds | 2.50% | 3.51% |
| Broad US equities | 25.90% | 8.22% |
| Developed foreign equities | 12.70% | 8.12% |
| Emerging market equities | 6.50% | 9.91% |
| Private equity | 8.25% | 13.02% |
| Hedge funds/absolute return | 12.25% | 4.92% |
| Real estate (property) | 3.20% | 5.80% |
| Commodities | 2.50% | 5.35% |
| Total | 100% | |

Discount rate. The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contribution from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

11. PENSION PLANS – CONTINUED

f) GASB 68 Disclosures – Continued

i. PERS – Continued

Sensitivity of the Charter School’s Proportionate share of the net pension liability to changes in the discount rate. The following presents the Charter School’s proportionate share of the net pension liability calculated using the discount rate as disclosed below, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------------------|--|------------------------------------|
| Charter School’s proportionate share of the net pension liability | <u>\$ (4,826,536)</u> | <u>\$ 3,836,570</u> | <u>\$ 3,005,251</u> |

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

ii. Teachers’ Pension and Annuity Fund (TPAF)

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

For the year ended June 30, 2015, the Charter School recognized pension expense and related revenue of \$655,877 in the charter school-wide financial statements for its proportionate share in the special funding allocation by the State for its TPAF members under a non-employer contribution plan.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

12. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

13. DEFERRED COMPENSATION

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

14. COMPENSATED ABSENCES

Charter School employees are granted sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave.

Vacation days not used during the year may only be carried forward with approval from the Chief School Administrator.

The entire liability for vested compensated absences of governmental activities is recorded in the Charter School-wide financial statement. The current portion of the governmental activities compensated absences balance is not considered material to the applicable funds total liabilities; therefore it is not shown in the fund financial statement.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

14. COMPENSATED ABSENCES – CONTINUED

The liabilities for vested compensated absences of the proprietary fund types are recorded within those funds as the benefits accrued to employees. As of June 30, 2015, Charter School-wide compensated absences amounted to \$1,042,374, of which \$104,237 is estimated to be due the following fiscal year.

15. RISK MANAGEMENT

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation

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

16. LITIGATIONS AND CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies’ regulations governing the aid. In the opinion of the Charter School’s management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2015, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2015.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

16. LITIGATIONS AND CONTINGENCIES – CONTINUED

Transportation Issue

The transportation of the Charter School’s students (to and from school) is provided by the Jersey City Public Schools (JCPS) as part of the administrative fee (10%) that goes to the resident school district. The Charter School’s transportation has been provided by the JCPS since 1997 as part of a bidding process which the JCPS conducts. It should be noted that the Jersey City Community Charter School does not directly transport any of its students to and from school.

It should also be noted that New Jersey Statute – Title 18A:39-1 states as follows: “Whenever in any district there are elementary school pupils who live more than two (2) miles from their public school of attendance or secondary school pupils who live more than two and a half (2 ½) miles from their public school of attendance, the district shall provide transportation to and from school for these pupils.” It is the understanding of the Charter School that Jersey City Public Schools has complied and continues to comply with NJ Title 18A:39-1 in carrying out their obligations under the transportation agreement they have with the Charter School. The Charter School maintains that the “to and from” school transportation that the JCPS provided was for only eligible students.

Further, by their letter dated July 31, 2008 to the Charter School, the Jersey City Public Schools acknowledged a dispute (by the Charter School) of their billings. The Charter School is disputing billings submitted by the School District for several years. Pursuant to the dispute, the Charter School has accrued liabilities in its financial statements in the amount of \$222,972 through June 30, 2015. This is to recognize the liabilities, pending the complete resolution of all disputes.

17. PRIOR PERIOD ADJUSTMENTS

The Charter School made a prior year adjustment in the Charter-wide financial statements to record the net position liability as of June 30, 2014 as a result of implementing GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*” and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date.*”

| | <u>Previously Reported</u> | <u>Adjustments</u> | <u>As Restated</u> |
|-------------------------------------|--------------------------------|--------------------|--------------------|
| Statement of Net Position (Deficit) | | | |
| Liabilities | | | |
| Non-current liabilities | \$ 3,595,716 | \$ 4,177,839 | \$ 7,773,555 |
| Total Liabilities | 10,635,050 | 4,177,839 | 14,812,889 |
| Net Position (Deficit) | | | |
| Unrestricted/(Deficit) | (471,313) | (4,177,839) | (4,649,152) |
| Total Net Position (Deficit) | (1,308,514) | (4,177,839) | (5,486,353) |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

18. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the statement of net position (deficit) date through the date of December 15, 2015 which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no other subsequent events have occurred which require disclosure in the financial statements.

Please refer to Note 6 for subsequent event related to mortgage payable.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2015

EXHIBIT C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual Favorable (Unfavorable) |
|---|--------------------|---------------------|-----------------|--------------|---|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local tax levy | \$ 1,752,649 | \$ 43,545 | \$ 1,796,194 | \$ 1,796,194 | \$ - |
| Interest income | 2,000 | - | 2,000 | 116 | 1,884 |
| Miscellaneous | 75,000 | - | 75,000 | 32,028 | 42,972 |
| Total revenues -local sources | 1,829,649 | 43,545 | 1,873,194 | 1,828,338 | 44,856 |
| State sources | 5,088,242 | 1,432 | 5,089,674 | 5,089,674 | - |
| TPAF - Pension (on behalf) | - | - | - | 329,955 | (329,955) |
| TPAF-Social Security | 168,745 | - | 168,745 | 204,324 | (35,579) |
| Total revenues | 7,086,636 | 44,977 | 7,131,613 | 7,452,291 | (320,678) |
| Expenditures | | | | | |
| Current expense: | | | | | |
| Instruction | | | | | |
| Salaries of teachers | 2,233,171 | (5,000) | 2,228,171 | 2,227,372 | 799 |
| Home Instruction | | 5,000 | 5,000 | 1,936 | 3,064 |
| Other salaries of instruction | 562,934 | (161,000) | 401,934 | 365,852 | 36,082 |
| Professional /Technical service | 25,000 | (12,400) | 12,600 | 12,600 | - |
| Other purchased services | 15,000 | - | 15,000 | 13,673 | 1,327 |
| General educational supplies | 100,000 | (35,000) | 65,000 | 57,595 | 7,405 |
| Instructional text and books | 72,000 | (15,000) | 57,000 | 55,503 | 1,497 |
| Other instructional expenses | 6,000 | 5,000 | 11,000 | 9,784 | 1,216 |
| Special Ed. Teachers Salaries | - | 141,000 | 141,000 | 140,054 | 946 |
| Total current expense | 3,014,105 | (77,400) | 2,936,705 | 2,884,369 | 52,336 |
| Administrative cost: | | | | | |
| Salaries | 503,827 | 76,400 | 580,227 | 578,955 | 1,272 |
| Total benefit costs | 1,471,782 | (68,060) | 1,403,722 | 1,173,124 | 230,598 |
| Professional /Technical service | 67,500 | 70,000 | 137,500 | 132,128 | 5,372 |
| Communications and Telephones | 76,100 | 21,060 | 97,160 | 93,745 | 3,415 |
| Other purchased services | 93,000 | 500 | 93,500 | 93,350 | 150 |
| Supplies and materials | 60,000 | (41,600) | 18,400 | 18,300 | 100 |
| Judgment Against Charters | - | - | - | - | - |
| Miscellaneous expenses | 62,200 | 20,000 | 82,200 | 63,421 | 18,779 |
| Total administrative cost | 2,334,409 | 78,300 | 2,412,709 | 2,153,023 | 259,686 |
| Support services: | | | | | |
| Salaries | 555,984 | 15,000 | 570,984 | 570,288 | 696 |
| Purchased Professional /Technical service | 42,500 | 35,500 | 78,000 | 74,895 | 3,105 |
| Other purchased services | 57,100 | 53,000 | 110,100 | 103,176 | 6,924 |
| Rent on land and buildings | - | - | - | - | - |
| Insurance-fidelity, liability property | 85,500 | (37,500) | 48,000 | 47,309 | 691 |
| Supplies and materials | 55,000 | 20,000 | 75,000 | 73,287 | 1,713 |
| Transportation costs | 20,000 | (4,000) | 16,000 | 12,670 | 3,330 |
| Non-mandated transport - to and from school | - | - | - | - | - |
| Energy costs | 150,000 | 4,100 | 154,100 | 152,467 | 1,633 |
| Miscellaneous | 1,000 | - | 1,000 | 865 | 135 |
| Total support services | 967,084 | 86,100 | 1,053,184 | 1,034,957 | 18,227 |
| Debt service: | | | | | |
| Mortgage payments - principal | 55,214 | 423,000 | 478,214 | 455,585 | 22,629 |
| Mortgage payments - interest | 624,644 | (45,900) | 578,744 | 578,727 | 17 |
| Total debt service | 679,858 | 377,100 | 1,056,958 | 1,034,312 | 22,646 |
| Capital outlay: | | | | | |
| Instructional equipment | 10,000 | 9,000 | 19,000 | 18,852 | 148 |
| Non-instructional equipment | 13,000 | (13,000) | - | - | - |
| Purchased land/improvements - renovations of new building | 60,000 | (47,600) | 12,400 | 11,783 | 617 |
| Miscellaneous | 2,500 | (2,500) | - | - | - |
| Total capital outlay | 85,500 | (54,100) | 31,400 | 30,635 | 765 |
| On behalf TPAF - Pension (non-budgeted) | - | - | - | 329,955 | (329,955) |
| TPAF - Social Security (non-budgeted) | - | - | - | 204,324 | (204,324) |
| Total expenditures | 7,080,956 | 410,000 | 7,490,956 | 7,671,575 | (180,619) |
| Excess (Deficiency) of revenues over expenditures | 5,680 | (365,023) | (359,343) | (219,284) | (140,059) |
| Fund balances, beginning | 140,513 | 365,023 | 505,536 | 505,536 | - |
| Fund balances, ending | \$ 146,193 | \$ - | \$ 146,193 | \$ 286,252 | \$ (140,059) |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015**

EXHIBIT C-2

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------|-------------------------------------|
| Revenues | | | | | |
| Federal sources | \$ 595,115 | \$ 21,165 | \$ 616,280 | \$ 612,589 | \$ 3,691 |
| Local sources | - | 2,896 | 2,896 | 2,896 | - |
| Total revenues -all sources | - | 2,896 | 2,896 | 615,485 | - |
| Expenditures | | | | | |
| Current Expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | 462,561 | - | 462,561 | 460,461 | 2,100 |
| Other purchased prof. services | 5,000 | - | 5,000 | 4,816 | 184 |
| General supplies | 40,508 | 10,000 | 50,508 | 48,101 | 2,407 |
| Total instruction | 508,069 | 10,000 | 518,069 | 513,378 | 4,691 |
| Support services | | | | | |
| Employee benefits | 72,046 | - | 72,046 | 72,046 | - |
| Purchased professional educational services | 44,570 | (10,000) | 34,570 | 27,165 | 7,405 |
| Other purchased services | 3,187 | - | 3,187 | 2,896 | 291 |
| Total support services | 119,803 | (10,000) | 109,803 | 102,107 | 7,696 |
| Total expenditures | \$ 627,872 | \$ - | \$ 627,872 | \$ 615,485 | 12,387 |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART II

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015**

EXHIBIT C-3

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

| | <u>General Fund</u> | | <u>Special Revenue Fund</u> |
|--|---------------------------|--|-------------------------------------|
| Sources/inflows of resources | | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule: | [C-1] \$ 7,452,291 | | [C-2] \$ 615,485 |
| Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | - | | - |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | [B-2] <u>7,452,291</u> | | [B-2] <u>615,485</u> |
| Uses/outflows of resources | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] \$ 7,671,575 | | [C-2] \$ 615,485 |
| 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. | - | | - |
| Pension expense recognized for GAAP but not for budgetary purposes. | | | |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund | - | | - |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] <u>\$ 7,671,575</u> | | [B-2] <u>\$ 615,485</u> |

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

REQUIRED SUPPLEMENTARY INFORMATION – PART III

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY - PERS**

EXHIBIT L-1

Last Ten Fiscal Years (1)

| | <u>2015</u> |
|---|---------------|
| Charter School's proportion of the net pension liability (asset) | 0.0204915036% |
| Charter School's proportionate share of the net pension liability (asset) | \$ 3,836,570 |
| Charter School's covered-employee payroll | \$ 1,439,205 |
| Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 266.58% |
| Plan fiduciary net position as a percentage of the total pension liability | 40.71% |

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

EXHIBIT L-2

Last Ten Fiscal Years (1)

| | <u>2015</u> |
|---|------------------|
| Contractually required contribution | \$ 168,929 |
| Contributions in relation to the contractually required contribution | <u>(168,929)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Charter School's covered-employee payroll | \$ 1,439,205 |
| Contributions as a percentage of covered-employee payroll | 11.74% |

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

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY - TPAF**

EXHIBIT L-3

Last Ten Fiscal Years (1)

| | <u>2015</u> |
|---|---------------|
| Charter School's proportion of the net pension liability (asset) | 0.0228056936% |
| Charter School's proportionate share of the net pension liability (asset) | \$ 11,060,710 |
| Charter School's covered-employee payroll | \$ 1,954,170 |
| Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 566.01% |
| Plan fiduciary net position as a percentage of the total pension liability | 33.64% |

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III
YEAR ENDED JUNE 30, 2015**

Public Employees' Retirement System (PERS)

There are no changes of benefit terms and assumptions.

Teachers Pension Annuity Fund (TPAF)

There are no changes of benefit terms and assumptions.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

EXHIBIT E-1

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES

BUDGETARY BASIS

YEAR ENDED JUNE 30, 2015

| | <u>Title 1</u> | <u>Title 1IA</u> | <u>IDEA-Basic</u> | <u>Safety Grant</u> | <u>Total</u> |
|---|-------------------|------------------|-------------------|-------------------------|-------------------|
| Revenues | | | | | |
| Federal sources | \$ 479,097 | \$ 21,165 | \$ 112,327 | \$ - | \$ 612,589 |
| Local sources | - | - | - | 2,896 | 2,896 |
| Total Revenues - All Sources | <u>479,097</u> | <u>21,165</u> | <u>112,327</u> | <u>2,896</u> | <u>615,485</u> |
| Expenditures | | | | | |
| <u>Current Expenditures</u> | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | 376,711 | - | 83,750 | - | 460,461 |
| Other purchased prof. services | 4,816 | - | - | - | 4,816 |
| General supplies and textbooks | <u>47,299</u> | <u>-</u> | <u>802</u> | <u>-</u> | <u>48,101</u> |
| Total Instruction | <u>428,826</u> | <u>-</u> | <u>84,552</u> | <u>-</u> | <u>513,378</u> |
| Support Services: | | | | | |
| Employee benefits | 50,271 | - | 21,775 | - | 72,046 |
| Purchased professional educational services | - | 21,165 | 6,000 | - | 27,165 |
| Other purchased services | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,896</u> | <u>2,896</u> |
| Total Support Services | <u>50,271</u> | <u>21,165</u> | <u>27,775</u> | <u>2,896</u> | <u>102,107</u> |
| Total Expenditures | <u>\$ 479,097</u> | <u>\$ 21,165</u> | <u>\$ 112,327</u> | <u>\$ 2,896</u> | <u>\$ 615,485</u> |

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

At June 30, 2015, there was no capital project fund.

PROPRIETARY FUNDS

**ENTERPRISE FUNDS
DETAIL STATEMENTS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges.

Food Service - provides for the operation of food services for the Charter School. Jersey City Public Schools handled the whole operation for 2014-2015.

After Care - provides for the operation of after school care for the Charter School's students.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 PROPRIETARY FUND
 COMBINING SCHEDULE OF NET POSITION (DEFICIT)
 JUNE 30, 2015**

EXHIBIT G-1

| | <u>Food Program</u> | <u>After Care Program</u> | <u>Total</u> |
|-------------------------------|-------------------------|-------------------------------|-------------------|
| Assets | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | \$ (140,717) | \$ 237,565 | \$ 96,848 |
| Accounts receivable | 56,616 | - | 56,616 |
| Interfund receivables | - | 15,739 | 15,739 |
| Total Current Assets | <u>(84,101)</u> | <u>253,304</u> | <u>169,203</u> |
| | | | |
| Liabilities | | | |
| <u>Current Liabilities</u> | | | |
| Accounts payable | 19,258 | - | 19,258 |
| Interfund payables | 15,739 | - | 15,739 |
| Total Current Liabilities | <u>34,997</u> | <u>-</u> | <u>34,997</u> |
| | | | |
| Net Position (Deficit) | | | |
| Unrestricted | <u>\$ (119,098)</u> | <u>\$ 253,304</u> | <u>\$ 134,206</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
PROPRIETARY FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION (DEFICIT)
YEAR ENDED JUNE 30, 2015**

EXHIBIT G-2

| | <u>Food Program</u> | <u>After Care Program</u> | <u>Total</u> |
|--|-------------------------|-------------------------------|-------------------|
| Operating Revenues: | | | |
| Charges for services: | | | |
| Daily sales - nonreimbursable programs | \$ 18,318 | \$ - | \$ 18,318 |
| Daily sales - after care program | - | 79,810 | 79,810 |
| Total Operating Revenues | <u>18,318</u> | <u>79,810</u> | <u>98,128</u> |
| Operating Expenses: | | | |
| Cost of sales | 265,545 | - | 265,545 |
| Salaries | 43,950 | 43,421 | 87,371 |
| Other purchased service | 2,415 | - | 2,415 |
| Supplies | <u>1,561</u> | <u>-</u> | <u>1,561</u> |
| Total Operating Expenses | <u>313,471</u> | <u>43,421</u> | <u>356,892</u> |
| Operating Income (Loss) | <u>(295,153)</u> | <u>36,389</u> | <u>(258,764)</u> |
| Nonoperating revenues: | | | |
| State sources: | | | |
| State School Lunch Program | 4,342 | - | 4,342 |
| Federal sources: | | | |
| National School Lunch Program | 216,531 | - | 216,531 |
| National School Breakfast Program | 59,283 | - | 59,283 |
| After School Snacks | <u>13,321</u> | <u>-</u> | <u>13,321</u> |
| Total Nonoperating Revenues | <u>293,477</u> | <u>-</u> | <u>293,477</u> |
| Change in Net Position (Deficit) | (1,676) | 36,389 | 34,713 |
| Net Position (Deficit) - Beginning of Year | <u>(117,422)</u> | <u>216,915</u> | <u>99,493</u> |
| Net Position (Deficit) - End of Year | <u>\$ (119,098)</u> | <u>\$ 253,304</u> | <u>\$ 134,206</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
PROPRIETARY FUND
COMBINING SCHEDULE OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

EXHIBIT G-3

| | Enterprise Funds | | |
|--|-------------------------|-------------------------------|-----------------------------|
| | Food Program | After Care Program | Total Enterprise |
| Cash Flows from Operating Activities | | | |
| Operating income (loss) | \$ (295,153) | \$ 36,389 | \$ (258,764) |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | 7,248 | 4,443 | 11,691 |
| (Increase) decrease in interfund receivables | - | (14,844) | (14,844) |
| Increase (decrease) in accounts payable | (169,272) | - | (169,272) |
| Increase (decrease) in interfund payable | <u>15,739</u> | <u>(6,000)</u> | <u>9,739</u> |
| Net cash provided by operating activities | <u>(441,438)</u> | <u>19,988</u> | <u>(421,450)</u> |
| Cash Flows from Non-Capital Financing Activities | | | |
| State sources | 4,425 | - | 4,425 |
| Federal sources | <u>296,296</u> | <u>-</u> | <u>296,296</u> |
| Net cash provided by non-capital financing activities | <u>300,721</u> | <u>-</u> | <u>300,721</u> |
| Cash Flows from Investing Activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (140,717) | 19,988 | (120,729) |
| Balances - Beginning of Year | <u>-</u> | <u>217,577</u> | <u>217,577</u> |
| Balances - End of Year | <u>\$ (140,717)</u> | <u>\$ 237,565</u> | <u>\$ 96,848</u> |

**FIDUCIARY FUNDS
DETAIL STATEMENTS**

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

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

At June 30, 2015, there were no non-expandable trust funds utilized by the Charter School.

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

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

Student Activity Fund - this agency fund is used to account for the financial transactions of various student and parent initiatives.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

EXHIBIT H-1

FIDUCIARY FUNDS

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015**

| | <u>Agency Funds</u> | | |
|---------------------------|-----------------------------|----------------|---------------|
| | <u>Student Activity</u> | <u>Payroll</u> | <u>Total</u> |
| Assets | | | |
| Cash and cash equivalents | \$ 34,873 | \$ 19,658 | \$ 54,531 |
| Other receivable | <u>-</u> | <u>11,438</u> | <u>11,438</u> |
| Total Assets | <u>34,873</u> | <u>31,096</u> | <u>65,969</u> |
| | | | |
| Liabilities | | | |
| Interfund payables | 7,177 | 31,096 | 38,273 |
| Due to student groups | <u>27,696</u> | <u>-</u> | <u>27,696</u> |
| Total Liabilities | <u>34,873</u> | <u>31,096</u> | <u>65,969</u> |
| | | | |
| Net Position | | | |
| Unrestricted | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 STUDENT ACTIVITY AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2015**

EXHIBIT H-3

| | <u>Balance June 30, 2014</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2015</u> |
|---------------------------|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 28,008 | \$ 48,617 | \$ 41,752 | \$ 34,873 |
| Other receivables | - | - | - | - |
| Total Assets | <u>\$ 28,008</u> | <u>\$ 48,617</u> | <u>\$ 41,752</u> | <u>\$ 34,873</u> |
| Liabilities | | | | |
| Interfund payables | \$ - | \$ 7,177 | \$ - | \$ 7,177 |
| Accounts payable | 149 | - | 149 | - |
| Due to student groups | <u>27,859</u> | <u>41,440</u> | <u>41,603</u> | <u>27,696</u> |
| Total Liabilities | <u>\$ 28,008</u> | <u>\$ 48,617</u> | <u>\$ 41,752</u> | <u>\$ 34,873</u> |

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 PAYROLL AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 YEAR ENDED JUNE 30, 2015**

EXHIBIT H-4

| | <u>Balance June 30, 2014</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2015</u> |
|--|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 12,181 | \$ 4,658,429 | \$ 4,650,952 | \$ 19,658 |
| Other receivable | - | 11,438 | - | 11,438 |
| Interfund receivable | - | - | - | - |
| Total Assets | <u>\$ 12,181</u> | <u>\$ 4,669,867</u> | <u>\$ 4,650,952</u> | <u>\$ 31,096</u> |
| Liabilities | | | | |
| Accounts payable, payroll deductions and withholdings | \$ 7,181 | \$ 572,918 | \$ 580,099 | \$ - |
| Interfund payables | 5,000 | 4,096,949 | 4,070,853 | 31,096 |
| Total Liabilities | <u>\$ 12,181</u> | <u>\$ 4,669,867</u> | <u>\$ 4,650,952</u> | <u>\$ 31,096</u> |

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the Charter School. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 LONG-TERM DEBT
 SCHEDULE OF OBLIGATIONS
 YEAR ENDED JUNE 30, 2015**

EXHIBIT I-2

| <u>Mortgage</u> | <u>Interest Rate Payable</u> | <u>Amount of Original Issue</u> | <u>Amount Outstanding June 30, 2014</u> | <u>Acquired Current Year</u> | <u>Retired Current Year</u> | <u>Amount Outstanding June 30, 2015</u> |
|--|--------------------------------------|---|---|--------------------------------------|-------------------------------------|---|
| The Reinvestment Fund - Senior Loan | | | | | | |
| Interest Only | | | | | | |
| Old Loan Refinance and Renovation/ Construction of Premises - 128 Danforth Avenue, Jersey City | | | | | | |
| TRF Loan | LIBOR plus 230 basis points | <u>\$ 5,740,000</u> | <u>\$ 5,848,372</u> | - | \$ 406,258 | \$ 5,442,114 |
| Community Loan Fund of New Jersey Loan | | | | | | |
| First Lien on New Middle School Building 16 Bentley Avenue, Jersey City | | | | | | |
| | 7.25% | <u>\$ 2,855,000</u> | <u>2,681,885</u> | - | <u>49,327</u> | <u>2,632,558</u> |
| | | | <u>\$ 8,530,257</u> | <u>\$ -</u> | <u>\$ 455,585</u> | <u>\$ 8,074,672</u> |

STATISTICAL SECTION

The Charter School has been in operation for eighteen years. GASB requires that 10 years of statistical data be presented. Therefore statistical data for ten years has been presented.

Contents

Financial Trends

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

Revenue Capacity

These schedules are not applicable to Charter Schools. Had they been applicable, they contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Charter School Performance Framework Financial Indicators

The schedule contains summary information for the past three (3) years that seek to present the Charter School's financial and sustainability indicators.

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
NET ASSETS BY COMPONENT (UNAUDITED)**

EXHIBIT J-1

Last Ten Fiscal Years

(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ (1,141,122) | \$ (837,201) | \$ (1,256,461) | \$ (557,323) | \$ 43,786 | \$ 307,927 | \$ 560,949 | \$ 2,163,087 | \$ 638,110 | \$ 623,962 |
| Unrestricted | <u>(4,937,945)</u> | <u>(570,806)</u> | <u>(20,898)</u> | <u>(117,694)</u> | <u>(399,795)</u> | <u>(438,802)</u> | <u>(328,816)</u> | <u>(276,384)</u> | <u>1,286,043</u> | <u>1,083,010</u> |
| Total governmental activities net assets | <u>\$ (6,079,067)</u> | <u>\$ (1,408,007)</u> | <u>\$ (1,277,359)</u> | <u>\$ (675,017)</u> | <u>\$ (356,009)</u> | <u>\$ (130,875)</u> | <u>\$ 232,133</u> | <u>\$ 1,886,703</u> | <u>\$ 1,924,153</u> | <u>\$ 1,706,972</u> |
| Business-type activities | | | | | | | | | | |
| Unrestricted | \$ 134,206 | \$ 99,493 | \$ 196,711 | \$ 171,627 | \$ 154,293 | \$ 122,124 | \$ 40,946 | \$ 17,748 | \$ 29,657 | \$ 49,384 |
| Total business-type activities net assets | <u>\$ 134,206</u> | <u>\$ 99,493</u> | <u>\$ 196,711</u> | <u>\$ 171,627</u> | <u>\$ 154,293</u> | <u>\$ 122,124</u> | <u>\$ 40,946</u> | <u>\$ 17,748</u> | <u>\$ 29,657</u> | <u>\$ 49,384</u> |
| School-wide | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ (1,141,122) | \$ (837,201) | \$ (1,256,461) | \$ (557,323) | \$ 43,786 | \$ 307,927 | \$ 560,949 | \$ 2,163,087 | \$ 638,110 | \$ 623,962 |
| Unrestricted | <u>(4,803,739)</u> | <u>(471,313)</u> | <u>175,813</u> | <u>53,933</u> | <u>(245,502)</u> | <u>(316,678)</u> | <u>(287,870)</u> | <u>(258,636)</u> | <u>1,315,700</u> | <u>1,132,394</u> |
| Total charter school net assets (deficit) | <u>\$ (5,944,861)</u> | <u>\$ (1,308,514)</u> | <u>\$ (1,080,648)</u> | <u>\$ (503,390)</u> | <u>\$ (201,716)</u> | <u>\$ (8,751)</u> | <u>\$ 273,079</u> | <u>\$ 1,904,451</u> | <u>\$ 1,953,810</u> | <u>\$ 1,756,356</u> |

Notes

The Exhibit J-1 should contain information for the last 10 years as required by GASB.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
CHANGES IN NET ASSETS/NET POSITION (UNAUDITED)
Last Ten Fiscal Years
(accrual basis of accounting)

EXHIBIT J-2

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|-----------------------|--------------------|--------------------|--------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 5,045,477 | \$ 3,591,120 | \$ 3,348,940 | \$ 3,259,704 | \$ 3,324,980 | \$ 3,599,317 | \$ 4,325,367 | \$ 3,392,605 | \$ 2,670,253 | \$ 2,475,798 |
| Support Services: | | | | | | | | | | |
| General administration | 1,609,992 | 2,145,177 | 2,466,486 | 1,874,220 | 2,009,564 | 2,225,742 | 2,819,512 | 1,726,335 | 1,701,977 | 1,270,128 |
| Other support services | 1,065,018 | 1,626,820 | 1,357,540 | 1,357,540 | 1,380,294 | 1,380,294 | 697,856 | 1,267,699 | 1,022,591 | 819,864 |
| Interest on long-term debt | 578,727 | 659,419 | 789,594 | 767,599 | 620,140 | 543,321 | 511,993 | 507,743 | 163,968 | 70,549 |
| Unallocated depreciation | 790,141 | 794,693 | 779,357 | 792,955 | 782,099 | 572,673 | 575,159 | 130,151 | 134,085 | 133,812 |
| Total governmental activities expenses | <u>9,089,355</u> | <u>8,817,229</u> | <u>8,741,917</u> | <u>8,052,018</u> | <u>8,117,077</u> | <u>8,321,347</u> | <u>8,929,887</u> | <u>7,024,533</u> | <u>5,692,874</u> | <u>4,770,151</u> |
| Business-type activities: | | | | | | | | | | |
| Food service and After Care | 356,892 | 316,582 | 61,995 | 322,434 | 321,327 | 278,182 | 324,040 | 302,699 | 319,439 | 322,754 |
| Total business-type activities expense | <u>356,892</u> | <u>316,582</u> | <u>61,995</u> | <u>322,434</u> | <u>321,327</u> | <u>278,182</u> | <u>324,040</u> | <u>302,699</u> | <u>319,439</u> | <u>322,754</u> |
| Total district expenses | <u>9,446,247</u> | <u>9,133,812</u> | <u>8,803,912</u> | <u>8,373,345</u> | <u>8,438,404</u> | <u>8,599,529</u> | <u>9,253,927</u> | <u>7,327,232</u> | <u>6,012,313</u> | <u>5,092,905</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Operating grants and contributions | 1,678,122 | 1,072,667 | 1,199,676 | 701,082 | 1,089,711 | 929,805 | 40,472 | 647,207 | 803,575 | 548,459 |
| Total governmental activities program revenues | <u>1,678,122</u> | <u>1,072,667</u> | <u>1,199,676</u> | <u>701,082</u> | <u>1,089,711</u> | <u>929,805</u> | <u>40,472</u> | <u>647,207</u> | <u>803,575</u> | <u>548,459</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Food service and After Care | 98,128 | 84,771 | 87,079 | 66,224 | 76,952 | 83,373 | 76,092 | 49,151 | 77,984 | 67,414 |
| Operating grants and contributions | 293,477 | 134,589 | - | 273,544 | 276,544 | 275,987 | 271,146 | 241,639 | 221,728 | 227,939 |
| Total business-type activities program revenues | <u>391,605</u> | <u>219,360</u> | <u>87,079</u> | <u>339,768</u> | <u>353,496</u> | <u>359,360</u> | <u>347,238</u> | <u>290,790</u> | <u>299,712</u> | <u>295,353</u> |
| Total district program revenues | <u>2,069,727</u> | <u>1,292,027</u> | <u>1,286,755</u> | <u>1,040,850</u> | <u>1,443,207</u> | <u>1,289,165</u> | <u>387,710</u> | <u>937,997</u> | <u>1,103,287</u> | <u>843,812</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | (7,411,233) | (7,744,562) | (7,542,241) | (7,350,936) | (7,027,366) | (7,391,542) | (8,889,415) | (6,377,326) | (4,889,299) | (4,221,692) |
| Business-type activities | 34,713 | (97,218) | 25,084 | 17,334 | 32,169 | 81,178 | 23,198 | (11,909) | (19,727) | (27,401) |
| Total district-wide net expense | <u>(7,376,520)</u> | <u>(7,841,780)</u> | <u>(7,517,157)</u> | <u>(7,333,602)</u> | <u>(6,995,197)</u> | <u>(7,310,364)</u> | <u>(8,866,217)</u> | <u>(6,389,235)</u> | <u>(4,909,026)</u> | <u>(4,249,093)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes levied for general purposes, net | 1,796,194 | 1,748,273 | 1,703,479 | 1,645,889 | 1,502,543 | 1,426,209 | 1,262,595 | 1,616,213 | 1,092,558 | 1,037,269 |
| Grants and contributions | 5,089,674 | 5,103,788 | 5,529,002 | 5,380,813 | 5,226,579 | 5,449,539 | 5,718,432 | 4,470,194 | 3,774,115 | 3,664,137 |
| Miscellaneous income | 32,144 | 761,853 | 193,577 | 5,226 | 73,110 | 152,783 | 253,820 | 363,570 | 129,706 | 12,195 |
| Total governmental activities | <u>6,918,012</u> | <u>7,613,914</u> | <u>7,426,058</u> | <u>7,031,928</u> | <u>6,802,232</u> | <u>7,028,531</u> | <u>7,234,847</u> | <u>6,449,977</u> | <u>4,996,379</u> | <u>4,713,601</u> |
| Business-type activities: | | | | | | | | | | |
| Total business-type activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total district-wide | <u>6,918,012</u> | <u>7,613,914</u> | <u>7,426,058</u> | <u>7,031,928</u> | <u>6,802,232</u> | <u>7,028,531</u> | <u>7,234,847</u> | <u>6,449,977</u> | <u>4,996,379</u> | <u>4,713,601</u> |
| Change in Net Assets | | | | | | | | | | |
| Governmental activities | (493,221) | (130,648) | (116,183) | (319,008) | (225,134) | (363,011) | (1,654,568) | 72,651 | 107,080 | 491,909 |
| Business-type activities | 34,713 | (97,218) | 25,084 | 17,334 | 32,169 | 81,178 | 23,198 | (11,909) | (19,727) | (27,401) |
| Total district | <u>\$ (458,508)</u> | <u>\$ (227,866)</u> | <u>\$ (91,099)</u> | <u>\$ (301,674)</u> | <u>\$ (192,965)</u> | <u>\$ (281,833)</u> | <u>\$ (1,631,370)</u> | <u>\$ 60,742</u> | <u>\$ 87,353</u> | <u>\$ 464,508</u> |

Notes

The Exhibit J-2 should contain information for the last 10 years as required by GASB.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)**

EXHIBIT J-3

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|------------------------------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| General Fund | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,069,829 | \$ 638,110 | \$ 623,962 |
| Unreserved | <u>286,252</u> | <u>505,536</u> | <u>991,393</u> | <u>792,703</u> | <u>584,767</u> | <u>545,760</u> | <u>493,312</u> | <u>1,161,855</u> | <u>1,286,043</u> | <u>1,083,010</u> |
| Total general fund | <u>\$ 286,252</u> | <u>\$ 505,536</u> | <u>\$ 991,393</u> | <u>\$ 792,703</u> | <u>\$ 584,767</u> | <u>\$ 545,760</u> | <u>\$ 493,312</u> | <u>\$ 2,231,684</u> | <u>\$ 1,924,153</u> | <u>\$ 1,706,972</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Notes

The Exhibit J-3 should contain information for the last 10 years as required by GASB.

JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years

EXHIBIT J-4

| <u>Function</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|------------------|-------------------|------------------|---------------------|-----------------------|--------------------|---------------------|-------------------|
| Revenues | | | | | | | | | | |
| Local tax levy | \$ 1,796,194 | \$ 1,748,273 | \$ 1,703,479 | \$ 1,645,889 | \$ 1,502,543 | \$ 1,426,209 | \$ 1,262,595 | \$ 1,616,213 | \$ 1,092,558 | \$ 1,037,269 |
| Miscellaneous | 35,040 | 134,743 | 193,577 | 5,226 | 73,110 | 152,786 | 77,538 | 363,570 | 129,706 | 12,195 |
| State sources | 5,089,674 | 5,552,478 | 5,529,002 | 5,380,813 | 5,226,579 | 5,449,539 | 5,115,406 | 4,470,194 | 3,774,115 | 3,668,137 |
| Federal sources | 612,589 | 621,089 | 713,517 | 701,082 | 1,089,711 | 929,805 | 819,780 | 647,207 | 803,575 | 544,459 |
| Total revenue | 7,533,497 | 8,056,583 | 8,139,575 | 7,733,010 | 7,891,943 | 7,958,339 | 7,275,319 | 7,097,184 | 5,799,954 | 5,262,060 |
| Expenditures | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Salaries | 3,195,675 | 3,292,311 | 3,159,739 | 3,034,684 | 2,856,517 | 3,323,568 | 3,240,363 | 3,005,088 | 2,419,447 | 2,271,315 |
| Professional /Technical service | 12,600 | 10,140 | 36,106 | 88,500 | 219,045 | 149,026 | 194,201 | 143,301 | 104,196 | 61,375 |
| Other purchased services | 18,489 | 1,909 | 776 | 6,545 | 38,725 | 23,437 | 19,684 | 26,590 | 32,763 | 15,273 |
| General educational supplies & textbooks | 161,199 | 281,357 | 146,393 | 119,782 | 184,459 | 84,211 | 205,936 | 201,062 | 102,116 | 94,659 |
| Other instructional expenses | 9,784 | 5,403 | 5,926 | 10,193 | 26,234 | 19,075 | 15,405 | 16,564 | 11,731 | 33,176 |
| Support services: | | | | | | | | | | |
| Salaries | 1,149,243 | 983,855 | 972,753 | 838,230 | 912,915 | 906,146 | 868,688 | 801,534 | 671,171 | 570,705 |
| Total benefit costs | 1,245,170 | 1,626,275 | 1,927,105 | 1,363,228 | 1,285,704 | 1,384,285 | 1,141,456 | 850,645 | 950,310 | 701,971 |
| Professional /technical service | 234,188 | 213,891 | 137,249 | 338,983 | 471,087 | 411,668 | 298,269 | 171,013 | 145,948 | 106,628 |
| Other purchased services | 199,422 | 304,585 | 166,605 | 173,495 | 238,375 | 200,424 | 238,946 | 260,494 | 127,992 | 182,398 |
| Rent on land and buildings | - | - | - | - | 13,655 | 285,648 | 283,253 | 327,142 | 268,298 | 176,139 |
| Communications and telephones | 93,745 | 81,198 | 17,388 | 17,875 | 17,544 | 13,657 | 13,921 | 15,354 | 11,801 | 9,439 |
| Insurance-fidelity, liability property | 47,309 | 85,726 | 86,352 | 80,725 | 84,050 | 72,446 | 79,758 | 76,682 | 77,022 | 83,097 |
| Supplies and materials | 91,587 | 70,399 | 140,513 | 89,106 | 94,196 | 115,689 | 116,887 | 76,721 | 69,243 | 63,872 |
| Transportation | 12,670 | 18,683 | 14,896 | 13,591 | 49,280 | 53,730 | 42,427 | 62,727 | 122,770 | 62,360 |
| Judgment against charters | - | - | 73,421 | - | - | - | - | - | - | - |
| Energy costs | 152,467 | 145,203 | 189,687 | 180,139 | 165,264 | 109,099 | 117,011 | 87,130 | 77,227 | 57,417 |
| Interest on long-term debt | 578,727 | 659,419 | 789,594 | 767,599 | 620,140 | 543,321 | 511,993 | 507,743 | 163,968 | 70,549 |
| Miscellaneous expenses | 64,286 | 43,491 | 98,057 | 136,388 | 57,788 | 53,244 | 268,674 | 161,865 | 61,536 | 35,730 |
| Capital outlay | 30,635 | 218,592 | 93,991 | 191,849 | 517,958 | 319,650 | 1,356,818 | 340,960 | 179,382 | 232,811 |
| Total expenditures | 7,297,196 | 8,042,437 | 8,056,551 | 7,450,912 | 7,852,936 | 8,068,324 | 9,013,690 | 7,132,615 | 5,596,921 | 4,828,914 |
| Excess (deficiency) of revenues expenditures over revenues | 236,301 | 14,146 | 83,024 | 282,098 | 39,007 | (109,985) | (1,738,371) | (35,431) | 203,033 | 433,146 |
| Other financing sources/(uses): | | | | | | | | | | |
| Long term debt | (455,585) | 5,870,000 | - | - | 2,905,724 | - | - | - | 7,000,000 | - |
| Operating transfers in/(out) | - | (6,370,000) | - | - | (2,905,724) | - | - | - | (1,513,084) | - |
| Total other financing sources/(uses) | (455,585) | (500,000) | - | - | - | - | - | - | 5,486,916 | - |
| Net change in fund balances | \$ (219,284) | \$ (485,854) | \$ 83,024 | \$ 282,098 | \$ 39,007 | \$ (109,985) | \$ (1,738,371) | \$ (35,431) | \$ 5,689,949 | \$ 433,146 |
| Debt service as a percentage of noncapital expenditures | 8.65% | 9.20% | 11.01% | 11.82% | 9.24% | 7.54% | 7.17% | 8.08% | 3.12% | 1.56% |

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
 Last Ten Fiscal Years**

EXHIBIT J-10

| <u>Fiscal Year Ended June 30,</u> | <u>Governmental Activities Mortgaged Loans</u> | <u>Total Charter School</u> | <u>Percentage of Personal Income</u> | <u>Per Capita</u> |
|---------------------------------------|--|---------------------------------|--|-------------------|
| 2006 | 1,256,363 | 1,256,363 | 0.02% | 40 |
| 2007 | 7,000,000 | 7,000,000 | 0.06% | 152 |
| 2008 | 7,000,000 | 7,000,000 | 0.15% | 361 |
| 2009 | 7,000,000 | 7,000,000 | 0.15% | 361 |
| 2010 | 7,000,000 | 7,000,000 | 0.15% | 361 |
| 2011 | 9,828,639 | 9,828,639 | 0.11% | 231 |
| 2012 | 9,783,114 | 9,783,114 | 0.11% | 230 |
| 2013 | 9,737,100 | 9,737,100 | 0.10% | 206 |
| 2014 | 8,530,257 | 8,530,257 | 0.09% | 180 |
| 2015 | 8,074,672 | 8,074,672 | 0.08% | 162 |

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
DEMOGRAPHICS AND ECONOMIC STATISTICS (UNAUDITED)
Last Ten Fiscal Years**

EXHIBIT J-14

| Year | Population ^a | Personal Income ^b | Per Capita Personal Income ^c | Unemployment Rate ^d |
|-------------|--------------------------------|-------------------------------------|--|---------------------------------------|
| 2006 | 238,109 | 9,005,996,707 | 37,823 | 6.00% |
| 2007 | 238,702 | 9,593,910,784 | 40,192 | 5.40% |
| 2008 | 239,658 | 10,423,924,710 | 43,495 | 6.60% |
| 2009 | 242,503 | 10,595,926,082 | 43,694 | 10.90% |
| 2010 | 242,503 | 11,167,020,647 | 46,049 | 11.10% |
| 2011 | 247,597 | 12,159,736,267 | 49,111 | 11.10% |
| 2012 | 251,616 | 12,575,264,448 | 49,978 | 11.10% |
| 2013 | 254,441 | 12,765,813,852 | 50,172 | 11.50% |
| 2014 | 262,146 | 13,152,389,112 | 50,172 | 6.60% |
| 2015 | 262,146 | 13,152,389,112 | 50,172 | 6.60% |

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 Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2013 reflect county population estimates available as of March 2014. All state and local area dollar estimates are in current dollars (not adjusted for inflation). Last updated: November 20, 2014 - new estimates for 2013; revised estimates for 2004-2012. Information Source: Regional Economic Information System, Bureau of Economic Analysis, November 2014.

<http://lwd.dol.state.nj.us/labor/lpa/industry/incpov/pcicnty.htm>

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year**

EXHIBIT J-15

| Employer | 2015 | | |
|--------------------------------------|------------------|-------------|---|
| | Employees | Rank | Percentage of Total Municipal Employment |
| HealthCare Staffing and Consulting | 2,000 | 1 | 1.67% |
| Deutsche Bank Trust Co., NJ Ltd | 1,833 | 2 | 1.53% |
| Insurance Service Office, Inc. | 1,217 | 3 | 1.01% |
| Fleet, NJ Company Development Corp. | 1,000 | 4 | 0.83% |
| Equiserve, Inc. | 850 | 5 | 0.71% |
| Provident Bank | 850 | 6 | 0.71% |
| Bon Secours NJ Health System, Inc. | 818 | 7 | 0.68% |
| JP Morgan Chase Bank | 600 | 8 | 0.50% |
| Port Authority Trans-Hudson, Inc. | 600 | 9 | 0.50% |
| Saint Francis Hospital, Inc. | 600 | 10 | 0.50% |
| National Discount Broker Group, Inc. | 568 | 11 | 0.47% |
| Lehman Commercial Paper, Inc. | 525 | 12 | 0.44% |
| US News World Report, LLC | 500 | 13 | 0.42% |
| Top Job Personnel, Inc. | 500 | 14 | 0.42% |
| | <u>12,461</u> | | <u>10.39%</u> |

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

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
 Last Ten Fiscal Years**

EXHIBIT J-16

| <u>Function/Program</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>08</u> | <u>2007</u> | <u>2006</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | | | | | | | | | | |
| Regular | 59.0 | 59.0 | 59.0 | 59.0 | 59.0 | 59.0 | 56.5 | 51.0 | 51.0 | 51.0 |
| Special education | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.0 | 1.0 |
| Other special education | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | | |
| Support Services: | | | | | | | | | | |
| General administration | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 5.0 | 5.0 | 5.0 |
| Administrative Information Technology | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | | |
| Plant operations and maintenance | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 8.0 | 8.0 | 6.0 | 4.0 |
| Other support services | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.0 | 5.0 |
| Food Service | 4.0 | 4.0 | - | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 2.0 |
| Total | 85.5 | 85.5 | 81.5 | 85.5 | 85.5 | 85.5 | 84.0 | 77.5 | 73.0 | 68.0 |

Source: Charter School Personnel Records

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 SCHOOL BUILDING INFORMATION (UNAUDITED)**

EXHIBIT J-18

Last Ten Fiscal Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Square Feet | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | 33,000 | 24,000 | 24,000 |
| Capacity (students) | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 594 | 500 | 500 |
| Enrollment | 586 | 581 | 572 | 580 | 594 | 576 | 576 | 553 | 487 | 478 |

Source: School Records

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 SCHEDULE OF ALLOWABLE MAINTENANCE (UNAUDITED)
 BY SCHOOL FACILITY
 Last Ten Fiscal Years**

EXHIBIT J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES

| | | |
|-------|----|------------------|
| 2006 | \$ | 563,878 |
| 2007 | | 674,130 |
| 2008 | | 855,920 |
| 2009 | | 597,429 |
| 2010 | | 587,605 |
| 2011 | | 408,886 |
| 2012 | | 430,362 |
| 2013 | | 396,677 |
| 2014 | | 608,297 |
| 2015 | | <u>451,999</u> |
| Total | \$ | <u>5,575,183</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: District records

**JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY, NEW JERSEY)
 INSURANCE SCHEDULE (UNAUDITED)
 JUNE 30, 2015**

EXHIBIT J-20

| | <u>Coverage</u> |
|---|-----------------|
| Commercial General Liability | |
| Property damage - each occurrence | \$ 6,000,000 |
| Damage to rented premises | 6,000,000 |
| Personal injury and advertising injury | 6,000,000 |
| Medical expenses (any one person) | 1,000 |
| Products | 6,000,000 |
| Property | |
| Blanket real and personal property | \$ 12,361,810 |
| Workers Compensation & Employer's Liability | |
| Excess Liability - each accident | \$ 2,000,000 |
| Excess Liability - each employee | 2,000,000 |
| Excess Liability - policy limit | 2,000,000 |
| Errors and Omissions | \$ 3,000,000 |
| Deductible per claim | 5,000 |
| Automobile | |
| Combined single limit for bodily injury and property damage | \$ 6,000,000 |

Source: Charter School Records

JERSEY CITY COMMUNITY CHARTER SCHOOL
 CHARTER SCHOOL PERFORMANCE FRAMEWORK
 FINANCIAL PERFORMANCE (UNAUDITED)
 FISCAL RATIOS

EXHIBIT J-21

Multi-Year Information

| | 2013 Audit | 2014 Audit | 2015 Audit | Source |
|--------------------------------|---------------|---------------|---------------|---------------------------------------|
| Cash | 1,291,904 | 1,249,534 | 878,934 | Audit: Exhibit A-1 |
| Current Assets | 2,488,224 | 1,633,480 | 1,370,804 | Audit: Exhibit A-1 |
| Total Assets | 11,714,015 | 9,326,536 | 8,304,354 | Audit: Exhibit A-1 |
| Current Liabilities | 1,661,771 | 1,028,451 | 950,346 | Audit: Exhibit A-1 |
| Total Liabilities | 12,217,405 | 10,635,050 | 14,089,248 | Audit: Exhibit A-1 |
| Net Assets | (503,390) | (1,308,514) | (5,784,894) | Audit: Exhibit A-1 |
| Total Revenue | 7,031,928 | 8,275,941 | 8,987,739 | Audit: Exhibit A-2 |
| Total Expenses | 7,333,602 | 9,133,807 | 9,446,247 | Audit: Exhibit A-2 |
| Change in Net Assets | (301,674) | (857,866) | (458,508) | Audit: Exhibit A-2 |
| Depreciation Expense | 792,955 | 794,693 | 790,141 | Financial Statements/Audit Workpapers |
| Interest Expense | 767,599 | 659,419 | 578,727 | Financial Statements/Audit Workpapers |
| Principal Payments | 45,525 | 1,206,843 | 455,585 | Financial Statements/Audit Workpapers |
| Interest Payments | 767,599 | 711,482 | 578,727 | Financial Statements/Audit Workpapers |
| Final Average Daily Enrollment | 580 | 579 | 578 | DOE Enrollment Reports |
| March 30th Budgeted Enrollment | 594 | 594 | 594 | Charter School Budget |

| RATIOS ANALYSIS... | | | | | | |
|---------------------------------|-----------|----------|-----------|-----------|--|-------------------|
| Near Term Indicators | 2013 | 2014 | 2015 | 3 YR CUM | Source: | Target |
| 1a. Current Ratio | 1.50 | 1.59 | 1.44 | 1.51 | Current Assets/Current Liabilities | > 1.1 |
| 1b. Unrestricted Days Cash | 64.30 | 49.93 | 33.96 | 49.40 | Cash/(Total Expenses/365) | 30-60 |
| 1c. Enrollment Variance | 98% | 97% | 97% | 97% | Average Daily Enrollment/Budgeted Enrollment | >95% |
| 1d.* Default | No | No | No | | Audit | not in default |
| Sustainability Indicators | | | | | | |
| 2a. Total Margin | -4% | -10% | -5% | -7% | Change in Net Assets/Total Revenue | positive |
| 2b. Debt to Asset | 1.04 | 1.14 | 1.70 | 1.29 | Total Liabilities/Total Assets | <.9 |
| 2c.** Cash Flow | (687,059) | (42,370) | (370,600) | (366,676) | Net change in cash flow from prior years | 3 yr cum positive |
| 2d. Debt Service Coverage Ratio | 1.55 | 0.31 | 0.88 | 0.91 | (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments) | >1.10 |

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

** 2015 =2015 Cash - 2014 Cash; 2014 =2014 Cash-2013 Cash; 2013 =2013 Cash-2012 Cash

SINGLE AUDIT SECTION

EXHIBIT K-1

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jersey City Community Charter School (the "Charter School") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Trustees of the Charter School in the separate *Auditor’s Management Report on Administrative Findings – Financial, Compliance, and Performance* dated December 15, 2015.

Purpose of this Report

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



Barbara Siochi, CPA, CGMA
Licensed Public School Accountant
No. 20CS00260700



BCA Watson Rice LLP
Certified Public Accountants

Rutherford, New Jersey
December 15, 2015

EXHIBIT K-2

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04
AND OR 15-08, RESPECTIVELY**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited Jersey City Community Charter School's (the "Charter School") compliance with the types of compliance requirements described in the U.S. 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 the Charter School's major federal and state programs for the year ended June 30, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* ("OMB Circular A-133"), New Jersey OMB Circular 04-04 and or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* ("NJ OMB Circular 04-04 and or 15-08"); and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards, OMB Circular A-133, and NJ OMB Circular 04-04 and or 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04 AND OR 15-08, RESPECTIVELY – CONTINUED

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

Opinion on Each Major Federal and State Program

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04 and or 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

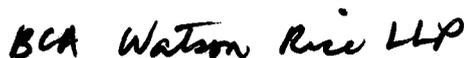
**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04 AND OR 15-08,
RESPECTIVELY – CONTINUED**

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and NJ OMB Circular 04-04 and or 15-08. Accordingly, this report is not suitable for any other purpose.



Barbara Siochi, CPA, CGMA
Licensed Public School Accountant
No. 20CS00260700



BCA Watson Rice LLP
Certified Public Accountants

Rutherford, New Jersey
December 15, 2015

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT K-3

| Federal Grant/ Pass-Through Grantor/ Program Title | Federal C.F.D.A No. | Program or Award Amount | Grant Period From - To | Balance at June 30, 2014 | Adjustments | Carryover Walkover Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Years' Balances | Balance at June 30, 2015 | | |
|--|---------------------------|----------------------------|---------------------------|--------------------------------|-------------|---------------------------------|-------------------|---------------------------|---|--------------------------|---------------------|-------------------|
| | | | | | | | | | | Accounts Receivable | Deferred Revenue | Due to Grantor |
| U.S. Department of Education: | | | | | | | | | | | | |
| Passed-Through State Department of Education | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | |
| Title I - FY 2014-2015 | 84.010 | 482,788 | 7/1/14-6/30/15 | \$ - | \$ - | \$ - | \$ 188,786 | \$ (479,097) | \$ - | \$ (290,311) | \$ - | \$ - |
| Title I - FY 2013-2014 | 84.010 | 502,120 | 9/1/13-6/30/14 | (224,487) | - | - | 224,487 | - | - | - | - | - |
| Title II, Part A - FY 2013-2014 | 84.367 | 29,570 | 7/1/14-6/30/15 | - | - | - | - | (21,165) | - | (21,165) | - | - |
| I.D.E.A FY 2014-2015 | 84.027 | 112,327 | 7/1/14-6/30/15 | - | - | - | 112,327 | (112,327) | - | - | - | - |
| I.D.E.A FY 2013-2014 | 84.027 | 118,710 | 9/1/13-6/30/14 | (41,072) | - | - | 41,072 | - | - | - | - | - |
| Total U.S. Department of Education/ | | 1,245,515 | | (265,559) | - | - | 566,672 | (612,589) | - | (311,476) | - | - |
| U.S. Department of Agriculture | | | | | | | | | | | | |
| Passed-through State Department of Agriculture | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | |
| National School Breakfast Program | 10.553 | 65,073 | 7/1/14-6/30/15 | - | - | - | 52,385 | (65,073) | - | (12,688) | - | - |
| National School Lunch Program | 10.555 | 216,531 | 7/1/14-6/30/15 | - | - | - | 174,791 | (216,531) | - | (41,740) | - | - |
| After School Snack | 10.558 | 7,531 | 7/1/14-6/30/15 | - | - | - | 6,157 | (7,531) | - | (1,374) | - | - |
| National School Breakfast Program | 10.553 | 34,177 | 7/1/13-6/30/14 | (15,798) | - | - | 15,798 | - | - | - | - | - |
| National School Lunch Program | 10.555 | 95,712 | 7/1/13-6/30/14 | (45,951) | - | - | 45,951 | - | - | - | - | - |
| After School Snack | 10.558 | 2,821 | 7/1/13-6/30/14 | (1,214) | - | - | 1,214 | - | - | - | - | - |
| Total U.S. Department of Agriculture/ | | 421,845 | | (62,963) | - | - | 296,296 | (289,135) | - | (55,802) | - | - |
| Total | | \$ 1,667,360 | | \$ (328,522) | \$ - | \$ - | \$ 862,968 | | \$ - | \$ (367,278) | \$ - | \$ - |
| Total Expenditures of Federal Awards | | | | | | | | \$ (901,724) | | | | |

See notes to the schedule of expenditures of federal awards and state financial assistance.

JERSEY CITY COMMUNITY CHARTER SCHOOL
 (HUDSON COUNTY)
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FISCAL YEAR ENDED JUNE 30, 2015

EXHIBIT K-4

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Program or Award Amount | Balance at June 30, 2014 | | | | Carry Over (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Year's Expenditures | Balance at June 30, 2015 | | |
|---|-------------------------------|----------------|-------------------------|-------------------------------------|------------------|-------------|-----------------------|------------------------------|-----------------------|------------------------|--|--------------------------|------------------|--|
| | | | | Deferred Revenue (Accts Receivable) | Due to Grantor | Adjustments | (Accounts Receivable) | | | | | Deferred Revenue | Due to Grantor | |
| State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Equalization Aid | 15-495-034-5120-078 | 7/1/14-6/30/15 | \$ 4,721,449 | \$ - | \$ - | \$ - | \$ - | \$ 4,774,218 | \$ (4,721,449) | \$ - | \$ - | \$ - | \$ 52,769 | |
| Equalization Aid | 14-495-034-5120-078 | 7/1/13-6/30/14 | 4,704,895 | - | 11,620 | - | - | - | - | (11,620) | - | - | - | |
| Special Education Aid | 15-495-034-5120-089 | 7/1/14-6/30/15 | 144,094 | - | - | - | - | 144,094 | (144,094) | - | - | - | - | |
| Special Education Aid | 14-495-034-5120-089 | 7/1/13-6/30/14 | 140,611 | - | 2,566 | - | - | - | - | (2,566) | - | - | - | |
| TPAF-Pension (on behalf) | 15-495-034-5095-001 | 7/1/14-6/30/15 | 329,955 | - | - | - | - | 329,955 | (329,955) | - | - | - | - | |
| TPAF-Social Security Reimbursements | 15-495-034-5095-002 | 7/1/14-6/30/15 | 204,324 | - | - | - | - | 141,271 | (204,324) | - | (63,053) | - | - | |
| TPAF-Social Security Reimbursements | 14-495-034-5095-002 | 7/1/13-6/30/14 | 187,764 | (20,874) | - | - | - | 20,874 | - | - | - | - | - | |
| Security Aid | 15-495-034-5120-084 | 7/1/14-6/30/15 | 261,106 | - | - | - | - | 264,397 | 261,106 | - | - | - | 3,291 | |
| Security Aid | 14-495-034-5120-084 | 7/1/13-6/30/14 | 258,283 | - | 3,569 | - | - | - | - | (3,569) | - | - | - | |
| Total General Fund | | | <u>10,952,481</u> | <u>(20,874)</u> | <u>17,755</u> | <u>-</u> | <u>-</u> | <u>5,674,809</u> | <u>(5,138,716)</u> | <u>(17,755)</u> | <u>(63,053)</u> | <u>-</u> | <u>56,060</u> | |
| Enterprise Fund: | | | | | | | | | | | | | | |
| State School Lunch Program | 15-100-010-3350-023 | 7/1/14-6/30/15 | 4,342 | - | - | - | - | 3,525 | (4,342) | - | (817) | - | - | |
| State School Lunch Program | 14-100-010-3350-023 | 7/1/13-6/30/14 | 1,879 | (900) | - | - | - | 900 | - | - | - | - | - | |
| Total Enterprise Fund | | | <u>6,221</u> | <u>(900)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,425</u> | <u>(4,342)</u> | <u>-</u> | <u>(817)</u> | <u>-</u> | <u>-</u> | |
| Totals | | | | <u>\$ (21,774)</u> | <u>\$ 17,755</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,679,234</u> | | <u>\$ (17,755)</u> | <u>\$ (63,870)</u> | <u>\$ -</u> | <u>\$ 56,060</u> | |
| Total Expenditures of State Financial Assistance | | | | | | | | | <u>\$ (5,143,058)</u> | | | | | |

See notes to the schedule of expenditures of federal awards and state financial assistance.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY, NEW JERSEY)**

EXHIBIT K-5

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2015**

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") present the activity of all federal awards and state financial assistance programs of Jersey City Community Charter School (the "Charter School"). The board of trustees is defined in Note 1 of the Charter School's basic financial statements. All federal awards received directly from the federal funding agency or otherwise passed through from state agencies, as well as state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF PRESENTATION

The accompanying Schedules include the federal and state award activity of the Charter School under programs of the federal government and state agency for the year ended June 30, 2015. The information in these Schedules are presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey, Department of Treasury, OMB Circular Letter 04-04 and or 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey. Because the Schedules present only a selected portion of the operations of the Charter School, these are not intended to and does not present the financial position, changes in net assets or cash flows of the Charter School.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting, with the exception of those recorded in the special revenue funds, which are presented using the budgetary basis of accounting. These basis of accounting are described in Note 1 of the Charter School's basic financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School’s basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See the financial section for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. 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 | \$ - | \$ 5,554,357 | \$ 5,554,357 |
| Special Revenue Fund | 753,799 | - | 753,799 |
| Enterprise Fund | 289,135 | 4,342 | 293,477 |
| Total | <u>\$ 1,042,934</u> | <u>\$ 5,558,699</u> | <u>\$ 6,601,633</u> |

5. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

6. ON-BEHALF PAYMENTS

Teachers’ Pension and Annuity Fund (“TPAF”) Pension and 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, 2015.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

EXHIBIT K-6

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

•Material weakness(es) identified? yes ✓ no

•Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

•Material weakness(es) identified? yes ✓ no

•Significant deficiency(ies) identified? yes ✓ none reported

Type of auditor’s report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes ✓ no

Identification of Major Federal Award Programs

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 84.010 | <i>U.S. Department of Education, Title I, Part A Cluster Title I Grants to Local Educational Agencies</i> |

Dollar threshold used to determine Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? ✓ yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

SECTION III – FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS

None noted.

**JERSEY CITY COMMUNITY CHARTER SCHOOL
(HUDSON COUNTY)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

EXHIBIT K-7

None noted.