

Esperanza Academy Charter School

**Charter Annual Report**

07/01/2013 - 06/30/2014

# School Profile

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## Demographics

301 W Hunting Park Avenue  
Philadelphia, PA 19140  
(215)457-3667

Phase:	Phase 1
CEO Name:	David Rossi
CEO E-mail address:	drossi@neacademy.org

# Governance and Staff

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## *Leadership Changes*

Leadership changes during the past year on the Board of Trustees and in the school administration:

In the last annual report it was noted that the Chair of the Board Fred Estrada passed away and two additional board members Maritza Rodriguez who served as the Parent Representative and Rebeca Gonzalez who served as the Alumni Representative resigned. These changes created three vacancies on the Board of Trustees. Roger Zepernick was voted in as the Board Chair. Ms. Denise Rivera joined the Board as the Parent Representative and Mr. Brandon Fuller joined the Board as the Alumni Representative. Our current board members are as follows:

Rev. Roger Zerpernick, Chair

Rev. John Rice, Vice-Chair

Ms. Carmen Torres, Secretary

Ms. Carmen Rocha, Treasurer

Rev. Danny Cortes

Rev. Magaly Martinez

Ms. Denise Rivera

Mr. Brandon Fuller

Rev. Luis Cortes Jr., Ex-Officio

## *Board of Trustees Meeting Schedule*

<b>Location</b>	<b>Date and Time</b>
ACE Conference Center	8/15/2013 9:00 AM
ACE Conference Center	8/16/2013 9:00 AM
Esperanza Academy Charter School	9/26/2013 5:30 PM
Esperanza Academy Charter School	10/24/2013 5:30 PM
Esperanza Academy Charter School	12/5/2013 5:30 PM
Esperanza Academy Charter School	2/27/2014 5:30 PM
Esperanza Academy Charter School	4/24/2014 5:30 PM
Esperanza Academy Charter School	6/12/2014 5:30 PM
ACE Conference Center	8/14/2014 9:00 AM
ACE Conference Center	8/15/2014 9:00 AM
Esperanza Academy Charter School	9/25/2014 5:30 PM
Esperanza Academy Charter School	10/23/2014 5:30 PM
Esperanza Academy Charter School	12/4/2014 5:30 PM
Esperanza Academy Charter School	2/26/2015 5:30 PM
Esperanza Academy Charter School	4/23/2015 5:30 PM

Esperanza Academy Charter School

5/28/2015 5:30 PM

***Professional Staff Member Roster****There are no professional staff members.*

The professional staff member roster as recorded originally on the PDE-414 form

*XLSX file uploaded.****Quality of Teaching and Other Staff***

<b>Position Categories</b>	<b>All Employed per Category</b>	<b>Appropriately Certified</b>	<b>Promoted</b>	<b>Transferred</b>	<b>Terminated</b>	<b>Contracted for Following Year</b>
Chief Academic Officer/Director	1.00	1.00	0.00	0.00	0.00	1.00
Principal	2.00	2.00	0.00	0.00	0.00	2.00
Assistant Principal	3.00	3.00	0.00	0.00	0.00	3.00
Classroom Teacher (including Master Teachers)	65.00	65.00	0.00	0.00	20.00	45.00
Specialty Teacher (including Master Teachers)	0.00	0.00	0.00	0.00	0.00	0.00
Special Education Teacher (including Master Teachers)	5.00	5.00	0.00	0.00	0.00	5.00
Special Education Coordinator	1.00	0.00	0.00	0.00	1.00	0.00
Counselor	5.00	5.00	0.00	0.00	1.00	4.00
Psychologist	1.00	1.00	0.00	0.00	0.00	1.00
School Nurse	2.00	2.00	0.00	0.00	0.00	2.00
<b>Totals</b>	<b>85.00</b>	<b>84.00</b>	<b>0.00</b>	<b>0.00</b>	<b>22.00</b>	<b>63.00</b>

Further explanation:

*This narrative is empty.*

# Fiscal Matters

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## *Major Fundraising Activities*

Major fundraising activities performed this year and planned for next year:

Major Fundraising activities performed this year and planned for next year are bake sales, pretzel sales, and candy sales that were all done to support various student activities and clubs.

## *Fiscal Solvency Policies*

Changes to policies and procedures to ensure and monitor fiscal solvency:

During the 2013-14 fiscal year, the school maintained its accounting records on a computerized system using Sage 100 Fund Accounting software for its general ledger, accounts receivable, and accounts payable. It is consistent in the use of the Pennsylvania Department of Education Chart of Accounts. The school's reporting system and accounting policies and procedures comply with GAAP.

The Board of Directors may authorize any officer or officers, agent or agents of Esperanza Academy Charter School hereafter called the Academy, in addition to the officers as authorized by these By-Laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Academy, and such authority may be general or confined to specific instances. All contracts in excess of \$1,500 must be reviewed and approved by Legal Counsel.

All checks or demands for money and notes of the Academy must be signed by officers of the Academy.

All funds of the Academy shall be deposited from time to time to the credit of the Academy in such banks, trust companies or other depositories as the Board of Directors may approve or designate, and all such funds shall be withdrawn only upon checks signed in accordance with the requirements stated above. All checks and or cash received by the Academy must be deposited within three (3) business days of receipt of such funds.

All funds of the Academy shall be set forth in an Annual Budget. The Academy shall review and approve an annual budget. Approval of the budget by the Academy Board of Trustees is required prior to the commencement of the budget spending.

### **Fiscal Solvency Policies**

Charter School documents that describe policies and procedures that have been established to ensure and monitor fiscal solvency (optional if described in the narrative)

*No files have been uploaded.*

## *Accounting System*

Changes to the accounting system the charter school uses:

During the 2013-2014 fiscal year, the school maintained its accounting records on a computerized system using Sage 100 Fund Accounting software for its general ledger, accounts receivable, and accounts payable. It is consistent in the use of the Pennsylvania Department of Education Chart of Accounts. The school's reporting system and accounting policies and procedures comply with GAAP.

### ***Preliminary Statements of Revenues, Expenditures & Fund Balances***

The completed and CEO signed Fiscal Template – Preliminary Statements of Revenues, Expenditures & Fund Balances

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### ***Financial Audits***

#### **Basics**

Audit Firm: WithumSmith+Brown PC  
 Date of Last Audit: 06/30/2013  
 Fiscal Year Last Audited: 2012-2013

#### **Explanation of the Report**

Detailed explanation of the report (if the previous year's report has been submitted.) Any audit report for a school year that precedes this annual report by more than 2 years is not acceptable and may be considered a material violation:

The respective financial position of the governmental activities and each major fund of Esperanza Academy Charter School as of June 30, 2013, and the respective changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

#### **Financial Audit Report**

The Financial Audit Report, which should include the auditor's opinion and any findings resulting from the audit

*PDF file uploaded.*

#### **Citations**

Financial audit citations and the corresponding Charter School responses

Description	Response
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## *Federal Programs Consolidated Review*

### **Basics**

Title I Status: Yes  
 Date of Last Federal Programs Consolidated Review: 04/13/2014  
 School Year Reviewed: 2012-2013

### **Federal Programs Consolidated Review Report**

The Federal Programs Consolidated Review Report, which should include the Division's opinion and any findings resulting from the audit

*PDF file uploaded.*

### **Citations**

Federal Programs Consolidated Review citations and the corresponding Charter School responses

<b>Description</b>	<b>Response</b>
Charter School was missing a teacher equity plan.	Our teacher equity plan was submitted and accepted as seen in the attachment provided.

# Special Education

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## *Chapter 711 Assurances*

The LEA agrees to comply with all requirements of Special Education outlined in 22 PA Code Chapter 711 and other state and federal mandates. These include:

Implementation of a full range of services, programs and alternative placements available to the Charter School for placement and implementation of the special education programs in the Charter School.

Implementation of a child find system to locate, identify and evaluate young children and children who are thought to be a child with a disability eligible for special education residing within the Charter School's jurisdiction. Child find data is collected, maintained and used in decision-making. Child find process and procedures are evaluated for their effectiveness. The Charter School implements mechanisms to disseminate child find information to the public, organizations, agencies and individuals on at least an annual basis.

Assurances of students with disabilities are included in general education programs and extracurricular and non-academic programs and activities to the maximum extent appropriate in accordance with an Individualized Education Program.

Following the state and federal guidelines for participation of students with disabilities in state and Charter School-wide assessments including the determination of participation, the need for accommodations and the methods of assessing students for whom regular assessment is not appropriate.

Assurance of funds received through participation in the medical assistance reimbursement program, ACCESS, will be used to enhance or expand the current level of services and programs provided to students with disabilities in this local education agency.

## **Special Education Support Services**

<b>Support Service</b>	<b>Location</b>	<b>Teacher FTE</b>
MS Special Education Reading and Math Teacher	Esperanza Academy Charter School	1
Special Education Coordinator	Esperanza Academy Charter School	1
Special Education English Teacher	Esperanza Academy Charter School	1
Special Education Guidance Counselor	Esperanza Academy Charter School	1
Special Education Math Teacher	Esperanza Academy Charter School	1
Special Education Paraprofessional	Esperanza Academy Charter School	1
Special Education Paraprofessional	Esperanza Academy Charter School	1

Special Education Paraprofessional	Esperanza Academy Charter School	1
Special Education Paraprofessional	Esperanza Academy Charter School	1
Special Education Paraprofessional	Esperanza Academy Charter School	0.8
Special Education Paraprofessional	Esperanza Academy Charter School	0.8
Special Education Science Teacher	Esperanza Academy Charter School	1
Special Education Social Studies Teacher	Esperanza Academy Charter School	1

### Special Education Contracted Services

Title	Amt. of Time per Week	Operator	Number of Students
Occupational Therapist	4 Hours	Outside Contractor	10 or fewer
One to One Support	5 Days	Outside Contractor	10 or fewer
School Psychologists Evaluations	1 Days	Outside Contractor	50
Speech Pathologist	21 Hours	Outside Contractor	26

### Special Education Cyclical Monitoring

Date of Last Special Education Cyclical Monitoring:

05/14/2009

Link to Report (Optional):

Not Provided

### Special Education Cyclical Monitoring Report

The Special Education Cyclical Monitoring Report, which should include the Bureau's findings

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# Facilities

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## *Fixed assets acquired by the Charter School during the past fiscal year*

Fixed assets acquired by the Charter School during the past fiscal year:

Kitchen Equipment  
Laptop Carts  
Smart Boards  
Technology Equipment  
Furniture

**The total Charter School expenditures for fixed assets during the identified fiscal year:**

*\$377,962.20*

## *Facility Plans and Other Capital Needs*

The Charter School's plan for future facility development and the rationale for the various components of the plan:

The construction of the building that will house the middle school students is underway. The first phase of this project will be completed in September 2014 . This new facility is adjacent to the current facility that houses the high school students.

## *Memorandums of Understanding*

<b>Organization</b>	<b>Purpose</b>
Eastern University	To provide dual enrollment opportunities for our students.
Esperanza Incorporated, National Programs	To provide mentoring opportunities for our students.
Philadelphia Police Department, 25th District	To provide services to our school as part of our Safe Schools Initiative.

# Charter School Annual Report Affirmations

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## **Charter Annual Report Affirmation**

I verify that all information and records in this charter school annual report are complete and accurate.

**The Chief Executive Officer and the Board of Trustee President of the charter school must sign this verification.**

**Affirmed by Roger Zepernick on 8/4/2014**

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*President, Board of Trustees*

**Affirmed by David Rossi on 8/1/2014**

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*Chief Executive Officer*

## **Charter School Law Affirmation**

Pennsylvania's first Charter School Law was Act 22 of 1997, 24 P.S. § 17-1701-A et seq., which primarily became effective June 19, 1997, and has subsequently been amended.

The Charter School Law provides for the powers, requirements, and establishment of charter schools. The Charter School Law was passed to provide opportunities to teachers, parents, pupils and community members to establish and maintain schools that operate independently from the existing school district structure as a method to accomplish all of the following: (1) improve pupil learning; (2) increase learning opportunities for all pupils; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers; (5) provide parents and pupils with expanded choices in types of educational opportunities that are available within the public school system; and (6) hold charter schools accountable for meeting measurable academic standards and provide the school with a method to establish accountability systems.

The charter school assures that it will comply with the requirements of the Charter School Law and any provision of law from which the charter school has not been exempted, including Federal laws and regulations governing children with disabilities. The charter school also assures that it will comply with the policies, regulations and procedures of the Pennsylvania Department of Education (Department). Additional information about charter schools is available on the Pennsylvania Department's website at: <http://www.education.state.pa.us>.

**The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.**

**Affirmed by Roger Zepernick on 8/4/2014**

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*President, Board of Trustees*

**Affirmed by David Rossi on 8/1/2014**

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*Chief Executive Officer*

## **Ethics Act Affirmation**

Pennsylvania's current Public Official and Employee Ethics Act (Ethics Act), Act 93 of 1998, Chapter 11, 65 Pa.C.S. § 1101 et seq., became effective December 14, 1998 and has subsequently been amended.

The Ethics Act provides that public office is a public trust and that any effort to realize personal financial gain through public office other than compensation provided by law is a violation of that trust. The Ethics Act was passed to strengthen the faith and confidence of the people of Pennsylvania in their government. The Pennsylvania State Ethics Commission (Commission) administers and enforces the provisions of the Ethics Acts and provides guidance regarding its requirements.

The regulations of the Commission set forth the procedures applicable to all proceedings before the Commission as well as for the administration of the Statement of Financial Interests filing requirements. See 51 Pa. Code § 11.1 et seq.

The charter school assures that it will comply with the requirements of the Ethics Act and with the policies, regulations and procedures of the Commission. Additional information about the Ethics Act is available on the Commission's website at: <http://www.ethics.state.pa.us>.

**The Chief Executive Officer and Board of Trustees President of the charter school must sign this assurance.**

**Affirmed by Roger Zepernick on 9/5/2014**

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*President, Board of Trustees*

**Affirmed by David Rossi on 9/5/2014**

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*Chief Executive Officer*

**Preliminary Statement of Revenues, Expenditures & Fund Balances**  
**Include ALL Funds**  
**as of June 30, 2014**

Name of School Esperanza Academy Charter School

Address of School 301 W. Hunting Park Ave., Philadelphia, PA

CEO Signature 

**REVENUES**

<b>6000</b>		<b>REVENUE FROM LOCAL SOURCES</b>	
<b>6500</b>		<b>EARNINGS ON INVESTMENTS</b>	
	6510	Interest on Investments and Interest-Bearing Checking Accounts	27.89
	6520	Dividends on Investments	
	6530	Gains or Losses on Sale of Investments	
	6540	Earnings on Investments in Real Property	
	6590	Other Earnings or Investments	
<b>6600</b>		<b>FOOD SERVICE REVENUE</b>	
	6610	Daily Sales - Reimbursable Programs	16,067.74
	6620	Daily Sales - Non-Reimbursable Programs	112,880.99
	6630	Special Functions	
	6640	Non-Cash Contributions	
	6650	Price Reduction for Reduced Price and Free Meals (Debit)	
	6690	Other Food Service Revenues	
<b>6700</b>		<b>REVENUES FROM STUDENT ACTIVITIES</b>	
	6710	Admissions	
	6720	Bookstore Sales	13,667.10
	6730	Student Organization Membership Dues and Fees	402.27
	6740	Fees	36,859.62
	6750	Student Activity - Special Events	5,664.92
	6790	Other Student Activity Income	
<b>6800</b>		<b>REVENUES FROM INTERMEDIARY SOURCES / PASS THROUGH</b>	
	6810	Revenue from Local Governmental Units	
	6820	Revenue from Intermediary Sources - Commonwealth Funds	145,000.00
	6830	Revenues from Intermediary Sources - Federal Funds	146,667.00
	6890	Other Revenues from Intermediary Sources	

<b>6900</b>			<b>OTHER REVENUE FROM LOCAL SOURCES</b>	
	6910		Rentals	
	6920		Contributions & Donations from Private Sources / Capital Contributions	1,086,393.92
	6930		Gains or Losses on Sale of Fixed Assets (Economic Resource Measurement Focus Only)	
	6940		Tuition from Patrons	
	6941		Regular Day School Tuition	
	6942		Summer School Tuition	4,520.00
	6943		Adult Education Tuition	
	6944		Receipts From Other LEAs in Pennsylvania - Education	9,847,595.56
	6945		Receipts from Out-of-State LEAs	
	6946		Receipts from Member Districts - AVTS / Special Program Jointure only	
	6947		Receipts from Members of Intermediate Units for Education by Withholding	
	6948		Receipts from Members of Intermediate Units for Direct Contributions	
	6949		Other Tuition from Patrons	
	6950		Unassigned	
	6960		Services Provide Other Local Governmental Units / LEAs	
	6961		Transportation Services Provided Other Pennsylvania LEAs	
	6969		All Other Services Provided Other Governments and LEAs Not Specified Above	
	6970		Services Provided Other Funds	
	6980		Revenue from Community Service Activities	
	6990		Refunds and Other Miscellaneous Revenue	
	6991		Refunds of a Prior Year Expenditure	
	6999		Other Revenues Not Specified Above	
<b>7000</b>			<b>REVENUE FROM STATE SOURCES</b>	
7100			<b>BASIC INSTRUCTIONAL AND OPERATING SUBSIDIES</b>	
	7150		Unassigned	
	7160		Tuition for Orphans and Children Placed in Private Homes	
	7180		Staff and Program Development	
7200			<b>REVENUE FOR SPECIFIC EDUCATIONAL PROGRAMS</b>	
	7210		Homebound Instruction	
	7220		Vocational Education	
	7230		Alternative Education	
	7240		Driver Education - Student	
	7250		Migratory Children	
	7260		Workforce Investment Act (WIA)	
	7270		Specialized Education of Exceptional Pupils	
	7280		Adult Literacy	

	7290	Additional Educational Program Revenues	
7300		REVENUES FOR NON-EDUCATIONAL PROGRAMS	
	7310	Transportation (Regular and Additional)	
	7320	Rental and Sinking Fund Payments / Building Reimbursement Subsidy	149,472.95
	7330	Health Services (Medical, Dental, Nurse, Act 25)	17,097.64
	7340	Unassigned	
	7350	Sewage Treatment Operations / Environmental Subsidies	
	7360	Safe Schools	
7400		VOCATIONAL TRAINING OF THE UNEMPLOYED	
7500		STATE REVENUE NOT LISTED ELSEWHERE IN THE 7000 SERIES OF ACCOUNTS	
	7502	Dual Enrollment Grants	
	7503	Project 720/High School Reform	
	7599	Other State Revenue Not Listed Elsewhere in the 7000 Series	
7600		REVENUE FOR MILK, LUNCH AND BREAKFAST PROGRAMS	14,303.84
7800		REVENUE FOR THE COMMONWEALTH'S SHARE OF PAID BENEFITS	
	7810	State Share of Social Security and Medicare Taxes	
	7820	State Share of Retirement Contributions	764,874.67
7900		REVENUE FOR TECHNOLOGY	
	7910	Educational Technology	
	7990	Other Technology Grants	
<b>8000</b>		<b>REVENUE FROM FEDERAL SOURCES</b>	
8100		UNRESTRICTED GRANTS-IN-AID DIRECT FROM THE FEDERAL GOVERNMENT	
	8110	Payments for Federally Impacted Areas - P.L. 81-874	
	8190	Other Unrestricted Federal Grants-in-Aid Direct from the Federal Government	3,780.00
8200		UNRESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH	
8300		RESTRICTED GRANTS-IN-AID DIRECTLY FROM THE FEDERAL GOVERNMENT	
	8310	Payments for Federally Impacted Areas - P.L. 81-815	
	8320	Energy Conservation Grants - TA and ECM	

	8390	Other Restricted Federal Grants-in-Aid Directly from the Federal Government	
8500		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA), NO CHILD LEFT BEHIND (NCLB), VOCATIONAL EDUCATION, CHILD NUTRITION AND CAREER EDUCATION PROGRAMS	
	8510	Individuals with Disabilities Education Act (IDEA) and No Child Left Behind (NCLB)	868,412.77
	8520	Vocational Education	
	8530	Child Nutrition Program	334,349.87
	8540	Nutrition Education and Training	
	8560	Federal Block Grants	
	8570	Unassigned	
	8580	Child Care and Development Block Grants	
	8590	Unassigned	
8600		RESTRICTED GRANTS-IN-AID FROM THE FEDERAL GOVERNMENT THROUGH THE COMMONWEALTH FOR DRIVER EDUCATION, ADULT EDUCATION, CETA, HEADSTART, ENERGY CONSERVATION, WORKFORCE INVESTMENT ACT AND OTHER PROGRAMS	
	8610	Homeless Assistance Act	
	8620	Adult Basic Education	
	8640	Headstart	
	8650	Unassigned	
	8660	Workforce Investment Act (WIA)	
	8670	Unassigned	
	8680	Unassigned	
	8690	Other Restricted Federal Grants-in-Aid through the Commonwealth	
8800		MEDICAL ASSISTANCE REIMBURSEMENTS	56,850.00
<b>9000</b>		<b>OTHER FINANCING SOURCES</b>	
9100		SALE OF BONDS	
	9110	Bond Issue Proceeds (Gross)	
	9120	Proceeds from Refunding of Bonds	
9200		PROCEEDS FROM EXTENDED TERM FINANCING	
9300		INTERFUND TRANSFERS	
	9310	General Fund Transfers	
	9320	Special Revenue Fund Transfers	

	9330	Capital Projects Funds Transfers	
	9340	Debt Service Fund Transfers	
	9350	Enterprise Fund Transfers	
	9360	Internal Service Fund Transfers	
	9370	Trust and Agency Fund	
	9380	Activity Fund Transfers	
	9390	Permanent Fund Transfers	
9400		SALE OF OR COMPENSATION FOR LOSS OF FIXED ASSETS	
9500		Unassigned	
9600		Unassigned	
9700		TRANSFERS INVOLVING COMPONENT UNITS AND PRIMARY GOVERNMENTS	
	9710	Transfers from Component Units	
	9720	Transfers from Primary Governments	
9800		INTRAFUND TRANSFERS IN	
	9810	General Fund Intrafund Transfers	
	9820	Special Revenue Intrafund Transfers	
	9840	Debt Service Intrafund Transfers	
	9850	Enterprise Intrafund Transfers	
	9860	Internal Service Intrafund Transfers	
	9870	Trust and Agency Intrafund Transfers	
	9880	Activity Interfund Transfers	
<b>TOTAL REVENUES</b>			13,624,888.75



**Executive Summary**  
**BSE Compliance Monitoring Review**  
**of the**  
**Nueva Esperanza Academy CS**

**PART I**  
**SUMMARY OF FINDINGS**

**A. Review Process**

Prior to the Bureau of Special Education (BSE) monitoring the week of May 14, 2009, the Nueva Esperanza Academy CS was formally notified of the dates the onsite review would be conducted. Notice and invitation to comment was also provided to the Local Task Force on Right-to-Education. The charter school was informed of its responsibility to compile various reports, written policies, and procedures to document compliance with requirements.

While onsite, the monitoring team employed a variety of techniques to gain an in depth understanding of the charter school's program operations. These techniques included:

- Interviews of charter school administrative and instructional personnel
- Review of policies, notices, plans, outcome and performance data, special education forms and formats, and data reports used and compiled by the charter school (Facilitated Self-Assessment)
- Comprehensive case studies (including classroom observations, interviews of parents, students, and general and special education teachers, and student file reviews).

**B. General Findings**

In reaching compliance determinations, the BSE monitoring teams apply criteria contained in federal and state special education regulations. Specifically, these are:

- Individuals with Disabilities Education Improvement Act of 2004
- 22 Pa. Code Chapter 711
- 34 CFR Part 300

This report focuses on compliance with requirements and also contains descriptive information (such as interview results) intended to provide feedback to assist in program planning.

**C. Overall Findings**

**1. FACILITATED SELF-ASSESSMENT (FSA)**

The chairperson reviewed the FSA submitted by the charter school and conducted onsite verification activities of the information submitted in the FSA. The onsite verification activities included review of policies, notices, procedures, and charter school file reviews.

<b>FSA</b>	<b>In Compliance</b>	<b>Out of Compliance</b>
Assistive Technology and Services; Hearing Aids	2	0
Positive Behavior Support Policy	1	0
Child Find (Annual Public Notice and General Dissemination Materials)	1	0
Confidentiality	1	0
Dispute Resolution (Due process hearing decision implementation)	1	0
Exclusions: Suspensions and Expulsions (Procedural Requirements)	1	0
Independent Education Evaluation	1	0
Least Restrictive Environment (LRE)	1	0
Provision of Extended School Year Services	1	0
Provision of Related Service Including Psychological Counseling	1	0
Parent Training	0	1
Surrogate Parents (Students Requiring)	1	0
Personnel Training	0	1
Intensive Interagency Approach	1	0
Summary of Academic Achievement and Functional Performance/Procedural Safeguard Requirements for Graduation	1	0
Disproportionate Representation that is the Result of Inappropriate Identification	1	0

<b>IMPROVEMENT PLAN REQUIRED</b>	<b>Yes</b>	<b>No</b>
Effective use of Dispute Resolution	0	1
Graduation Rates (SPP)	0	1
Dropout Rates (SPP)	0	1
Suspensions (Rates)	0	1
Least Restrictive Environment (LRE) (SPP)	0	1
Participation in PSSA and PASA (SPP)	0	1
Participation in Charter-Wide Assessment	0	1
Public School Enrollment	0	1
Disproportionate Representation due to Identification, Educational Environment, Suspension or Expulsion	0	1

**2. FILE REVIEW (Student case studies)**

The education records of randomly selected students participating in special education programs were studied to determine whether the charter school complied with essential requirements.

The status of compliance of the Nueva Esperanza Academy CS is as follows:

<b>Sections of the FILE REVIEW</b>	<b>In Compliance</b>	<b>Out of Compliance</b>	<b>NA</b>
Essential Student Documents Are Present and Were Prepared Within Timelines	71	16	73
Evaluation/Reevaluation: Process and Content	145	33	602
Individualized Education Program: Process and Content	418	89	263
Procedural Safeguards: Process and Content	105	10	5
<b>TOTALS</b>	<b>739</b>	<b>148</b>	<b>943</b>

### 3. TEACHER AND PARENT INTERVIEWS

Interviews were conducted with parents and teachers of students selected by the BSE for the sample group. The goal is to determine if the charter school involves parents and professionals in required processes (e.g., evaluation, IEP development), whether programs and services are being provided, and whether the charter school provides training to enhance knowledge. Parent and teacher satisfaction with the special education program is also generally assessed.

	<b># Yes Responses</b>	<b># No Responses</b>	<b># of Other Responses</b>
Program Implementation: General Ed Teacher Interviews	207	15	28
Program Implementation: Special Ed Teacher Interviews	260	0	50
Program Implementation: Parent Interviews	145	9	60
<b>TOTALS</b>	<b>612</b>	<b>24</b>	<b>138</b>

### 4. STUDENT INTERVIEWS

Results of the student interviews are reflected on the Charter School Corrective Action Verification/Compliance and Improvement Planning document.

### 5. CLASSROOM OBSERVATIONS

Observations are conducted in classrooms of students selected by the BSE for the sample group.

	<b># Yes Responses</b>	<b># No Responses</b>	<b># of Other Responses</b>
Classroom Observations	36	5	22

## PART II CORRECTIVE ACTION PROCESS

PART I of this report presented an overall summary of findings. In the Appendix to the report, we have provided the detailed findings for each of the criteria of the compliance monitoring document, i.e. FSA, File Reviews, Interviews and Classroom Observations. The detailed report of findings includes:

- Criteria Number
- Statements of all requirements
- Whether each requirement was met, not met, not applicable or other

- Statements of corrective action required for those criteria not met. ***Criteria not met that require corrective action by the charter school are gray-shaded.***

***Charter schools are advised that in accordance with requirements of the Individuals with Disabilities Education Act, all noncompliance must be corrected as soon as possible but in no case later than one year from the date of the monitoring report.*** The BSE is required to verify timely correction of noncompliance, and must report annually to the federal government and the public on this requirement.

Upon receipt of this report, the charter school should review the corrective action and improvement planning required. The report is formatted so that findings from all components of the monitoring are consolidated by topical area. The report lists the finding, and whether corrective action is required. For certain types of findings, corrective action will be prescribed, and will not vary from charter school to charter school. For example, if the finding is that the charter school lacks a specific required policy, it is reasonable to have the BSE prescribe a standardized remedy and timeline for correcting this deficiency. However, the majority of corrective action activities will be individually designed by the charter school based on their own unique circumstances and goals.

With respect to the File Review, because students were selected at random, findings are generalized to the entire population of students with disabilities. During the corrective action review, the BSE Single Point of Contact (SPOC) will select students at random and not focus solely on those students in the original sample, although specific circumstances may warrant follow up of students in the original sample. Consequently, the charter school should approach corrective action on a systemic basis. If there has been a finding of noncompliance regarding the appropriateness or implementation of an individual student's program, the individual students are identified by student number to the charter school and, because of the significance of the provision of a free appropriate public education (FAPE) to these students; the charter school must take immediate, individual corrective action.

The SPOC will schedule an onsite visit with the charter school within 60 days following issuance of the monitoring report. The SPOC, charter school, and PaTTAN staff will develop a Charter School Corrective Action Verification/Compliance and Improvement Plan. PaTTAN and IU staff is available to assist the charter school.

Upon conclusion of the corrective action process, the charter school will be notified of its successful completion of the monitoring process.



**Pennsylvania Department of Education  
Division of Federal Program  
Corrective Action Plan  
2012-2013 School Year**

**School District:** Nueva Esperanza Academy CS  
**Monitor Date:** 4/12/2013  
**Monitor:** Anne R Kauffman  
**Contact Person:** Chief Executive Officer David Rossi  
**Report Date:** 8/9/2013

TOPIC	ISSUE	Corrective Action	Suggested Evidence of Implementation	Dates		Comments	
Title II Part A Highly Qualified	4. LEA ensures equitable distribution of experienced and HQ teachers within the districts schools to ensure poor and minority students are not taught at higher rates than other students by inexperienced, unqualified, or out-of-field teachers. Section 1112(c)(1)(L)	The LEA will submit a copy of its equity plan, ensuring poor and minority children are not being taught at higher rates than others by inexperienced or non-highly qualified teachers.	<input type="checkbox"/>	Equity Plan	<b>CA Due:</b>	11/7/2013	<b>District Comments</b>
			<input type="checkbox"/>	Agendas of Equity Plan Meetings	<b>Ext Date:</b>		4/4/2013 8:07:57 AM CEO David Rossi LEA has only one school and that school is SWP.
			<input type="checkbox"/>	Meeting minutes of Equity Plan writing & planning sessions.	<b>Closed:</b>		
			<input type="checkbox"/>	Teachers are reassigned	<b>CA Not Required:</b>	<input type="checkbox"/>	
			<input type="checkbox"/>	Changes to union contract	<b>Monitor Comments</b>		
			<input type="checkbox"/>	Review of HQT/NHQT data and strategies revised in equity plan when there is no improvement	4/12/2013 12:53:17 PM State Monitor Anne Kauffman Esperanza is in the process of developing an Equity Plan.		



Esperanza Academy Charter School Teacher Equity Plan  
2012-2013

For more information, please contact:

David Rossi  
Chief Executive Officer  
Esperanza Academy Charter School  
215-457-3667 ext. 2139  
[drossi@neacademy.org](mailto:drossi@neacademy.org)

**I. EQUITY PLAN WORKSHEET**

LEA: Esperanza Academy Charter School

	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>
Accountability Status	Met AYP	Did not meet AYP	Met AYP
Poverty Percentage	82.3%	87.5%	91.4%
Minority Percentage	100%	100%	100%
Number and Percentage of HQT*	57 (100%)	55 (100%)	55(100%)
Number and Percentage of Non HQT*	0 (0%)	0 (0%)	0(0%)
Experienced Teachers (3 or more years)	47 (82%)	46 (84%)	46 (84%)
New Teachers (3 or less years)	10 (18%)	9 (16%)	9 (16%)
Retention Rate	47 (89%)	49 (89%)	43 (78%)

**II. General Findings**

The recruitment and retention of highly qualified staff has not been a particularly challenging for Esperanza Academy (EA). We credit our school climate, strong relationships between our teaching staff and administration, and our community partnerships that provide unique teaching opportunities, as key factors in recruiting talented staff. In addition, Esperanza Academy values developing internal talent for leadership opportunities within our school community. This value is well known amongst staff members and we believe that it is foundational to our high retention rates.

Esperanza Academy Charter School has few teacher equity concerns as we experience low teacher turnover and make efforts to ensure that all teachers are certified and/or highly qualified. Our data reflects that we have had success in retaining a large percentage of our teaching staff providing our students with experienced educators in the classroom at the high school. In the past two years, Esperanza Academy has expanded to include grades 6-8. Looking ahead, we recognize that we must be proactive to put systems in place to ensure that every EA student at the middle school or high school receives the same quality instruction.

### **III. Data Report on Core Academic Subjects**

Traditionally the subject areas that are challenging to fill with highly qualified teaching staff have been Math and Science. Despite the challenge, we have successfully filled these positions with highly qualified teachers. At Esperanza Academy all of our core subject areas are taught by highly qualified teachers.

### **IV. Recruitment and Retention Strategies**

Esperanza Academy advertises teaching vacancies on PA Reap, our website, and internally. EA has relationships with a group of colleges in the area that also post our vacancies on their job boards. We do welcome university students that are pursuing teaching certificates to observe our classrooms and student teach. This increases our visibility amongst this job pool.

We believe that it is imperative that we identify candidates that will be successful in working with our student body. To support us in this endeavor we have adopted using an online screening tool and interview questions created by The Haberman Foundation. The purpose of these questions is to identify teachers that possess key qualities that research has shown are needed to have success working with at risk students in an urban environment.

New teachers are provided with various levels of support prior to the beginning of the school year they participate in a week long orientation that includes workshops about instructional strategies, curriculum planning and design, and the Esperanza culture. Throughout the year all teachers participate in collaborative planning sessions with colleagues, have monthly department meetings, and attend professional development. Esperanza Academy provides additional access to individual coaching through a consultant. New teachers are paired with a mentor teacher that provides individual support to new teaching staff. Esperanza Academy has a teacher induction plan in place to support teachers looking to obtain their level II certification. Esperanza Academy staff members are provided with on-going professional development that qualifies for Act 48 credit and to further develop their performance in the classroom.

Esperanza Academy believes in continuous improvement and personal development. This value can be observed in our tuition reimbursement policy. To support our teachers in their journeys as life does intentionally target internal employees who have an interest in pursuing teaching careers and offers tuition reimbursement for these individuals and provides flexibility as needed to support this goal. It has been our experience that our teachers that have taken advantage of this benefit stay with the organization longer.

### **V. Evaluation**

Standardized exit interviews will be developed to obtain important feedback that can inform our recruitment and retention efforts of teaching staff. We will constructively use data to inform the effectiveness of our teaching staff and develop plans to support and strengthen their skills.



**pennsylvania**  
DEPARTMENT OF EDUCATION

333 MARKET STREET  
HARRISBURG, PA 17126-0333  
[www.pde.state.pa.us](http://www.pde.state.pa.us)

February 25, 2014

Mr. David Rossi  
Chief Executive Officer  
Nueva Esperanza Academy CS  
301 West Hunting Park Avenue  
Philadelphia, PA 19140

Dear Mr. Rossi:

I thank you and your staff for participating in the Federal Programs Consolidated Review for the 2012-13 school year. We have received your corrective action plan. You are now in complete compliance with current statute, regulations and guidance released by the United States Department of Education.

If you have any questions, please feel free to contact your Regional Coordinator at (717) 783-2193. Thank you for your cooperation.

Sincerely,

  
Susan McCrone  
Chief  
Division of Federal Programs

cc: Project File  
Federal Programs Coordinator ✓



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Certified Public Accountants and Consultants

**ESPERANZA ACADEMY CHARTER SCHOOL**

**Financial Statements**

**June 30, 2013 and 2012**

**With Independent Auditors' Reports**

**Esperanza Academy Charter School**  
**Table of Contents**  
**June 30, 2013 and 2012**

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Additional Offices in New Jersey,  
New York, Pennsylvania, Maryland,  
Florida, and Colorado

## Independent Auditors' Report

To the Board of Trustees,  
Esperanza Academy Charter School:

We have audited the accompanying financial statements of the governmental activities and each major fund of Esperanza Academy Charter School (the "School") as of June 30, 2013, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 opinion.



### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Esperanza Academy Charter School as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. In addition, the statement of revenues, expenditures and changes in fund balance - budget and actual - governmental funds, as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

In addition, the management discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of the Esperanza Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Esperanza Academy Charter School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC". The signature is written in a cursive, flowing style.

October 14, 2013

# Esperanza Academy Charter School Management's Discussion and Analysis June 30, 2013

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The Board of Trustees of the Esperanza Academy Charter School offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

## Financial Highlights

- At the close of the current fiscal year, the School reports ending net assets of \$670,938. This net assets balance represents a decrease in net assets of \$39,054 for the year ended June 30, 2013.
- The School's cash balance at June 30, 2013 was \$168,718, representing a decrease of \$22,206 from June 30, 2012.

## Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: management's discussion and analysis (this section), the basic financial statements, budgetary comparison and report required under *Government Auditing Standards* and OMB Circular A-133.

## Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

## Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has three governmental funds - general, food services and student activities.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Esperanza Academy Charter School  
Management's Discussion and Analysis  
June 30, 2013**

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**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by \$677,238 as of June 30, 2013.

	<b>2013</b>	<b>2012</b>
Total assets	\$ 1,902,300	\$ 1,130,593
Total liabilities	<u>1,231,362</u>	<u>420,601</u>
Total net assets	<u><u>\$ 670,938</u></u>	<u><u>\$ 709,992</u></u>

The School's revenues are predominantly from the School District of Philadelphia, based on student enrollment.

	<b>2013</b>	<b>2012</b>
<b>Revenues</b>		
Local education agencies	\$ 7,771,337	\$ 7,900,308
Bookstore sales	16,705	17,714
Food services	106,473	102,887
State sources	531,482	259,095
Federal sources	1,791,898	1,507,655
Other	<u>715,658</u>	<u>49,576</u>
	10,933,553	9,837,235
<b>Expenditures</b>		
Instruction	5,115,682	4,530,209
Instruction student support	1,044,291	994,557
Administrative & financial support services	1,490,417	961,843
Other support services	107,751	--
Operation & maintenance of plant services	2,196,382	2,453,615
Pupil transportation	39,661	22,091
Food services	390,363	323,112
Student activities	360,089	317,376
Scholarships & awards	9,845	10,543
Construction services	97,922	--
Depreciation	<u>120,204</u>	<u>149,296</u>
	<u>10,972,607</u>	<u>9,762,642</u>
Change in net assets	(39,054)	74,593
Net assets, beginning	<u>709,992</u>	<u>635,399</u>
Net assets, ending	<u><u>\$ 670,938</u></u>	<u><u>\$ 709,992</u></u>

# Esperanza Academy Charter School Management's Discussion and Analysis June 30, 2013

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## **Governmental Funds**

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, *fund balance* may serve as a useful measure of the School's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental funds, (the General, Food Services and Student Activities Funds), reported an ending fund balance of \$618,590. For the year ended June 30, 2013, the School's revenues (\$11,183,553) exceeded its expenses (\$11,092,174) by \$91,379. For the year ended June 30, 2012, the School's expenditures (\$9,909,446) exceeded its revenues (\$9,837,235) by \$72,211.

## **Governmental Fund Budgetary Highlights**

Some categories of revenues and expenditures varied significantly from those budgeted.

## **Capital Asset and Debt Administration**

### **Capital Assets**

As of June 30, 2013, the School's investment in capital assets for its governmental activities totals \$302,348. This investment in capital assets includes classroom and office furniture and equipment.

Major capital asset purchases during the year included the following:

- Equipment amounting to \$239,771

Additional information on the School's capital assets can be found in Note 4 of this report. There were no capital lease obligations related to the investment in capital assets.

## **Economic Factors and Next Year's Budgets and Rates**

The School's primary source of revenue, the per student subsidy provided by the School District of Philadelphia, will increase by approximately \$2,284,000 for fiscal year 2013-2014, due to an increase per student of \$501 for regular education and an increase per student of \$2,582 per special education student. In addition, there will be an increase in student enrollment by 125 students.

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

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Chief Executive Officer, Esperanza Academy Charter School, 4261 N. 5<sup>th</sup> St, Philadelphia, Pennsylvania 19140.

**Esperanza Academy Charter School**  
**Statements of Net Assets**  
**June 30, 2013 and 2012**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 168,718	\$ 190,924
State subsidies receivable	293,933	254,124
Federal subsidies receivable	444,455	283,179
Other receivables	522,531	199,762
Due from related parties	107,742	8,000
Prepays	62,573	11,823
Total current assets	<u>1,599,952</u>	<u>947,812</u>
Capital assets - net of depreciation		
Furniture and equipment	302,348	182,781
	<u>302,348</u>	<u>182,781</u>
	<u>\$ 1,902,300</u>	<u>\$ 1,130,593</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 241,823	\$ 48,873
Accrued payroll and payroll taxes	467,723	371,728
Line of credit	250,000	--
Due to related parties	220,974	--
Deferred revenue	50,842	--
Total current liabilities	<u>1,231,362</u>	<u>420,601</u>
Net assets		
Invested in capital assets, net of related debt	52,348	182,781
Unrestricted	618,590	527,211
Total net assets	<u>670,938</u>	<u>709,992</u>
	<u>\$ 1,902,300</u>	<u>\$ 1,130,593</u>

The Notes to Financial Statements are an integral part of these statements.

**Esperanza Academy Charter School**  
**Statement of Activities**  
**Year Ended June 30, 2013**  
**(With Comparative Totals at June 30, 2012)**

Functions	Expenses	Program Revenues		2013	2012
		Charges for Service	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
				Total Governmental Activities	Total Governmental Activities
Governmental activities					
Instruction	\$ 5,115,682	\$ --	\$ --	\$ (5,115,682)	\$ (4,530,209)
Instruction student support	1,044,291	--	--	(1,044,291)	(994,557)
Administrative & financial support services	1,490,417	--	--	(1,490,417)	(1,266,682)
Other support services	107,751	--	--	(107,751)	--
Operation & maintenance of plant services	2,196,382	--	--	(2,196,382)	(2,148,776)
Pupil transportation	39,661	--	--	(39,661)	(22,091)
Food services	390,363	106,473	--	(283,890)	(220,225)
Student activities	360,089	66,558	--	(293,531)	(268,200)
Scholarships and awards	9,845	--	--	(9,845)	(10,543)
Construction services	97,922	--	--	(97,922)	--
Depreciation	120,204	--	--	(120,204)	(149,296)
	<u>10,972,607</u>	<u>173,031</u>	<u>--</u>	<u>(10,799,576)</u>	<u>(9,610,579)</u>
<b>General Revenues</b>					
Grants, subsidies & contributions not restricted				10,759,791	9,684,772
Investment earnings				731	400
				<u>10,760,522</u>	<u>9,685,172</u>
Change in net assets				(39,054)	74,593
Net assets - beginning of year				<u>709,992</u>	<u>635,399</u>
Net assets - end of year				<u>\$ 670,938</u>	<u>\$ 709,992</u>

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

**Esperanza Academy Charter School  
Balance Sheet – Governmental Funds  
Year Ended June 30, 2013  
(With Comparative Totals at June 30, 2012)**

<b>Functions</b>	<b>General Fund</b>	<b>Food Services Fund</b>	<b>Student Activities Fund</b>	<b>2013 Total Governmental Activities</b>	<b>2012 Total Governmental Activities</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 168,718	\$ --	\$ --	\$ 168,718	\$ 190,924
State subsidies receivable	293,933	--	--	293,933	254,124
Federal subsidies receivable	444,455	--	--	444,455	283,179
Other receivables	522,531	--	--	522,531	199,762
Due from related parties	107,742	--	--	107,742	8,000
Prepays	62,573	--	--	62,573	11,823
	<u>\$ 1,599,952</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,599,952</u>	<u>\$ 947,812</u>
<b>Liabilities</b>					
Accounts payable	\$ 241,823	\$ --	\$ --	\$ 241,823	\$ 48,873
Accrued salaries and benefits	467,723	--	--	467,723	371,728
Deferred revenue	50,842	--	--	50,842	--
Due to related parties	220,974	--	--	220,974	--
Total liabilities	<u>981,362</u>	<u>--</u>	<u>--</u>	<u>981,362</u>	<u>420,601</u>
<b>Fund Balances</b>					
Unrestricted fund balances	618,590	--	--	618,590	527,211
	<u>\$ 1,599,952</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,599,952</u>	<u>\$ 947,812</u>

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

**Esperanza Academy Charter School**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2013**

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**Total Fund Balances for Governmental Funds** \$ 618,590

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets and note obligations used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Furniture and equipment	\$ 986,033	
Accumulated depreciation	(683,685)	
Obligations under notes payable	<u>(250,000)</u>	
		<u>52,348</u>

Total net assets of governmental activities \$ 670,938

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

**Esperanza Academy Charter School**  
**Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds**  
**Year Ended June 30, 2013**  
**(With Comparative Totals at June 30, 2012)**

Functions	General Fund	Food Services Fund	Student Activities Fund	2013 Total Governmental Activities	2012 Total Governmental Activities
Revenues					
Local educational agency assistance	\$ 7,771,337	\$ --	\$ --	\$ 7,771,337	\$ 7,900,308
State sources	531,482	--	--	531,482	259,495
Federal sources	1,791,898	--	--	1,791,898	1,507,655
Other sources	1,088,836	--	--	1,088,836	169,777
	<u>11,183,553</u>	<u>--</u>	<u>--</u>	<u>11,183,553</u>	<u>9,837,235</u>
Expenditures					
Instruction	5,115,682	--	--	5,115,682	4,530,209
Support services	3,442,417	--	--	3,442,417	2,934,361
Non-instructional services	2,294,303	--	--	2,294,303	2,148,776
Debt service- lease	--	--	--	--	69,978
Debt service- note	--	--	--	--	198,329
Capital outlay	239,772	--	--	239,772	27,793
	<u>11,092,174</u>	<u>--</u>	<u>--</u>	<u>11,092,174</u>	<u>9,909,446</u>
Excess (deficiency) of revenues over expenditures	91,379	--	--	91,379	(72,211)
Other financing sources (uses)					
Note payable	--	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	91,379	--	--	91,379	(72,211)
Fund balances - beginning of year	527,211	--	--	527,211	599,422
Fund balances - end of year	<u>\$ 618,590</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 618,590</u>	<u>\$ 527,211</u>

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

**Esperanza Academy Charter School  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
 Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2013**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 91,379

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures and new note obligations as revenues. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense and obligations are accounted for as liabilities. This is the amount by which capital outlays exceeded depreciation in the current period and the amount of new obligations were in the current period:

Capital outlays	239,771
Note payable	(250,000)
Depreciation expense	<u>(120,204)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (39,054)</u></b>

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

**Esperanza Academy Charter School**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**1. Organization and Purpose of Corporation**

The Esperanza Academy Charter School is a charter school located in Philadelphia, Pennsylvania. The School was established and operates under the provisions enacted by the General Assembly of the Commonwealth of Pennsylvania in 1997 and is operating under a charter school contract ending on August 31, 2014. Esperanza Academy Charter School is a charter school which has financial accountability and control over all activities related to the students' education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the School is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") pronouncement. In addition, there are no component units as defined in GASB Statement 14.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments that have implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments", issued in June 1999.

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental funds balance sheet and statement of governmental funds revenues, expenditures and changes in fund balances) report on the School's general, food services, and student activities funds.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

- Government-wide Financial Statements-The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by provider have been met.

Fund Financial Statements-Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The government reports the following major governmental funds:

**Esperanza Academy Charter School**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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- General Fund - The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School, excluding food services and student activities.
- Food Services Revenue Fund - The Food Services Fund is used to account for food service revenues and expenditures.
- Student Activities Revenue Fund - The Student Activities Special Revenue Fund is used to account for student activity revenues and expenditures.

**Method of Accounting**

The School has adopted the provision of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets (deficit), and a statement of activities and changes in net assets (deficit). It requires the classification of net assets (deficit) into three components - invested in capital assets, net of related debt; restricted; and unrestricted.

These calculations are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. The School presently has not incurred any related debt.
- Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School presently has no restricted net assets.
- Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested" in capital assets, net of related debt.

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the governmental funds.

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School only has a governmental funds budget. The original and final budgets are required supplementary information.

**Use of Estimates**

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

**Concentration of Credit Risk**

Financial instruments which potentially subject the School to concentrations of credit risk consist of cash and cash equivalents, contributions and grants receivable.

**Esperanza Academy Charter School**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**Capital Assets**

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets. The estimated useful lives of furniture and equipment range from five to seven years. Leasehold improvements are amortized over the life of the lease.

**Income Tax Status**

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been recorded in the financial statements.

The School adopted the accounting pronouncement dealing with uncertain tax positions as of July 1, 2010. Upon adoption of this accounting pronouncement, the School had no unrecognized tax benefits. Furthermore, the School had no unrecognized tax benefits at June 30, 2013 and 2012. There were no open tax years prior to 2010. In addition, the School has no income tax related penalties or interest for the periods reported in these financial statements.

**Reclassification**

Certain amounts on the June 30, 2012 financial statements have been reclassified to conform to June 30, 2013 presentation. Such reclassifications had no impact on prior reported change in net assets.

**3. Cash and Cash Equivalents**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does have a policy for custodial credit risk. As of the years ended June 30, 2013 and 2012, \$181,484 and \$31,310, respectively, of the School's bank balance was exposed to custodial credit risk as follows:

	2013	2012
Uninsured and uncollateralized	\$ 181,484	\$ 31,310
Plus: Insured amount	250,000	250,000
Less: Outstanding checks	(263,165)	(90,785)
Plus: Deposits in transit	--	--
Carrying amount - bank balances	<u>168,319</u>	<u>190,525</u>
Plus: Petty cash	399	399
Total cash per financial statements	<u>\$ 168,718</u>	<u>\$ 190,924</u>

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>July 01, 2012</u>	<u>Deletions</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2013</u>
Furniture and equipment	\$ 746,261	\$ --	\$ 239,771	\$ 986,032
		--		
Less: Accumulated depreciation	<u>563,480</u>	<u>--</u>	<u>120,204</u>	<u>683,684</u>
Capital assets, net	<u>\$ 182,781</u>	<u>\$ --</u>	<u>\$ 119,567</u>	<u>\$ 302,348</u>

**Esperanza Academy Charter School**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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Depreciation expense for the years ended June 30, 2013 and 2012 was \$120,204 and \$149,296, respectively.

**5. Line of Credit**

During the year ending June 30, 2012 the School acquired a \$1,000,000 secured line of credit available from a bank to be used to meet the cash flow needs of the School. At June 30, 2013 and 2012 there was \$250,000 and \$-0-outstanding, respectively. The line of credit is accruing interest at 2.944 percent per annum and is collateralized by personal property of the school. The line of credit maturity date is March 27, 2014.

**6. Local Educational Agency Revenue**

Charter schools are funded by the local public school district in which each student resides. The rate per student is determined annually and is based on the budgeted total expenditure per average daily membership of the prior school year for each school district. The students of the School reside in Philadelphia. For the years ended June 30, 2013 and 2012, the rate for the School District of Philadelphia was \$8,068 and \$8,773, respectively, per year for regular education students plus additional funding for special education students. The annual rate is paid monthly by the School District of Philadelphia and is prorated if a student enters or leaves during the year. Total revenue from local sources was \$7,771,337 and \$7,900,308 for the fiscal years ended June 30, 2013 and 2012, respectively.

**7. Government Grants and Reimbursement Programs**

The School participates in numerous state and federal grant and reimbursement programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs for retirement expense, facility lease costs and health services are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants and reimbursement programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 and 2012 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**8. Leasing Arrangements**

The School leases the building located at 301 West Hunting Park Avenue in Philadelphia, Pennsylvania under an operating lease expiring July 31, 2020 from 4261 Corporation (a related party, see Note 11). The School also leases an additional 73,901 square feet of storage space located at 4261 North 5<sup>th</sup> Street in Philadelphia, Pennsylvania. The School pays monthly rent of \$94,151 for the building and an additional \$3,079 for the storage space. The total rent expense for the building and storage space was \$1,184,331 and \$1,167,021 for the years ended June 30, 2013 and 2012, respectively. The total rent is limited to an increase of six percent with the actual amount of the increase equivalent to the increase in the Consumer Price Index for the City of Philadelphia.

Annual rentals for each year subsequent to June 30, 2013 are as follows:

Year Ending June 30	Amount
2014	\$ 1,311,265
2015	1,389,941
2016	1,473,337
2017	1,561,736
2018	1,655,440
	<u>\$ 7,391,719</u>

# Esperanza Academy Charter School

## Notes to Financial Statements June 30, 2013 and 2012

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### 9. Retirement Plan

The School contributes to the Public School Employees' Retirement System (the "System"), a governmental cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the System. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania 17108-0125. This publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

Member contributions are as follows:

- Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.5 percent (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.5 percent (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001, contribute at 7.5 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Employer contributions are based upon an actuarial valuation. For the fiscal years ended June 30, 2013 and 2012, the rate of employer's contribution was 12.36 and 8.65 percent, respectively, of covered payroll.

Payroll expense for employees covered by the System for the years ended June 30, 2013 and 2012 was approximately \$4.7 million and \$4.4 million, respectively.

In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania will pay school entities for contributions made to the System based on the formula in Act 29 of 1994, but not less than one-half of the school entities' contributions. The School's contributions due to the Plan for the years ending June 30, 2013 and 2012 totaled \$209,364 and \$110,910, respectively.

### 10. Risk Management

The 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 School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

**Esperanza Academy Charter School**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**11. Related Party**

The School and the related organizations have two common board members.

The school made payments to Nueva Esperanza, Inc. ("NEI") in reimbursement for human resources management, legal representation, financial accounting, reporting and audit, development and funding, real estate development, public relations, government relations, information technology support, management support, and other administrative services paid by NEI in the amount of \$743,467 and \$465,000 for the years ending June 30, 2013 and June 30, 2012, respectively. At June 30, 2013 and 2012, the School owed NEI \$89,856 and \$-0-, respectively.

The School is a subrecipient to a federal grant received by NEI through the U.S. Department of Justice. The mentoring program started during the year ended June 30, 2012. For the years ended June 30, 2013 and 2012, the School earned \$96,000 and \$48,000, respectively. At June 30, 2013 and 2012, NEI owed the School for this program \$96,000 and \$8,000, respectively.

The school received sub grants from NEI under the Pennsylvania Educational Improvement Tax Credit Program. Contributors to the program for the year ended June 30, 2013 were from TD Bank, Susquehanna Bank and Philadelphia Contributionship Insurance Company. The school was provided \$66,809 through this program for the year ending June 30, 2013 to support student internships and enrollment in dual enrollment classes.

As described in Note 7, the School leases the building located at 301 West Hunting Park Avenue and an additional 73,901 square feet of storage space located at 4261, North 5<sup>th</sup> Street in Philadelphia, Pennsylvania from 4261 Corporation. In connection with the operation of its Charter School, the School made lease payments to 4261 Corporation in the amount of \$1,184,331 and \$1,167,383 for the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, the School owed 4261 Corporation \$131,118 and \$-0-, respectively.

The School provides services to Esperanza Cyber Charter School ("ECCS"). The School earned \$139,100 during the year ended June 30, 2013 for management and support services. At June 30, 2013 the School was owed \$11,742.

**12. Commitments**

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

**13. Subsequent Events**

The School has evaluated subsequent events occurring after the statement of net assets date through the date of October 14, 2013 which is the date the financial statements were available to be issued. Based on this evaluation, the School has determined that no subsequent events have occurred which require disclosure in the financial statements.

**SUPPLEMENTARY INFORMATION**

**Esperanza Academy Charter School  
Schedule of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual - Governmental Funds  
Year Ended June 30, 2013**

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>(Over) Under Final Budget</u>
<b>Revenues</b>				
Local educational agency assistance	\$ 8,306,795	\$ 8,306,795	\$ 7,771,337	\$ 535,458
State sources	599,623	599,623	531,482	68,141
Federal sources	1,537,385	1,537,385	1,791,898	(254,513)
Other sources	--	--	1,088,836	(1,088,836)
	<u>10,443,803</u>	<u>10,443,803</u>	<u>11,183,553</u>	<u>(739,750)</u>
<b>Expenditures</b>				
Regular programs	4,351,692	4,351,692	4,468,361	(116,669)
Special programs	723,435	723,435	719,037	4,398
Pupil personnel services	513,178	513,178	535,913	(22,735)
Instructional support services	223,547	223,547	248,339	(24,792)
Administrative services	877,902	877,902	955,019	(77,117)
Pupil health	76,962	76,962	75,421	1,541
Business services	404,980	404,980	423,878	(18,898)
Operation & maintenance of plant services	2,163,451	2,163,451	2,229,964	(66,513)
Student transportation services	44,820	44,820	54,567	(9,747)
Support services central	215,962	215,962	292,369	(76,407)
Food service	366,341	366,341	390,363	(24,022)
Capital reserve fund	109,175	109,175	329,009	(219,834)
Student activities	372,358	372,358	369,934	2,424
	<u>10,443,803</u>	<u>10,443,803</u>	<u>11,092,174</u>	<u>(648,371)</u>
Net change in fund balances	--	--	91,379	(91,379)
Fund balances - beginning of year	<u>802,282</u>	<u>802,282</u>	<u>527,211</u>	<u>--</u>
Fund balances - end of year	<u>\$ 802,282</u>	<u>\$ 802,282</u>	<u>\$ 618,590</u>	<u>\$ (91,379)</u>

See Independent Auditors' Report.

**Esperanza Academy Charter School  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013**

Federal Grantor/ Pass-Through Grantor Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award	Total Received for the Year	Accrued or (Deferred) Revenue at 7/1/12	Receipts or Revenue Recognized	Federal Expenditures	Accrued or (Deferred) at 6/30/13
<b>U.S. Department of Education</b>										
Pass-Through Pennsylvania										
Department of Education										
Title I - Improving Basic Programs	I	84.010	013-120896A	07/01/2011-09/30/2012	\$ 533,447	\$ (12,089)	\$ (12,089)	\$ --	\$ --	\$ --
Title I - Improving Basic Programs	I	84.010	013-130896A	07/01/2012-09/30/2013	536,198	516,801	--	536,198	536,198	19,397
Title I - School Improvement	I	84.010	042-12896	04/30/2012-09/30/2013	48,436	48,436	48,436	--	--	--
Title I - School Improvement	I	84.010	042-13896	04/30/2013-09/30/2014	70,403	--	--	70,403	70,403	70,403
Title IID Education Technology	I	84.318	RA-055-11-096	09/30/2011-09/30/2012	40,000	--	--	--	--	--
Title II - Improving Teacher Quality	I	84.367	020-120896A	07/01/2011-09/30/2012	19,360	(91)	(91)	--	--	--
Title II - Improving Teacher Quality	I	84.367	020-130896A	07/01/2012-09/30/2013	19,508	19,401	--	19,508	19,508	107
Title III - Language Instruction (LEP)	I	84.365	010-120896	07/01/2011-09/30/2012	38,508	8,509	8,509	--	--	--
Title III - Language Instruction (LEP)	I	84.365	010-130896	07/01/2012-09/30/2013	35,306	35,306	--	35,306	35,306	--
Title IV - 21st Century	I	84.287	4100051289	07/01/2011-09/30/2012	172,263	45,897	45,897	--	--	--
Title IV - 21st Century	I	84.287	4100051289	07/01/2012-09/30/2013	337,925	317,257	--	337,925	337,925	20,668
Title IV - 21st Century	I	84.287	4100051289	06/01/2012-09/30/2013	278,376	117,828	--	167,175	167,175	49,347
ARRA - RTTT	I	84.416	4100051289	02/22/2013-05/30/2013	37,222	--	--	37,222	37,222	37,222
IDEA Part A	I	84.389	127-100896	07/01/2011-06/30/2012	142,057	142,057	142,057	--	--	--
IDEA Part A	I	84.389		07/01/2012-06/30/2013	165,122	--	--	165,122	165,122	165,122
Total U.S. Department of Education						1,239,312	232,719	1,368,859	1,368,859	362,266
<b>U.S. Department of Health and Human Services</b>										
Pass-Through Pennsylvania										
Department of Education										
Medical Assistance	I	93.778	44-007670	07/01/2011-06/30/2012	40,932	--	31,408	--	--	31,408
Medical Assistance	I	93.778	44-007670	07/01/2012-06/30/2013	45,000	--	--	45,000	45,000	45,000
						--	31,408	45,000	45,000	76,408
<b>U.S. Department of Justice</b>										
Pass-Through Nueva Esperanza Inc.										
Mentoring Program	I	16.726	N/A	1/1/2012-12/31/2012	96,000	8,000	8,000	48,000	48,000	48,000
Mentoring Program	I	16.726	N/A	1/1/2013-12/31/2013	96,000	--	--	48,000	48,000	48,000
Total U.S. Department of Justice						8,000	8,000	96,000	96,000	96,000
<b>U.S. Department of Agriculture</b>										
Pass-Through Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	362	07/01/2011-06/30/2012	215,183	--	--	--	--	--
National School Lunch Program	I	10.555	362	07/01/2012-06/30/2013	243,445	238,078	--	242,749	242,749	4,671
School Breakfast Program	I	10.553	367	07/01/2011-06/30/2012	39,765	6,872	6,872	--	--	--
School Breakfast Program	I	10.553	367	07/01/2012-06/30/2013	45,465	38,181	--	39,289	39,289	1,108
Total U.S. Department of Agriculture						283,131	6,872	282,038	282,038	5,779
Total Federal awards						\$ 1,530,443	\$ 278,999	\$ 1,791,897	\$ 1,791,897	\$ 540,453

See Independent Auditors' Report.  
See accompanying Notes to Schedule of Expenditures of Federal Awards.

**Esperanza Academy Charter School**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2013**

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**1. General Information**

The accompanying schedule of expenditures of Federal awards presents the activities in all of the Federal financial assistance programs of Esperanza Academy Charter School. Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or non-profit organizations, are included in the schedule.

**2. Basis of Accounting**

The accompanying schedule of expenditures of Federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**3. Relationship to Basic Financial Statements**

The schedule of expenditures of Federal awards presents only a selected portion of the activities of the School. It is not intended to and does not present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's statement of revenues, expenditures and changes in fund balances - governmental funds.



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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards**

**Independent Auditors' Report**

To the Board of Trustees,  
Esperanza Academy Charter School:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Esperanza Academy Charter School (the "School") and the related notes to the financial statements, as of and for the year ended June 30, 2013, which collectively comprises the School's basic financial statements and have issued our report thereon dated October 14, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Esperanza Academy 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 Esperanza Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Esperanza Academy Charter School's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

October 14, 2013



WithSmith+Brown, PC  
Certified Public Accountants and Consultants

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**Report on Compliance for Federal Program;  
Report on Internal Control Over Compliance Required by  
OMB Circular A-133**

**Independent Auditors' Report**

The Board of Trustees,  
Esperanza Academy Charter School:

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

We have audited Esperanza Academy Charter School's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Esperanza Academy Charter School's major Federal programs for the year ended June 30, 2013. Esperanza Academy Charter School's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Esperanza Academy Charter School's major Federal 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Esperanza Academy Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Esperanza Academy Charter School's compliance with those requirements.



### **Opinion on Each Major Federal Program**

In our opinion, Esperanza Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

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

Management of Esperanza Academy 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 Esperanza Academy Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Esperanza Academy Charter School's internal control over compliance.

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

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

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

October 14, 2013

**Esperanza Academy Charter School  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2013**

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**Section 1 – Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Control deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Control deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

The following Federal program was designated as a major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.287	Title IV, 21 <sup>st</sup> Century School

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section 2 – Financial Statement Findings**

None reported.

**Section 3 – Federal Award Findings and Questioned Costs**

None reported.

**Section 4 – Follow Up Prior Year Audit Findings**

There were no prior year audit findings.