

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2014

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

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

***Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2014***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Prepared by

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

And

Barre & Company, CPAs

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INTRODUCTORY SECTION

***BERGEN ARTS AND SCIENCE CHARTER SCHOOL
465 BOULEVARD
ELMWOOD PARK, NEW JERSEY 07407***

November 3, 2014

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Bergen Arts and Science Charter School (Charter) for the fiscal year ended June 30, 2014. This CAFR includes the Charter's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

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

The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

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

1. REPORTING ENTITY AND ITS SERVICES: Bergen Arts and Science Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the school are included in this report. Bergen Arts and Science Charter School Board of Trustees constitutes the Charter School’s reporting entity.

Bergen Arts and Science Charter School provides a full range of educational services appropriate to Grades K-10. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2013-2014 school year with an enrollment of 874 students. The following details the student enrollment of the Charter School.

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2013-2014	874	24.97%
2012-2013	660	9.16%
2011-2012	600	16.30%

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

3. MAJOR INITIATIVES: The Bergen Arts and Science Charter School Mission is to provide the ideal environment for the intellectual and social development for its students by utilizing a combined effort of students, educators, families, and the community as a whole.

Bergen Arts and Science Charter School believes an effective and adequate education necessary for citizens of the future relies heavily on a multidimensional academic curriculum in which all core subjects will be blended together through various teaching methods while promoting the development of a strong character that supports and respects society.

Bergen Arts and Science Charter School believes that focusing on an overall high academic achievement includes providing opportunities for individual skills and talents to develop to higher levels. This inspires in students a lifelong love of learning and desire for self-improvement and creativity.

Bergen Arts and Science Charter School focuses on high academic achievement, allowing opportunities for all students, from the academically challenged, to the students with academic talents who want to compete in academic Olympiads. The curriculum has its basis in the New Jersey Core Curriculum Content Standards, transcending the requirements and infusing technology into the curriculum. Every child is encouraged to meet his or her potential, with adaptations or additions made to programs to accommodate individual needs.

At BASCS, we believe that family involvement is an integral component of our school culture. Our goal is to continue fostering close and positive relationships and constant communication between school, family and community. Our Parent-Teacher Organization (PTO) maintains a strong presence at the school, and they are a vital component of enriching the experience of students. They make the purchase of sports equipment, musical instruments, yearbooks and classroom materials a reality for our school district. Additionally, the PTO fundraises to defray the cost of field trips for the students.

In the 2013-2014 Academic Year, BASCS reached out to both the parents and the community with myriad programs and activities. Likewise, the PTO offered a wide array of activities and fundraisers which enhanced the experience of the students and school community as a whole. Percentage rates of participation were not tracked for activities this year; a strong showing of students, staff and families is the norm at BASCS. A selection of these activities is provided below.

Discussion of Progress:

During 2013-2014 school year, BASCS served through 11th grade.

Summary of Curriculum Development Progress

The Bergen Arts and Science Charter School (BASCS) Mathematics Department goal is to develop mathematically proficient students. These proficiencies are outlined a “Mathematical Practices” in the Common Core State Standards-CCSS (National Governors Association Center for Best Practices, Council of Chief State School Officers, 2010) creating opportunities for students to become mathematically proficient requires teaching practices that focus on helping students acquire these practices while simultaneously working on creating deep understanding of the content (Bay-Williams and McGatha, 2014).

The Math department revised the mathematics curriculum according to the expectations of the PARCC Model Content Frameworks. Because PARCC Exams will be delivered electronically in New Jersey, we decided to support our curriculum with new online programs for student instruction and assignments. Under Pearson’s Realize platform that we purchased recently, our teachers and students will have access to rich CCSS-aligned, engaging content, and embedded assessments with instant data. All mathematics teachers at BASCS will have their own classroom set of Chromebooks. Whenever needed and instructed by their teacher, students will use their digital textbook and supporting materials to prepare for class, draw, type, or write their work using a keyboard; communicate with their teacher electronically and receive guidance and feedback on their assignments. The mathematics programs we will be using are designed for use with interactive whiteboards. Students will have the chance to interact with the content as it is expected of them on the new generation, computer-based assessments.

Focus on Digital Learning

One notable addition to the program is the purchase of a complete set of Chrome books per ELA classroom in grades 3-8; this will allow for the implementation of supplemental writing curricula, Pearson’s *WriteToLearn* program. This innovative program will also supplement our curricula for all students in grades 4-12, from emergent to advanced learners. Through web-based summary and essay writing activities that span the curriculum, students receive real-time, automated feedback on their reading comprehension and writing skills, enhancing the learning process so they see faster progress and improvement on their scores. With added content and built-in language support for English Language Learners, *WriteToLearn* offers increased support for ALL students.

Additionally, to best serve diverse learners, a digital library of books per grade level is being made available by the school. Through the teaching of thematic units, students will now be assigned a text from a variety of full-length texts, aligned to their independent reading levels, in order to better individualize instruction.

Because the selection of texts embedded within curricula is now increased to meet the needs of diverse learners, BASCS has made the decision to move to the use of e-readers to allow for the tailored approach of ELA instruction to meet the needs of each student. E-readers allow for numbered pages, table of contents, pictures and graphics, exactly like a printed book. eBooks present many benefits and advantages; fonts in eBooks can be resized, making it easier to read for students with disabilities. With an additional software it is possible to turn some of the eBooks into audio books to again best serve our diverse learners.

Diagnostic Assessments

The administration of diagnostic assessments in order to best serve the needs of individual learners is paramount to the successful implementation of ELA curricula. The results of these exams allow teachers to design growth plans to support and accelerate the academic progress of every student.

STAR Reading assessments were administered in September, January and June. These assessments typically require 20-30 minutes, were computer adaptive, include new skills-based test items and new in-depth reports for screening, instructional planning, progress monitoring, and standards benchmarking. Educators have immediate access to skill-specific, actionable data to target instruction and practice, select students for intervention, and predict state-test performance. STAR Reading's research-based test items provide teachers data in four major skill areas:

- Foundational Skills
- Reading Informational Text
- Reading: Literature
- Language

Measures of Academic Progress® (MAP®) assessments create personalized assessment experiences by adapting to each student's learning level, providing assessment data—and essential information about what each student knows and is ready to learn following a computer adaptive, 50-minute assessment. Teachers use this data to drive instructional planning in the classroom, ensuring each student is challenged and supported to meet or exceed grade-level expectations.

Digital Capstone Portfolio

Additionally, a Digital Capstone Portfolio will be completed by each student. This writing portfolio will be added to on a monthly basis, and will showcase each student's very best writing throughout the year. At the end of the project, students will complete a self-analysis of their growth shown over the course of the year.

MAJOR EVENTS/ACTIVITIES

- **ORIENTATION FOR STUDENTS AND PARENTS**

In August, BASCS held an orientation for all students and parents. This program is designed to welcome new students and their families, allow returning students to pick up their schedule and books, and attend informational sessions to better prepare for the new school year.

- **HISPANIC HERITAGE CELEBRATION – 1.5 Hours**

BASCS had the honor of observing its Hispanic Heritage Celebration in October. The festivities included students reading about influential Hispanic Americans and a guest singer who sang traditional Hispanic songs for everyone to enjoy.

- **WEEKLY PARENT BREAKFAST WITH ADMINISTRATORS/TEACHERS – 1 HOUR, 2X PER WEEK AVG.**

Beginning in October, the program goal of the breakfast was to get to know each other, build strong relationships between the school and families and provide an opportunity to share awareness for different cultures that are represented at BASCS. During the breakfast, parents were informed of school operations, curriculum and future projects. Parents also had a chance to bring suggestions or comments directly to the administration.

- **GRANDPARENT'S NIGHT – 3 Hours**

BASCS Middle and Elementary held its 6th Annual Grandparent's Night in October. We had such an incredible turnout full of various activities for all grandparents and their grandchildren to participate in, including handprint magnets, picture-frame making, grandparent Bake-Off and Pumpkin Embellishment.

- **SIXTH ANNUAL PTO PARENT PICNIC – 5 Hours**

In October, BASCS had their Annual Parent Picnic with over 300 people present at Saddle Brook Park. Families brought desserts to be shared with other families and Maschio's Food Services provided hamburgers, hot dogs, and grilled chicken among other great food. The PTO provided an inflatable slide that was enjoyed by many.

- **DIWALI CELEBRATION – 1 HOUR**

BASCS celebrated its Diwali celebration with parents and students sharing stories, songs and culinary offerings celebrating the Indian Festival of Lights in October.

- **BASCS HALLOWEEN COSTUME PARADE/CONTEST – 2 Hours**

In November, BASCS held a Spook-tacular Halloween Parade! Students paraded around the school parking lot for pictures, and many families joined in the fun! Prizes were awarded by the PTO in the following three categories: Best Home-Made Costume, Most Unique Costume, Silliest/Funniest Costume and students voted for the Best Staff Costume. BASCS Middle School held a family fun night which combined movie night with a haunted hallway for the students.

- **PARENT/TEACHER CONFERENCES – TWICE A YEAR – 4 Hours Each**
 After the first and third marking period, teachers met with parents to discuss the progress of students. Parents visited each classroom, meeting with teachers individually. Recommendations for the progress of the school year were given at this time.
- **VETERAN'S DAY REMEMBRANCE – 2 Hours**
 BASCS commemorated Veterans Day in November with a special assembly and guest veteran speakers. Students and Parents attended to commemorate this important holiday.
- **BASCS AWARDS CEREMONIES – 3 HOURS, Quarterly**
 BASCS celebrated the success of K-11 students for their achievements in each quarter of the 2013-2014 academic school year. Parents were invited to help celebrate the success of our students. Awards were given to the students for distinguished and recognized honor roll achievements, Student of the Marking Period, as well as awards for outstanding performance in various academic disciplines and citizenship.
- **ALBANIAN HERITAGE CELEBRATION – 3 Hours**
 BASCS celebrated Albanian independence with an Albanian Heritage celebration in November. The celebration included live music, poem recitals, Albanian folk dancing by a student dance group and traditional Albanian food and desserts.
- **CENTRAL OFFICE BREAKFAST – 1 Hour, Weekly**
 Parent Breakfasts at the BASCS/PASCS Central Office took place. The parents were invited to join Mr. Guvercin and varied Central Office administrators for breakfast at 8:00 a.m.
- **HOLIDAY DINNER/FOOD DRIVE – 4 Hours**
 In November, BASCS held a food drive to benefit our school families. Countless members of the school community generously donated to the cause. Additionally, a holiday meal was prepared and shared with BASCS staff members, families, and the school community.
- **WINTER CONCERTS – 2 Hours Each**
 In December, each BASCS campus presented their winter concert. Students sang songs from different cultures and played musical instruments. There was also a performance by the Singing through Signing Club. Parents were in attendance at each performance, and enjoyed the shows.
- **7th Annual MUFFINS WITH MOMS – 1 Hour**
 In January, BASCS hosted a fabulous morning with mothers and their children enjoying muffins and socializing with other parents and teachers.

- **QUALITY IN EDUCATION SUMMIT– 3 Hours**

In January, Bergen ASCS, in cooperation with all NJASCS campuses, hosted our 2nd Annual Quality in Education Summit. The event was streamed live via You Tube, and was tweeted live. The panel members included:

Matt Stanton, Government Affairs Executive, MBI GluckShaw

Derrell Bradford, Education Reform Advocate

Victoria Flynn, Partner at DeCottis, FitzPatrick and Cole

Paul B. Josephson, Board member of the NJ Charter School Association

Assemblyman Troy Singleton

Topic of Discussion: The Politics of Public Education

- **SCHOOL CHOICE WEEK – 1 Week – 20 Hours**

In January, BASCS celebrated Annual National School Choice Week which brings an unprecedented level of public awareness to the benefits of school choice. It was a great week, celebrating with all the various activities that took place. Students participated in activities such as a school door spirit contest, created school spirit t-shirts at home with their families to wear to school, and all of the students participated in the National School Choice Week dance in the school gymnasium. All members of our administration, teachers, staff, students and families are proud to be part of a wonderful community Bergen Arts and Science Charter School.

- **7th Annual DONUTS WITH DADS – 1 Hour**

In February, BASCS's Donuts with Dads had brought fathers and their children together at breakfast- time in the school cafeteria. Not only were there many fathers present, but also extended families. All were welcome to celebrate.

- **BLACK HISTORY MONTH – 2 Hours**

In February, BASCS celebrated Black History Month. Each morning throughout the month, as part of the morning announcements, students listened to a short biography on a different African American Hero. The celebration also included a special assembly including videos on influential African American heroes, a gallery walk that students took viewing presentation boards that students created with their class on prominent African American figures throughout U.S. history, and musical selections.

- **READ THE MOST COAST TO COAST – 1 Day**

On Friday, February 28th, BASCS schools participated in the 3rd Annual Nationwide Reading challenge entitled Read the Most Coast to Coast. This is an exciting event where students at all grade levels across the country unite to top the record for the most Accelerated Reader quizzes taken in one day. Accelerated Reader is a database that holds thousands of quizzes that students can take after reading books on their reading level. BASCS students read an amazing total of 5,102 Accelerated Reading quizzes on this day!

- **BOWL -A -RAMA – 4 Hours**
 In March, families participated in a PTO Bowl-A-Rama in which they played endless bowling games, had lunch, and entered to win many prizes. Families spent the day having fun and bonding with each other.
- **DISTRICT SCIENCE FAIR – 6 Hours**
 The Bergen, Passaic and Paterson Arts and Science Charter Schools District Science Fair took place in March. Students from all three districts displayed their Science Fair projects for parents, friends and special guests, which included local politicians, business professionals, and academic leaders.
- **SCIENCE OLYMPIADS – 3 Month Duration**
 In March, North Jersey Arts and Science Charter School hosted the Annual Science Olympiad at our sister school, Passaic-ASCS Middle. It was a fantastic day where students took part in hands-on activities that challenged them and showed great teamwork. BASCS students showed great teamwork as they placed third at the event.
- **MATH COMPETITION – 6 Hours**
 On March 15th, NJASCS had the privilege of hosting the Apple Education Math Contest at Princeton University. Sixth through eighth grade students from our Math teams at BASCS Middle and High School, along with our sister campus, PASCs in Passaic, participated at the event. Students competed against 24 other schools from New Jersey, Massachusetts, Pennsylvania and New York with 175 students participating in total! The students took difficult tests and partook in solving tricky activities in a stations round. The BASCS High School team won the Quick Math station and one of our students made it to the Great Final.
- **DRAMA PRODUCTION – 2 HOURS**
 In March, BASCS High School presented their first ever drama production. A small group of talented BASCS students in a Western Drama class performed excerpts from Edward Albee's Pulitzer Prize- winning THREE TALL WOMEN and accompanying monologues.
- **READ ACROSS AMERICA – 1 WEEK – 20 HOURS**
 In March, BASCS students participated in Read Across America. This event honors Dr. Seuss's birthday and his many books that use rhyming as an effective tool toward developing students' reading skills. Students had fun celebrating the enjoyment of reading as they participated in some silly theme days and were challenged as they participated in various writing activities that were aligned with a different Dr. Seuss book each day.
- **BASCS and PASCs Duet of Disney Musicals – 4 HOURS**
 In March, elementary students at BASCS and our sister campus, PASCs in Passaic, NJ, performed Disney's 101 Dalmatians and Aristocrats for one performance each at both respective campuses. Parents assisted with the set, costumes, make-up, and concessions for the event.

- **BASCS and PASCS Duet of Disney Musicals – 4 HOURS**

In March, middle school students at BASCS and our sister campus, PASCS in Passaic, NJ, performed High School Musical One and Two for one performance each at both respective campuses. Parents assisted with the set, costumes, make-up, and concessions for the event.

- **Language and Culture Festival**

BASCS participated in the 7th Language and Culture Festival in March. We are proud of our students for the amazing performances that they showed in each category. Bergen High school received 3rd place in folk dance, Nia Arrington Seward was awarded 3rd place in poetry and Sneha Satish received 3rd place in the Speech contest.

- **ART FAIR – 3 HOURS **

This year's Student Art Fairs were held in April. There was no purchase necessary to attend, but families had an opportunity to view their child's beautiful mixed-medium pieces. BASCS high school students experimented with different art medium and developed their own styles. This was a collection of art work from grades 8-11 called "Art Junction". The name was chosen by the students and represents different ideas, variety of styles and cultures.

- **JUNIOR PROM**

The high school had its first junior prom in June held at the Brownstone in Paterson, New Jersey. Students enjoyed a wonderful dinner and danced to a live DJ.

- **CINCO DE MAYO CELEBRATION – 2 Hours**

In May, BASCS honored the Mexican holiday, Cinco de Mayo, in which students performed beautiful dances, read poems and presented songs to celebrate the special day. The festivities even included a live mariachi band playing traditional music for everyone to enjoy.

- **SPRING MUSICAL – 8 Month Duration**

BASCS High School presented an unforgettable musical production of *Little Shop of Horrors* for three performances in May. Students prepared for the musical throughout the entire year by having daily practice and creating the scenery. Parents assisted with makeup, hair, costumes, and backstage supervision of students. The PTO and Bake Sales throughout the year helped fund the play.

- **6th ANNUAL TURKISH OLYMPIAD**

In May, students participated in the 6th Annual Turkish Olympiad held in New York. Students prepared for this day by learning poems and songs in Turkish. The winners of the Olympiad were then invited to present in Turkey.

- **GARDEN STATE INTERNATIONAL HERITAGE FESTIVAL – Yearlong School Community Project**

With over 4,500 attendees and 48 countries represented, food and merchant vendors, and guest performers including the Bergen, Passaic and Paterson Charter School Spring Concerts, our third annual GSIHF was held in June at the Meadowlands Exposition Center in Secaucus. Community members, families and students have the opportunity to walk around to various country booths, set up by parent volunteers and teachers, to visit each of the countries and learn about their history and culture. Each grade from all three districts is assigned a country and student crafts and artwork is displayed at each of the booths. To enhance the learning experience, students are given “passports” where students are responsible for visiting the countries and collecting cultural artifacts and information outlined in the passport.

- **BERGEN IDOL – 4 Hours**

In May, BASCS Middle School and BASCS High School students competed in vocal competitions at their schools for their own titles of BASCS Idol. Over 125 students and family members were in attendance.

- **8th GRADE GRADUATION – 2 Hours**

As a conclusion of the middle school path, 8th grade students graduated on June 19th. The salutatorian and valedictorian gave motivational speeches to their classmates. Teachers spoke and presented different awards to students. The PTO president and 8th Grade Parent Committee were thanked for their support of our school and 8th grade class. Students were awarded their diplomas, and families were invited to a reception following the graduation ceremony.

4. INTERNAL ACCOUNTING CONTROLS: Management of the Board of Trustees is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2014.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposits with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds.

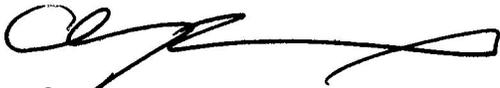
8. OTHER INFORMATION:

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

9. **ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2011-2012, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

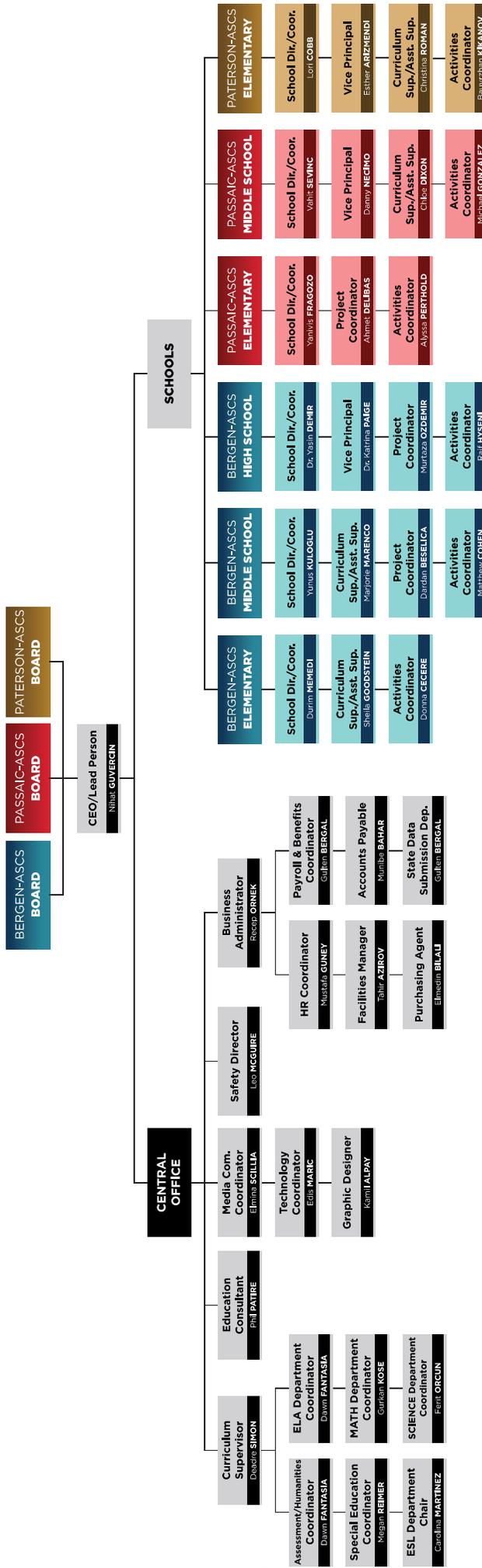
10. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Bergen Arts and Science Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the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

Respectfully submitted,



Christopher Lessard
Business Administrator

NORTH JERSEY ARTS AND SCIENCE CHARTER SCHOOLS (NJASCS) ORGANIZATIONAL CHART



**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2014**

Members of the Board of Trustees

Position

Emin Bahadir	President
Eileen Fuentes	Vice President
Ali Kemal Kucukselim	Treasurer
Arzu Kaya-Uranli	Trustee
Sancar Avcioglu	Trustee
Murat Teke	Trustee
Ozgur Dogru	Trustee
Jordania Gonzales	Trustee
Lorian Henderson Manning	Trustee

Other Officials

Nihat Guvercin	Lead Person
Christopher Lessard	Business Administrator
Recep Ornek	Board Secretary/Assistant Business Administrator/ Purchasing Agent

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, NJ 07083

Attorney

Brenda Liss
Riker Danzig Scherer Hyland Perretti LLP
Headquarters Plaza
One Speedwell Avenue
Morristown, NJ 07962

Official Depository

Wells Fargo
190 River Road
Executive Offices
Summit, NJ 07901

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bergen Arts and Science Charter School (Charter School), in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2014, 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

The Charter School's 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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bergen Arts and Science Charter School, in the County of Bergen, State of New Jersey, as of June 30, 2014, and the respective changes in the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 23 and 72, respectively, 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and

state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 use 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 combining and individual nonmajor fund financial statements and 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.

The introductory and statistical sections 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014 on our consideration of the Bergen Arts and Science Charter School's internal control over financial reporting and 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.



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

November 3, 2014

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of Bergen Arts and Science Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2014 are as follows:

- ❖ General revenues accounted for \$11,858,892 in revenue or 100% percent of all revenues.
- ❖ The Charter School had \$11,166,796 in expenses; none of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,858,892 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$11,623,993 in revenues and \$11,027,104 in expenditures. The General Fund's fund balance increased \$596,889 over 2013. This increase was anticipated by the Board of Trustees.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

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

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 45 of this report.

The Charter School as a Whole

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

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

The Charter School's combined net position were \$1,813,504 for 2014 and \$1,143,451 for 2013.

Governmental Activities

The Charter School's total revenues were \$11,858,892 for 2014 and \$8,569,346 for 2013, this includes \$279,710 for 2014 and \$212,522 for 2013 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$11,166,796 for 2014 and \$8,841,165 for 2013. Instruction comprises 53% for 2014 and 55% for 2013 of Charter School expenses.

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

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

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

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

Business-Type Activities

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

- ❖ Proprietary Fund operating expenses exceeded operating revenues by \$22,042 for 2014 and operating expenses exceeded operating revenues by \$49,778 for 2013.
- ❖ Charges for services represent \$161,318 for 2014 and \$112,859 for 2013. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$281,969 for 2014 and \$182,531 for 2013.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$11,858,892 for 2014 and \$8,569,346 for 2013 and expenditures were \$11,166,796 for 2014 and \$8,841,165 for 2013. The net change in fund balance for fiscal years 2014 and 2013 was most significant in the general fund, an increase of \$692,096 in 2014 and a decrease of \$271,819 in 2013.

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2014.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2013</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 6,106,558	51.49%	\$ 1,867,903	44.07%
State Sources	5,517,435	46.53%	1,408,647	34.28%
Federal Sources	234,899	1.98%	12,996	5.86%
Total	\$ 11,858,892	100.00%	\$ 3,289,546	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2014.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2013</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 4,917,407	43.67%	\$ 860,293	21.20%
Administration	3,147,156	27.94%	1,122,949	55.48%
Support Services	3,101,808	27.54%	464,489	17.61%
Capital Outlay	95,632	0.85%	(9,098)	-8.69%
Total	\$ 11,262,003	100.00%	\$ 2,438,633	

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

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

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

For the Future

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

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

Contacting the Charter School's Financial Management

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

SECTION A – BASIC FINANCIAL STATEMENTS

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 429,239	\$ 2,774	\$ 432,013
Internal Balances	326,624		326,624
Receivables	1,085,883	45,145	1,131,028
Prepaid Expenses	100,404		100,404
Capital Assets, Net	123,353	25,200	148,553
Total Assets	2,065,503	73,119	2,138,622
LIABILITIES:			
Interfund Payable	\$ 73,596	\$ 119,209	\$ 192,805
Payable to State Government			
Payable to District	100,887		100,887
Accounts Payable	31,426		31,426
Total Liabilities	205,909	119,209	325,118
NET POSITION:			
Net Investment in Capital Assets	(14,149)		(14,149)
Restricted for:			
General Fund	11,775		11,775
Unassigned	1,861,968	(46,090)	1,815,878
Total Net Position	\$ 1,859,594	\$ (46,090)	\$ 1,813,504

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Statement of Activities
For The Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 4,875,537	\$ 1,015,859	\$ -	\$ -	\$ -	\$ (5,891,396)	\$ -	\$ (5,891,396)
Administration	1,566,796	276,852				(1,843,648)		(1,843,648)
Support Services	3,101,808	284,649				(3,386,457)		(3,386,457)
Unallocated Depreciation	45,295					(45,295)		(45,295)
Total Governmental Activities	9,589,436	\$ 1,577,360	-	-	-	(11,166,796)	-	(11,166,796)
BUSINESS-TYPE ACTIVITIES:								
Food Service	465,329		161,318	281,969	-	-	(22,042)	(22,042)
Total Business-Type Activities	465,329		161,318	281,969	-	-	(22,042)	(22,042)
Total Primary Government	\$ 10,054,765		\$ 161,318	\$ 281,969	\$ -	\$ (11,166,796)	\$ (22,042)	\$ (11,188,838)
GENERAL REVENUES								
General Purposes						\$ 6,077,192	\$ -	\$ 6,077,192
Federal and State Aid Not Restricted						5,752,334		5,752,334
Tuition								-
Miscellaneous Income						29,366		29,366
Total General Revenues						11,858,892		11,858,892
Change in Net Position						692,096	(22,042)	670,054
Net Position - Beginning						1,167,498	(24,048)	1,143,450
Net Position - Ending						\$ 1,859,594	\$ (46,090)	\$ 1,813,504

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENT FUNDS

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2014

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 354,239	\$ -	\$ 354,239
Restricted	75,000		75,000
Receivables:			
Interfund Receivables	326,624		326,624
Receivables From Other Governments	81,919	82,942	164,861
Other Receivables	121,392		121,392
Receivables, Net	799,630		799,630
Prepaid Expenses	100,404		100,404
	1,859,208	82,942	1,942,150
Total Current Assets			
	1,859,208	82,942	1,942,150
Total Assets	\$ 1,859,208	\$ 82,942	\$ 1,942,150
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 73,596	\$ 73,596
Payable to State Government			-
Payable to District	100,887		100,887
Accounts Payable	25,080	9,346	34,426
	125,967	82,942	208,909
Total Current Liabilities			
	125,967	82,942	208,909
Total Liabilities	125,967	82,942	208,909
Fund Balances:			
Reserved For:			
Encumbrances	11,775		11,775
Unassigned:			
General Fund	1,721,466		1,721,466
	1,733,241	-	1,733,241
Total Fund Balances			
	1,733,241	-	1,733,241
Total Liabilities and Fund Balances	\$ 1,859,208	\$ 82,942	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$209,251 and the accumulated depreciation is \$85,898.

123,353

Net Position of Governmental Activities

\$ 1,856,594

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 6,077,192	\$ -	\$ 6,077,192
Interest on Investments	8		8
Miscellaneous	<u>29,358</u>		<u>29,358</u>
 Total Local Sources	 6,106,558		 6,106,558
State Sources	5,517,435		5,517,435
Federal Sources		<u>234,899</u>	<u>234,899</u>
 Total Revenues	 <u>11,623,993</u>	 <u>234,899</u>	 <u>11,858,892</u>
 EXPENDITURES:			
Current:			
Instruction	4,852,607	64,800	4,917,407
Administration	3,147,156		3,147,156
Support Services	3,002,541	99,267	3,101,808
Capital Outlay	<u>24,800</u>	<u>70,832</u>	<u>95,632</u>
 Total Expenditures	 <u>11,027,104</u>	 <u>234,899</u>	 <u>11,262,003</u>
 NET CHANGE IN FUND BALANCES	 596,889		 596,889
 FUND BALANCES, JULY 1	 <u>1,136,352</u>		 <u>1,136,352</u>
 FUND BALANCES, JUNE 30	 <u>\$ 1,733,241</u>	 <u>\$ -</u>	 <u>\$ 1,733,241</u>

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental fund (from B-2)		\$ 596,889
Amounts reported for governmental activities in the statement of activities (A-2) which are different:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (45,295)	
Capital Outlay	<u>137,502</u>	<u>92,207</u>
Change in net position of governmental activities		<u><u>\$ 689,096</u></u>

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

PROPRIETARY FUNDS

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Proprietary Fund
Statement of Net Position
June 30, 2014

	Business-Type Activities - Enterprise Fund				Total
	Food Service	School Store	After Care	GSIH	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ -	\$ 2,774	\$ -	\$ 2,774
Intergovernmental Accounts Receivable:					
Federal	44,079				44,079
State	1,066				1,066
Total Current Assets	45,145	-	2,774	-	47,919
Noncurrent Assets:					
Machinery and Equipment	54,414				54,414
Less Accumulated Depreciation	(29,214)				(29,214)
Total Noncurrent Assets	25,200	-	-	-	25,200
Total Assets	<u>\$ 70,345</u>	<u>\$ -</u>	<u>\$ 2,774</u>	<u>\$ -</u>	<u>\$ 73,119</u>
LIABILITIES AND NET POSITION:					
Liabilities:					
Current Liabilities:					
Interfund Accounts Payable	\$ 32,932	\$ 35,288	\$ 29,929	\$ 21,060	\$ 119,209
Total Current Liabilities	32,932	35,288	29,929	21,060	119,209
Total Liabilities	32,932	35,288	29,929	21,060	119,209
Net Position:					
Unassigned	37,413	(35,288)	(27,155)	(21,060)	(46,090)
Total Net Position	37,413	(35,288)	(27,155)	(21,060)	(46,090)
Total Liabilities and Net Position	<u>\$ 70,345</u>	<u>\$ -</u>	<u>\$ 2,774</u>	<u>\$ -</u>	<u>\$ 73,119</u>

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Fund				Total
	Food Service	School Store	After Care	GSIHF	
OPERATING REVENUES:					
Charges for Services:					
Daily Sales Reimbursable Program	\$ 101,900	\$ -	\$ -	\$ -	\$ 101,900
Daily Sales Non-reimbursable Program			29,802	29,616	59,418
Total Operating Revenues	101,900	-	29,802	29,616	161,318
OPERATING EXPENSES:					
Salaries	135,831		37,942		173,773
Management Fees	8,363				8,363
Supplies and Materials	19,536				19,536
Depreciation Expense	10,693				10,693
Cost of Sales	195,266			50,676	245,942
Miscellaneous Expenses	7,022				7,022
Total Operating Expenses	376,711	-	37,942	50,676	465,329
OPERATING INCOME (LOSS)	(274,811)	-	(8,140)	(21,060)	(304,011)
NONOPERATING REVENUES:					
State Source:					
State School Breakfast/Lunch Program	5,553				5,553
Federal Source:					
National School Breakfast/Lunch/Snack Program	276,416				276,416
Total Nonoperating Revenues	281,969	-	-	-	281,969
CHANGE IN NET POSITION BEFORE OTHER FINANCING SOURCES	7,158	-	(8,140)	(21,060)	(22,042)
CHANGE IN NET POSITION	7,158	-	(8,140)	(21,060)	(22,042)
TOTAL NET POSITION, JULY 1	30,255	(35,288)	(19,015)	-	(24,048)
TOTAL NET POSITION, JUNE 30	\$ 37,413	\$ (35,288)	\$ (27,155)	\$ (21,060)	\$ (46,090)

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Fund				
	Food Service	School Store	After Care	GSIHF	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 70,063	\$ -	\$ 29,802	\$ 29,616	\$ 129,481
Cash Payments to Suppliers and Employees	(305,873)		(75,132)	(29,616)	(410,621)
Net Cash Used In Operating Activities	(235,810)	-	(45,330)	-	(281,140)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Received From State And Federal Reimbursements	281,969				281,969
Net Cash Provided By Noncapital Financing Activities	281,969	-	-	-	281,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition And Construction Of Capital Assets	(24,212)				(24,212)
Net Cash Used For Capital And Related Financing Activities	(24,212)	-	-	-	(24,212)
Net Increase (Decrease) In Cash And Cash Equivalents	21,947	-	(45,330)	-	(23,383)
Cash And Cash Equivalents, Beginning Of Year	(21,947)	-	48,104	-	26,157
Cash And Cash Equivalents, End Of Year	\$ -	\$ -	\$ 2,774	\$ -	\$ 2,774
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:					
Operating Profit (Loss) Used for Operating Activities	\$ (274,811)	\$ -	\$ (8,140)	\$ (21,060)	\$ (304,011)
Depreciation	10,693				10,693
Change In Assets And Liabilities:					
Increase (Decrease) In Due From Other Funds	27,213				27,213
Increase (Decrease) In Receivables From Other Governments	(31,837)				(31,837)
(Increase) Decrease In Other Receivables			508		508
Increase (Decrease) In Interfund Payable	32,932		(37,698)	21,060	16,294
Net Cash Used In Operating Activities	\$ (235,810)	\$ -	\$ (45,330)	\$ -	\$ (281,140)

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

FIDUCIARY FUNDS

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2014

	Unemployment Compensation Trust	Health Benefits Trust	Agency Fund
ASSETS:			
Cash and Cash Equivalents	\$ -	\$ 5,664	\$ 133,822
Total Assets	-	5,664	\$ 133,822
LIABILITIES:			
Interfund Accounts Payable Due to Student Groups	\$ -	\$ 5,664	\$ 128,155 5,667
Total Liabilities	-	5,664	\$ 133,822
NET POSITION:			
Held in Trust for Claims			
Total Net Position	\$ -	\$ -	

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Years Ended June 30, 2014

	<u>Unemployment Compensation Trust</u>	<u>Health Benefits Trust</u>
ADDITIONS:		
Contributions	<u>\$ 38,022</u>	<u>\$ 327,686</u>
Total Additions	<u>38,022</u>	<u>327,686</u>
DEDUCTIONS:		
Payment of Claims	<u>55,844</u>	<u>321,533</u>
Total Deductions	<u>55,844</u>	<u>321,533</u>
CHANGE IN NET POSITION	<u>(17,822)</u>	<u>6,153</u>
NET POSITION, JULY 1	<u>17,822</u>	<u>(489)</u>
NET POSITION, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 5,664</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Bergen Arts and Science Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

B. Reporting Entity

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (continued)

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Bergen Arts and Science Charter School include two schools a Grade K-6 and a Grade 7-12 located in the City of Elmwood Park. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements – Government-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basic Financial Statements – Government-Wide Statements
(Continued)**

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

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Basic Financial Statements – Fund Financial Statements
(Continued)**

governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, charter school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings 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.

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 acquisition, construction and improvement programs.

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Basic Financial Statements – Fund Financial Statements
(Continued)**

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

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income.

The Charter School's Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements – Fund Financial Statements
(Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements – Fund Financial Statements (Continued)

cannot be sued to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds): The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets/Budgetary Control

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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 234,899
Adjustments:	
Less Encumbrances at June 30, 2014	-
Plus Encumbrances at June 30, 2013	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 234,899</u>

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets/Budgetary Control (Continued)

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity –

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

Additionally, the Charter School had adopted a cash management plan that 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 a loss of funds on deposit with a failed banking institution in New Jersey.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

2. Short-term Interfund Receivables/Payables

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

3. Inventories

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

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Charter School has included all infrastructure assets in the current fiscal year.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

5. Fund Equity

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

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

H. Fund Balance Reserves

In the fund financial statements, governmental funds report the following classifications of fund balance:

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

I. Recent Accounting Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The statement which is effective for periods beginning after December 15, 2011, amends and supersedes several previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. The Charter School has adopted this statement for the year ended June 30, 2014.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Recent Accounting Pronouncements (Continued)

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement, which is effective for periods beginning after December 15, 2011, amends several previously issued GASB statements to standardize reporting of deferred inflows and outflows of financial resources. The Charter School has amended its financial reporting to comply with this statement for the year ended June 30, 2014.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement which is effective for periods beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Charter School has adopted this statement for the year ended June 30, 2014.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66, "Technical Corrections – 2012, an Amendment of GASB Statements 10 & 62." This statement which is effective for periods beginning December 15, 2012, purpose is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Charter School is in the process of reviewing its obligations under GASB 66, and its potential impact on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, "Financial Reporting for Pension Plans, an Amendment of GASB 25." This statement will be effective for periods beginning with the year ending June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50,

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Recent Accounting Pronouncements (Continued)

“Pension Disclosures.” The Charter School is in the process of reviewing its obligations under GASB 67, and its potential impact on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, “Accounting and Financial Reporting for Pensions.” This statement will be effective for periods beginning with the year ending June 25, 2014. This Statement replaces the requirements of Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers”, as well as the requirements of Statement No. 50, “Pension Disclosures.” This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Charter School is in the process of reviewing its obligations under GASB 67, and its potential impact on the financial statements.

NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

A. Deposits and Investments (Continued)

pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of June 30, 2014, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Funds	Fiduciary Funds	Total
Operating Account	\$ 429,239	\$ -	\$ 2,774	\$ 139,486	\$ 571,499

The Charter School had no investments at June 30, 2014.

The carrying amount of the Board's cash and cash equivalents at June 30, 2014 was \$571,499 and the bank balance was \$1,080,101. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2014, none of the cash and cash equivalents for Bergen Arts and Science Charter School were exposed to custodial credit risk.

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

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
 - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
 - (6) Local government investment pools;
 - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
 - (8) Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

A. Deposits and Investments (Continued)

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2014.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2014.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2014.

Receivables

Receivables at June 30, 2014, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 799,630	\$ 800,696
Federal Aid	82,942	127,021
Other	203,311	203,311
Gross Receivables	1,085,883	1,131,028
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 1,085,883</u>	<u>\$ 1,131,028</u>

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

B. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2014:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 326,624	\$ -
Special Revenue Fund		73,596
Proprietary Fund		119,209
Fiduciary Fund		133,819
Total	<u>\$ 326,624</u>	<u>\$ 326,624</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Machinery and Equipment	\$ 71,749	\$ 137,502	\$ -	\$ 209,251
Totals at Historical Cost	71,749	137,502	-	209,251
Less Accumulated Depreciation For:				
Machinery and Equipment	40,602	45,296	-	85,898
Total Accumulated Depreciation	40,602	45,296	-	85,898
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	31,147	92,206	-	123,353
Government Activity Capital Assets, Net	\$ 31,147	\$ 92,206	\$ -	\$ 123,353

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

C. Capital Assets (Continued)

where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

**NOTE III: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES/
EXPENDITURES**

Rental Leases

The school leases classroom and office space at 200 MacArthur Avenue, Garfield, New Jersey. The lease is for sixty (60) months commencing June 1, 2010 and expiring on June 30, 2015. Total lease payments made for the two locations during the year ended June 30, 2014 was 1,114,599 which includes utilities. Future Minimum lease payments are as follows:

Year Ended June 30,	Amount
2015	\$ 384,000
Total future minimum lease payments	\$ 384,000

The school leases classroom space at 1255 Main Avenue, Clifton, New Jersey. The lease is for twelve (12) months commencing July 2, 2013 and ending June 30, 2014. Total lease payments made for the year ended June 30, 2014 was \$240,000. The lease is structured as a triple net lease.

In addition, the school leases classroom and office space at 43 Maple Avenue, Elmwood Park, New Jersey under a lease agreement for two years commencing July 1, 2014 and ending June 30, 2016. The lease requires annual rental payments as follows:

Year Ended June 30,	Amount
2015	\$ 500,000
2016	550,000
Total future minimum lease payments	\$ 1,050,000

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE III: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES/
EXPENDITURES (CONTINUED)**

Rental Leases (continued)

In addition, the school leases classroom and office space at 30 Madonna Place, Garfield, New Jersey. The lease is for thirty-six (36) months commencing July 1, 2013 and ending June 30, 2016. The lease requires annual rental payments as follows:

Year Ended June 30,	Amount
2015	\$ 272,565
2016	282,660
Total future minimum lease payments	\$ 555,225

In addition, the school leases office space at 465 Boulevard, Elmwood Park, New Jersey under a lease agreement for one year with two one year options to renew. The monthly rent is \$5,386.52 for a total of \$64,638.25 plus common space triple net costs to be billed by the landlord.

NOTE IV: PENSION PLANS

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) was established in 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE IV: PENSION PLANS (CONTINUED)

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full-time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

The Defined Contribution Retirement Program (DCRP) was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295 or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

Retirement Benefits

For PERS and TPAF employees, who retire at a specified age or after 55 according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE IV: PENSION PLANS (CONTINUED)

Significant Legislation

PERS and TPAF employee contribution rates will increase from 5.5% to 6.5% of salary effective October 2011. The second phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7 year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July 2012 until the 7.5% contribution rate is reached in July 2018.

Under a provision of Chapter 78, P.L. 2011, Cost of Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. There is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

Contribution Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 6.5% for TPAF and PERS and 5.5% for

Contribution Requirements (Continued)

DCRP of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2014, for TPAF, annual pension cost differs from the annual required contribution. For PERS, the annual pension cost equals the annual required contribution made. For TPAF employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1977. In the DCRP, member contributions are matched by a 3% employer contribution.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE IV: PENSION PLANS (CONTINUED)

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/14	\$270,620	100%	\$270,620
06/30/13	\$177,837	100%	\$177,837
06/30/12	\$65,477	100%	\$65,477

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

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/14	\$148,263	100%	\$148,263
06/30/13	\$153,909	100%	\$153,909
06/30/12	\$145,204	100%	\$145,204

NOTE V: POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 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 prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE V: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

The school contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

NOTE VI: RISK MANAGEMENT

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

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The Charter School pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**BERGEN ARTS AND SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE VI: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013-2014	17,822	\$ 38,022	\$ 55,844	\$ -
2012-2013	2,176	47,011	31,365	17,822
2011-2012	-	66,004	68,813	2,176

In January 2014, Bergen Arts and Science Charter School went from a reimbursement to a contributory method for SUI.

NOTE VII: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

Of the \$1,733,241 General Fund balance at June 30, 2014, \$1,721,466 is unassigned.

NOTE VIII: SUBSEQUENT EVENTS

The Bergen Arts and Science Charter School's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

NOTE VIII: COST SHARING AGREEMENT

On July 19, 2011 Bergen Arts and Science Charter School and Passaic Arts and Science Charter School located at 10 St. Francis Way in Passaic, New Jersey, entered into a two (2) year cost sharing agreement with an option to renew for an additional two (2) years. Bergen Arts and Science Charter School agrees to provide space, utilities and administrative services to Passaic Arts and Science Charter School in exchange for Passaic Arts and Science Charter School reimbursing Bergen Arts and Science Charter School for the cost of these services.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 5,567,040	\$ 538,977	\$ 6,106,017	\$ 6,077,192	\$ (28,825)
Total Local Levy Budget	5,567,040	538,977	6,106,017	6,077,192	(28,825)
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	4,626,867	105,688	4,732,555	4,690,152	(42,403)
Special Education Aid	244,695	(117,142)	127,553	122,254	(5,299)
Security Aid	(134,527)	21,199	(113,328)	153,977	267,305
Other State Aid				722	722
Total Categorical Aid	4,737,035	9,745	4,746,780	4,967,105	220,325
Revenues From Other Sources:					
Interest Income				8	8
Donations and Contributions				2,644	2,644
Miscellaneous Revenue				26,714	26,714
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				279,710	279,710
Reimbursed TPAF Pension Contributions (Non-Budgeted)				270,620	270,620
Total Revenues From Other Sources	-	-	-	579,696	309,076
Total Revenues	10,304,075	548,722	10,852,797	11,623,993	500,576
EXPENDITURES:					
Instruction:					
Salaries of Teachers	2,625,281	1,008,003	3,633,284	3,633,284	-
Other Salaries for Instruction	910,060	(710,683)	199,377	199,377	-
Purchased Prof/Tech Services	160,000	(55,930)	104,070	104,070	-
Other Purchased Services	99,400	1,744	101,144	101,144	-
General Supplies	605,000	3,298	608,298	608,020	278
Textbooks	90,000	14,286	104,286	104,286	-
Miscellaneous	92,000	10,426	102,426	102,426	-
Total Instruction	4,581,741	271,144	4,852,885	4,852,607	278
Administration:					
Salaries - General Administration	622,515	183,453	805,968	805,968	-
Salaries of Secretarial/Clerical Assistants	156,730	81,818	238,548	238,548	-
Total Benefits Cost	1,425,277	(108,656)	1,316,621	1,300,650	15,971
Purchases Prof/Tech Services	127,560	59,472	187,032	107,189	79,843
Communications/Telephone	109,800	(46,142)	63,658	63,658	-
Travel	12,400	(10,579)	1,821	1,821	-
Supplies and Materials	52,000	(3,445)	48,555	48,555	-
Miscellaneous Expenses	36,000	(4,372)	31,628	30,437	1,191
Total Administration	2,542,282	151,549	2,693,831	2,596,826	97,005

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 979,169	\$ 114,396	\$ 1,093,565	\$ 1,073,930	\$ 19,635
Purchased Prof/Ed Services	152,900	(71,818)	81,082	77,387	3,695
Purchased Prof/Tech Services	24,000	(18,084)	5,916	5,916	-
Maintenance Services	228,200	(39,395)	188,805	169,788	19,017
Rental of Land and Buildings	1,102,135	12,464	1,114,599	1,114,599	-
Other Purchased Services	36,000	(1,560)	34,440	29,200	5,240
Transportation-Other Than To/From School	75,000	72,415	147,415	140,811	6,604
Insurance for Property, Liability and Fidelity	67,716	4,755	72,471	70,150	2,321
Supplies and Materials	164,000	(243)	163,757	143,374	20,383
Energy Costs (Heat and Electricity)	203,896	(27,025)	176,871	173,880	2,991
Travel	3,000	(1,472)	1,528	1,528	-
Miscellaneous Expenses	1,000	5,356	6,356	1,978	4,378
Total Support Services	3,037,016	49,789	3,086,805	3,002,541	84,264
Capital Outlay:					
Instructional Equipment	30,000	(30,000)			
Non-Instructional Equipment	100,000	(75,200)	24,800	24,800	-
Total Capital Outlay	130,000	(105,200)	24,800	24,800	-
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				279,710	(279,710)
Reimbursed TPAF Pension Contributions (Non-Budgeted)				270,620	(270,620)
Total Expenditures	10,291,039	367,282	10,658,321	11,027,104	(98,163)
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,036	181,440	194,476	596,889	402,413
FUND BALANCE, JULY 1	1,134,401		1,134,401	1,136,352	1,951
FUND BALANCE, JUNE 30	\$ 1,147,437	\$ 181,440	\$ 1,328,877	\$ 1,733,241	\$ 404,364
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 1,147,437	\$ 181,440	\$ 1,328,877	\$ 1,733,241	\$ 404,364
Total	\$ 1,147,437	\$ 181,440	\$ 1,328,877	\$ 1,733,241	\$ 404,364

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 536,204	\$ (285,342)	\$ 250,862	\$ 234,899	\$ (15,963)
Total Revenues	<u>536,204</u>	<u>(285,342)</u>	<u>250,862</u>	<u>234,899</u>	<u>(15,963)</u>
EXPENDITURES:					
Instruction:					
Salaries	363,232	(285,342)	77,890	64,800	13,090
Total Instruction	<u>363,232</u>	<u>(285,342)</u>	<u>77,890</u>	<u>64,800</u>	<u>13,090</u>
Support Services:					
Salaries	24,832		24,832	24,000	832
Personal Services - Employee Benefits	11,544		11,544	10,478	1,066
Purchased Prof/Ed Services	42,232		42,232	41,257	975
Purchased Technical Services	23,532		23,532	23,532	
Total Support Services	<u>102,140</u>	<u>-</u>	<u>102,140</u>	<u>99,267</u>	<u>2,873</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	70,832	-	70,832	70,832	
Total Facilities Acquisition and Construction Services	<u>70,832</u>	<u>-</u>	<u>70,832</u>	<u>70,832</u>	<u>-</u>
Total Expenditures	<u>536,204</u>	<u>(285,342)</u>	<u>250,862</u>	<u>234,899</u>	<u>15,963</u>
Total Outflows	<u>536,204</u>	<u>(285,342)</u>	<u>250,862</u>	<u>234,899</u>	<u>15,963</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2014

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) "revenues" from the budgetary comparison schedules	[C-1] \$ 11,623,993	[C-2] \$ 234,899
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	_____	_____
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] <u>\$ 11,623,993</u>	[B-2] <u>\$ 234,899</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 11,027,104	[C-2] \$ 234,899
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] <u>\$ 11,027,104</u>	[B-2] <u>\$ 234,899</u>

OTHER SUPPLEMENTAL INFORMATION

SECTION E – SPECIAL REVENUE FUND

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

E-1

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2014

	<u>NCLB Title I</u>	<u>I.D.E.A. Part B</u>	<u>Grand Total</u>
REVENUE SOURCES:			
Federal	<u>\$ 110,296</u>	<u>\$ 124,603</u>	<u>\$ 234,899</u>
Total Revenues	<u>110,296</u>	<u>124,603</u>	<u>234,899</u>
EXPENDITURES:			
Instruction:			
Salaries	<u>14,800</u>	<u>50,000</u>	<u>64,800</u>
Total Instruction	<u>14,800</u>	<u>50,000</u>	<u>64,800</u>
Support Services:			
Personal Services - Employee Benefits	1,132	9,346	10,478
Purchased Prof/Ed Services	<u> </u>	<u>41,257</u>	<u>41,257</u>
Total Support Services	<u>24,664</u>	<u>74,603</u>	<u>99,267</u>
Facilities Acquisition and Construction Services:			
Instructional Equipment	<u>70,832</u>	<u> </u>	<u>70,832</u>
Total Facilities Acquisition and Construction Services	<u>70,832</u>	<u>-</u>	<u>70,832</u>
Total Expenditures	<u>110,296</u>	<u>124,603</u>	<u>234,899</u>
Total Outflows	<u>110,296</u>	<u>124,603</u>	<u>234,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SECTION G – PROPRIETARY FUNDS

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

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

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

SECTION H – FIDUCIARY FUNDS

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

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

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

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2014

	Trust		Agency			Total Agency Fund
	Unemployment Compensation Insurance	Health Benefits	Payroll Agency	Net Payroll	Student Activities	
CURRENT ASSETS:						
Cash and Cash Equivalents	\$ -	\$ 5,664	\$ 111,953	\$ 14,380	\$ 7,489	\$ 133,822
Total Current Assets	<u>\$ -</u>	<u>\$ 5,664</u>	<u>\$ 111,953</u>	<u>\$ 14,380</u>	<u>\$ 7,489</u>	<u>\$ 133,822</u>
LIABILITIES						
Liabilities:						
Interfund Accounts Payable Due to Student Groups	\$ -	\$ 5,664	\$ 111,953	\$ 14,380	\$ 1,822 5,667	\$ 128,155 5,667
Total Liabilities	<u>-</u>	<u>5,664</u>	<u>\$ 111,953</u>	<u>\$ 14,380</u>	<u>\$ 7,489</u>	<u>\$ 133,822</u>
NET POSITION:						
Held in Trust for Claims	<u>-</u>	<u>-</u>				
Total Net Position	<u>-</u>	<u>-</u>				
Total Liabilities	<u>\$ -</u>	<u>\$ 5,664</u>				

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2014

	<u>Unemployment Compensation Insurance</u>	<u>Health Benefits Trust</u>
ADDITIONS:		
Contributions	<u>\$ 38,022</u>	<u>327,686</u>
Total Additions	<u>38,022</u>	<u>327,686</u>
DEDUCTIONS:		
Expenditures	<u>55,844</u>	<u>321,533</u>
Total Deductions	<u>55,844</u>	<u>321,533</u>
CHANGE IN NET POSITION	(17,822)	6,153
NET POSITION, JULY 1	<u>17,822</u>	<u>(489)</u>
NET POSITION, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 5,664</u></u>

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS:				
Cash and Cash Equivalents	\$ 11,076	\$ 25,395	\$ 28,982	\$ 7,489
Total Assets	<u>\$ 11,076</u>	<u>\$ 25,395</u>	<u>\$ 28,982</u>	<u>\$ 7,489</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 974	\$ 848	\$ -	\$ 1,822
Due to Student Activities	10,102	24,547	28,982	5,667
Total Liabilities	<u>\$ 11,076</u>	<u>\$ 25,395</u>	<u>\$ 28,982</u>	<u>\$ 7,489</u>

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS:				
Cash and Cash Equivalents	\$ 23,435	\$ 2,541,356	\$ 2,452,838	\$ 111,953
Total Assets	\$ 23,435	\$ 2,541,356	\$ 2,452,838	\$ 111,953
LIABILITIES:				
Interfund Accounts Payable	\$ 23,435	\$ 88,518	\$ -	\$ 111,953
Payroll Deductions and Withholdings		2,452,838	2,452,838	-
Total Liabilities	\$ 23,435	\$ 2,541,356	\$ 2,452,838	\$ 111,953

STATISTICAL SECTION (UNAUDITED)

Bergen Arts and Science Charter School has been in operation for seven (7) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for seven (7) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

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

	2014	2013	2012	2011	2010	2009	2008
Governmental Activities							
Net Investment in Capital Assets	\$ (14,149)	\$ 31,147	\$ (258)	\$ 31,298	\$ -	\$ -	\$ 12,790
Restricted	11,775	5,000	19,150		14,050		
Unrestricted	1,861,968	1,131,352	1,420,426	1,788,123	1,331,582	284,564	134,180
Total Governmental Activities Net Assets/Position	<u>\$ 1,859,594</u>	<u>\$ 1,167,499</u>	<u>\$ 1,439,318</u>	<u>\$ 1,819,421</u>	<u>\$ 1,345,632</u>	<u>\$ 284,564</u>	<u>\$ 146,970</u>
Business-Type Activities							
Net Investment in Capital Assets	\$ -	\$ -	\$ 26,283	\$ 17,568	\$ -	\$ -	\$ -
Unrestricted	(46,090)	(24,048)	(552)	35,999	35,436	14,938	12,864
Total Business-Type Activities Net Assets/Position	<u>\$ (46,090)</u>	<u>\$ (24,048)</u>	<u>\$ 25,731</u>	<u>\$ 53,567</u>	<u>\$ 35,436</u>	<u>\$ 14,938</u>	<u>\$ 12,864</u>
Charter School-wide							
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ (14,149)	\$ 31,147	\$ 26,025	\$ 48,866	\$ -	\$ -	\$ 12,790
Restricted	11,775	5,000	19,150		14,050		-
Unrestricted	1,815,878	1,107,304	1,419,874	1,824,122	1,367,018	299,502	147,044
Total Charter School Net Position	<u>\$ 1,813,504</u>	<u>\$ 1,143,451</u>	<u>\$ 1,465,049</u>	<u>\$ 1,872,988</u>	<u>\$ 1,381,068</u>	<u>\$ 299,502</u>	<u>\$ 159,834</u>

Source: Comprehensive Annual Financial Report

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

	2014	2013	2012	2011	2010	2009	2008
Expenses							
Governmental Activities:							
Instruction	\$ 5,933,266	\$ 4,847,490	\$ 3,882,318	\$ 3,147,792	\$ 2,394,912	\$ 1,999,352	\$ 1,938,670
Administration	1,847,791	984,005	1,499,148	599,434	488,981	747,778	522,219
Support Services	3,382,314	2,887,145	2,793,035	1,883,747	1,597,759	1,184,320	1,345,765
Capital Outlay	(41,870)	104,730	266,734	25,512	9,682	375,694	
Unallocated Depreciation	45,295	17,795	12,374	6,955	3,477		1,421
Total Governmental Activities Expenses	<u>11,166,796</u>	<u>8,841,165</u>	<u>8,453,609</u>	<u>5,663,440</u>	<u>4,494,811</u>	<u>4,307,144</u>	<u>3,808,075</u>
Business-Type Activities:							
Food Service and Before & After School Care	465,329	345,168	402,246	217,722	180,222	117,786	73,785
Total Business-Type Activities Expenses	<u>465,329</u>	<u>345,168</u>	<u>402,246</u>	<u>217,722</u>	<u>180,222</u>	<u>117,786</u>	<u>73,785</u>
Total Charter School Expenses	<u>\$ 11,632,125</u>	<u>\$ 9,186,333</u>	<u>\$ 8,855,855</u>	<u>\$ 5,881,162</u>	<u>\$ 4,675,033</u>	<u>\$ 4,424,930</u>	<u>\$ 3,881,860</u>
Program Revenues							
Governmental Activities:							
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions							88,435
Total Governmental Activities Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,435</u>
Business-Type Activities:							
Charges for Services	161,318	112,859	235,971	115,461	90,045	45,204	37,477
Operating Grants and Contributions	281,969	182,531	138,438	120,392	110,675	74,656	49,172
Total Business-Type Activities Expenses	<u>443,287</u>	<u>295,390</u>	<u>374,409</u>	<u>235,853</u>	<u>200,720</u>	<u>119,860</u>	<u>86,649</u>
Total Charter School Program Revenues	<u>\$ 443,287</u>	<u>\$ 295,390</u>	<u>\$ 374,409</u>	<u>\$ 235,853</u>	<u>\$ 200,720</u>	<u>\$ 119,860</u>	<u>\$ 175,084</u>
Net (Expense)/Revenue							
Governmental Activities	\$ (11,166,796)	\$ (8,841,165)	\$ (8,453,609)	\$ (5,663,440)	\$ (4,494,811)	\$ (4,307,144)	\$ (3,719,640)
Business-Type Activities	(22,042)	(49,778)	(27,837)	18,131	20,498	2,074	12,864
Total Charter School-wide Net Expense	<u>\$ (11,188,838)</u>	<u>\$ (8,890,943)</u>	<u>\$ (8,481,446)</u>	<u>\$ (5,645,309)</u>	<u>\$ (4,474,313)</u>	<u>\$ (4,305,070)</u>	<u>\$ (3,706,776)</u>
General Revenues and Other Changes in Net Position							
Governmental Activities:							
General Purposes	\$ 6,077,192	\$ 4,185,717	\$ 3,732,146	\$ 3,056,812	\$ 2,702,099	\$ 2,089,748	\$ 1,691,491
Federal and State Aid Not Restricted	5,752,334	4,330,691	3,906,868	3,067,986	2,844,396	2,362,608	2,162,947
Tuition					4,700		
Miscellaneous Income	29,366	52,938	434,493	12,431	4,614	5,172	12,172
Total Governmental Activities	<u>11,858,892</u>	<u>8,569,346</u>	<u>8,073,507</u>	<u>6,137,229</u>	<u>5,555,809</u>	<u>4,457,528</u>	<u>3,866,610</u>
Total Charter School-wide	<u>\$ 11,858,892</u>	<u>\$ 8,569,346</u>	<u>\$ 8,073,507</u>	<u>\$ 6,137,229</u>	<u>\$ 5,555,809</u>	<u>\$ 4,457,528</u>	<u>\$ 3,866,610</u>
Change in Net Position							
Governmental Activities	\$ 692,096	\$ (271,819)	\$ (380,102)	\$ 473,789	\$ 1,060,998	\$ 150,384	\$ 146,970
Business-Type Activities	(22,042)	(49,778)	(27,837)	18,131	20,498	2,074	12,864
Total Charter School	<u>\$ 670,054</u>	<u>\$ (321,597)</u>	<u>\$ (407,939)</u>	<u>\$ 491,920</u>	<u>\$ 1,081,496</u>	<u>\$ 152,458</u>	<u>\$ 159,834</u>

Source: Comprehensive Annual Financial Report

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

	Fiscal Year Ending June 30,						
	2014	2013	2012	2011	2010	2009	2008
General Fund							
Restricted	\$ 11,775	\$ 5,000	\$ 19,150	\$ -	\$ 14,050	\$ -	\$ -
Unassigned	1,721,466	1,131,352	1,371,226	1,795,078	1,300,284	284,564	134,180
Total General Fund	<u>\$ 1,733,241</u>	<u>\$ 1,136,352</u>	<u>\$ 1,390,376</u>	<u>\$ 1,795,078</u>	<u>\$ 1,314,334</u>	<u>\$ 284,564</u>	<u>\$ 134,180</u>

Source: Comprehensive Annual Financial Report

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

	2014	2013	2012	2011	2010	2009	2008
Revenues:							
Local Sources:							
Local Tax Levy	\$ 6,077,192	4,185,717	\$ 3,732,146	\$ 3,056,812	\$ 2,702,099	\$ 2,089,748	\$ 1,691,491
Interest In Investments	8			118			
Miscellaneous	29,358	52,938	434,493	12,313	9,384	5,172	12,172
State Sources	5,517,435	3,954,879	3,707,852	2,907,345	2,573,231	2,180,299	1,617,546
Federal Sources	234,899	221,903	199,016	160,641	271,165	182,309	633,836
Total Revenues	11,858,892	8,415,437	8,415,437	6,137,229	6,137,229	5,555,879	4,457,528
Expenditures:							
Instruction	4,917,407	4,057,114	3,561,434	2,600,255	2,075,364	1,686,340	1,689,048
Administration	3,147,156	1,870,298	2,095,941	1,379,780	930,051	1,117,449	806,166
Support Services	3,101,808	2,637,319	2,517,126	1,650,938	1,476,237	1,127,661	1,315,666
Capital Outlay	95,632	104,730	303,708	25,512	44,457	375,694	9,985
Total Expenditures	11,262,003	8,669,461	8,478,209	5,656,485	4,526,109	4,307,144	3,820,865
Net Change in Fund Balance	\$ 596,889	\$ (254,024)	\$ (62,772)	\$ 480,744	\$ 1,611,120	\$ 1,248,735	\$ 636,663

Source: Comprehensive Annual Financial Report

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

Fiscal Year Ending June 30,	Donations	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2014	\$ 2,644	\$ -	\$ 26,714	\$ 29,358
2013	13,944		38,994	52,938
2012		273	434,220	434,493
2011			12,313	12,313
2010		295	4,246	4,541
2009			5,172	5,172
2008	10,500		1,672	12,172

Source: Charter School records

OPERATING INFORMATION

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

<u>Function</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	69	63	59	45	37	41	33
Administrative	30	14	8	6	5	5	5
Support Services	<u>52</u>	<u>39</u>	<u>24</u>	<u>16</u>	<u>20</u>	<u>6</u>	<u>-</u>
Total	<u>151</u>	<u>116</u>	<u>91</u>	<u>67</u>	<u>62</u>	<u>52</u>	<u>38</u>

Source: Charter School Personnel Records

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Operating Statistics
Last Seven Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2014	874	\$ 11,166,371	\$ 18,611	28.80%	69	12:1	873	825	24.97%	94.50%
2013	660	8,669,461	14,449	9.31%	63	10:1	655	650	9.16%	99.24%
2012	600	8,174,501	13,624	3.07%	59	10:1	595	595	16.30%	100.00%
2011	498	5,630,973	13,218	9.72%	38	13:1	498	482	14.46%	96.79%
2010	426	4,481,652	12,047	14.00%	37	11:1	426	402	12.68%	94.37%
2009	372	3,931,450	10,568	-15.70%	27	13:1	372	360	18.28%	96.77%
2008	304	3,810,880	12,536	0.00%	26	11:1	304	287	0.00%	94.41%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

School Building Information
 Last Seven Fiscal Years
 (Unaudited)

	2014	2013	2012	2011	2010	2009	2008
<u>Charter School Building</u>							
<u>Elementary School</u>							
1255 Main Avenue, Clifton							
Square Feet							
Capacity (students)	320						
Enrollment	318						
<u>Middle School</u>							
200 MacArthur Avenue, Garfield							
Square Feet	20,780	20,780	20,780	20,780	20,780	20,780	20,780
Capacity (students)	320	540	540	540	480	480	480
Enrollment	318	420	420	498	372	372	304
<u>High School</u>							
43 Maple Avenue, Hackensack							
Square Feet	38,000	38,000	38,000				
Capacity (students)	240	540	540				
Enrollment	238	240	180				

Number of Schools at June 30, 2014

- Elementary School = 1
- Middle School = 1
- High School = 1

Source: Charter School Facilities Office

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL

Insurance Schedule

June 30, 2014

	<u>Coverage</u>	<u>Deductible</u>
PACKAGE POLICY - G.R. MURRAY INSURANCE		
<i>Property</i>		
Blanket for Extra Expense	\$ 50,000,000	
Blanket Valuable Papers & Records	10,000,000	
Loss of Rents	480,000	\$ 1,000
Flood Zones A&V	10,000,000	500,000
All other Flood Zones	50,000,000	10,000
<i>EDP</i>		
Blanket Hardware/Software	500,000	
Transit	25,000	
Loss of Income	10,000	
<i>Boiler & Machinery</i>		
Property Damage & Extra Expense	100,000,000	1,000
<i>Crime</i>		
Public Employee Dishonesty	250,000	
Loss of Money & Securities	50,000	
Money Orders & Counterfeit	50,000	
Forgery or Alteration	50,000	
Computer Fraud - Deductible is for each coverage part	250,000	
<i>General Liability</i>		
Each Occurrence	16,000,000	
Products/Completed Ops Annual Agg	16,000,000	
Sexual Abuse Per Occurrence	16,000,000	
Sexual Abuse Annual Pool Agg	17,000,000	
Personal & Advertising Injury Per Occurrence	16,000,000	
Personal & Advertising Injury Annual Agg	16,000,000	
Employee Benefits	16,000,000	1,000
Medical Payments	5,000	
<i>Business Auto</i>		
Hired & Non-Owned Auto Liability	16,000,000	
<i>Directors & Officers</i>		
Aggregate Limit of Liability for Policy Year for all Claims		
Other Than Employment Practices Wrongful Acts	3,000,000	
Aggregate Limit of Liability for Policy Year for Retention per Claim	7,500	
<i>Workers Compensation</i>		
Employers Liability Limits		
Bodily Injury by Accident - Each Accident	2,000,000	
Bodily Injury by Disease- Each Employee	2,000,000	
Bodily Injury by Disease - Aggregate Limit	2,000,000	

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Near Term and Sustainability Indicators
 Last Three Fiscal Years

	2012 Audit	2013 Audit	2014 Audit	Source
Cash	\$ 587,626	\$ 651,402	\$ 432,013	Audit: Exhibit A-1
Current Assets	1,128,425	792,596	1,558,056	Audit: Exhibit A-1
Total Assets	1,808,844	1,486,826	2,138,622	Audit: Exhibit A-1
Current Liabilities	343,795	343,375	325,118	Audit: Exhibit A-1
Total Liabilities	343,795	343,375	325,118	Audit: Exhibit A-1
Net Assets	1,465,049	1,143,451	1,813,504	Audit: Exhibit A-1
Total Revenue	8,447,916	8,864,736	12,302,179	Audit: Exhibit A-2
Total Expenses	8,855,855	9,186,333	11,632,125	Audit: Exhibit A-2
Change in Net Assets	(407,939)	(321,597)	670,054	Audit: Exhibit A-2
Depreciation Expense	12,374	17,795	45,295	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	600.00	660.00	873.70	DOE Enrollment Reports
March 30th Budgeted Enrollment	598	660	880	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2012	2013	2014	3 YR CUM
1a. Current Ratio	3.28	2.31	4.79	Source: Current Assets/Current Liabilities
1b. Unrestricted Days Cash	24.22	25.88	13.56	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	99%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit
Sustainability Indicators				
2a. Total Margin	-5%	-4%	5%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.19	0.23	0.15	Total Liabilities/Total Assets
2c.** Cash Flow	\$ (356,430)	\$ 63,776	\$ (219,389)	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2014 = 2014 Cash - 2013 Cash; 2013 = 2013 Cash - 2012 Cash; 2012 = 2012 Cash - 2011 Cash

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Union, New Jersey 07083

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bergen Arts and Science Charter School (Charter School), in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 3, 2014.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Restriction on Use

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



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

November 3, 2014

BARRE & COMPANY
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Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the compliance of the Bergen Arts and Science Charter School (Charter School), in the County of Bergen, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2014. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major 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; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Bergen Arts and Science Charter School, in the County of Bergen, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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.

Restriction on Use

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



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

November 3, 2014

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2013	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2014 Deferred Revenue	Due to Grantor
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind Cluster:													
Title I Part A	84-010A	NCLB - 6013 - 14	\$ 124,388	9/1/13	8/31/14	\$ -	109,322	\$ (110,296)	\$ -	\$ -	(974)	\$ -	\$ -
Title I Part A Carryover	84-010A	NCLB - 6013 - 13	128,782	9/1/12	8/31/13	(14,402)	14,402	-	-	-	-	-	-
Title II Part A Carryover	84-387A	NCLB - 6013 - 13	1,075	9/1/12	8/31/13	(15,477)	123,724	(110,296)	-	-	(1,015)	(1,969)	-
Total No Child Left Behind Cluster													
Individuals with Disabilities Cluster:													
I.D.E.A. Part B Basic	84-027	IDEA - 6013 - 14	125,578	9/1/13	8/31/14	(83,023)	43,660	(124,603)	-	-	(80,953)	-	-
I.D.E.A. Part B Basic Carryover	84-027	IDEA - 6013 - 13	105,879	9/1/12	8/31/13	(1)	83,023	-	-	-	-	-	-
ARRA - I.D.E.A. Part B Basic	84-391	ARRA - 6013 - 13	94,823	9/1/09	9/30/11	(83,024)	126,674	(124,603)	-	-	(80,953)	-	-
Total Individuals with Disabilities Cluster													
Total Special Revenue Fund						(86,441)	250,398	(234,599)	-	-	(82,942)	-	-
U.S. Department of Agriculture													
Passed-through State Department of Agriculture													
Enterprise Fund:													
School Breakfast Program	10-553	N/A	34,616	7/1/13	6/30/14	-	27,193	(34,616)	-	-	(7,423)	-	-
School Breakfast Program	10-553	N/A	22,218	7/1/12	6/30/13	(1,909)	1,909	-	-	-	-	-	-
National School Lunch Program	10-555	N/A	173,500	7/1/13	6/30/14	-	139,417	(173,500)	-	-	(34,083)	-	-
National School Lunch Program	10-555	N/A	124,257	7/1/12	6/30/13	(10,451)	10,451	-	-	-	-	-	-
Child Care Food Program	10-558	N/A	24,220	7/1/13	6/30/14	(492)	21,647	(24,220)	-	-	(2,573)	-	-
Child Care Food Program	10-558	N/A	19,478	7/1/12	6/30/13	-	492	-	-	-	-	-	-
Total Enterprise Fund						(12,852)	201,109	(232,336)	-	-	(44,079)	-	-
Sub-Total Federal Financial Awards						(111,293)	451,507	(467,235)	\$ -	\$ -	(127,021)	\$ -	\$ -

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2014

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2013		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2014		MEMO	
			From	To	Receivable (Accounts Receivable)	Payable (Accounts Payable)					Due to Grantor	Due to Grantor		
State Department of Education														
General Fund:														
"Local Levy State Share - Charter School Aid	14-495-034-5120-071	\$ 4,690,152	7/1/13	6/30/14	\$ -	\$ -	\$ -	\$ 4,690,152	\$ (4,690,152)	\$ -	\$ -	\$ -	\$ -	\$ 4,690,152
Special Education Aid	14-495-034-5120-089	122,254	7/1/13	6/30/14			122,254	(122,254)						122,254
Security Aid	14-495-034-5120-084	153,977	7/1/13	6/30/14			153,977	(153,977)						153,977
TPAF Post-Retirement Medical Contributions	14-495-034-5095-001	168,098	7/1/13	6/30/14			168,098	(168,098)						168,098
On-Behalf TPAF Pension Contributions	14-495-034-5095-006	102,522	7/1/13	6/30/14			102,522	(102,522)						102,522
Reimbursed TPAF - Social Security	14-495-034-5095-002	279,710	7/1/13	6/30/14			197,791	(279,710)			(81,919)		81,919	279,710
Total General Fund					(21,194)		5,455,988	(5,516,713)			(81,919)		81,919	5,516,713
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State Share)	14-100-010-3360-023	4,487	7/1/13	6/30/14			3,421	(4,487)			(1,066)		1,066	4,487
National School Lunch Program (State Share)	13-100-010-3360-023	3,289	7/1/12	6/30/13			458							
Total Enterprise Fund					(458)		3,877	(4,487)			(1,066)		1,066	4,487
Total State Financial Assistance					\$ (21,650)		\$ 5,459,865	\$ (5,521,200)			\$ (82,985)		\$ 82,985	\$ 5,521,200

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

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2014

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2014

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 5,517,435	\$ 5,517,435
Special Revenue Fund	234,899	-	234,899
Food Service Fund	276,416	5,553	281,969
Total Awards & Financial Assistance	<u>\$ 511,315</u>	<u>\$ 5,522,988</u>	<u>\$ 6,034,303</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Bergen Arts and Science Charter School has no loan balances outstanding at June 30, 2014.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2014

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2014. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2014.

NOTE 7. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	<u>\$ (175,046)</u>
Total	<u><u>\$ (175,046)</u></u>

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u> X </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u> X </u> No

State Awards

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

GMIS Number(s)	Name of State Program
14-495-034-5120-071	Local Levy – State Share
_____	_____
_____	_____
_____	_____

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section II –Financial Statement Findings

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

Finding

There were no matters reported.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

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

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

STATE AWARDS

Findings

There were no matters reported.

BERGEN ARTS AND SCIENCE CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and
Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2014

STATUS OF PRIOR YEAR FINDINGS

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

Findings

There were no matters reported.