

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
LADY LIBERTY ACADEMY
CHARTER SCHOOL
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

LADY LIBERTY CHARTER SCHOOL
JUNE 30, 2010
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Lady Liberty Academy Charter School

Mr. Glen T. Pinder, Executive Director
Mr. K. Anthony Thomas, Board of Trustees President

Structure | Peace | Accountability | Results | Community

S.P.A.R.C. ignites the academic flame of empowerment that lights our path to a better future.

December 20, 2010

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN 500
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the Lady Liberty Academy Charter School, ("School") for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rest with the management of the School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the School's first 3 fiscal years. The School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** Lady Liberty Academy Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

- 2) **ENROLLMENT OUTLOOK:** The school's charter authorized a maximum enrollment of 445 students in 2006-2007 in grades K-8. The enrollment at the beginning and end of the school year was 443 students. There are three classes of grades K, 1, 2, 6 and 7. There are two classes of 8. One 4th grade class will be added and one 6th grade class subtracted for the 2007-2008 school year.
- 3) **MAJOR ACCOMPLISHMENTS** – During the 2009-2010 school year, the administrative team continued to restructure staff assignments and create a number of positions in order to strengthen the delivery of special education and at-risk student services. These positions included the following: an additional Title I teacher; a master-teacher at the K-2 grade level; and a director of the NCLB program. In addition to this restructuring, the following accomplishments were also of note:

Parent Involvement Plan – This year a consultant collaborated with staff to design a comprehensive parent involvement plan for our school. The collaboration involved a series of workshops with teachers and the development of a plan that has been tailored to our school community's needs and priorities.

Mentoring Plan – This year a consultant collaborated with staff and administration to design a mentoring plan in compliance with all state requirements. The plan was developed by Lady Liberty Academy Charter School veteran teachers and the components for mentor and mentee training were developed in readiness to use with novice and first year teachers (to Lady Liberty Academy).

Curriculum Revision – We successfully applied for a Smarter Charter grant to undertake the task of revising and strengthening the curriculum and addressing the recently identified CAPA recommendations with regards to assessment, use of rubrics and student work portfolios. Administration recruited a team of our teachers to work on this initiative under the leadership of our provider, Sara Tantillo. In order to continue increasing students' achievement, Lady Liberty Academy Charter School will be revising the entire curriculum according to the Grant Wiggins' backwards design model of essential questions and enduring understandings with specific attention to the following:

- Integration of literacy across the curriculum
- Integration of technology across the curriculum
- Establishing a schedule for assessing students in grades k-2
- Fully incorporating novels into LAL and Social Studies

Revision and strengthening of the Title I program: under the direction of the newly appointed NCLB director, the Title I program has been revised and strengthened both in terms of the design and delivery of the program and also the tracking of NCLB funding.

Development of Partnership with City Hall officials to increase the safety and security in our neighborhood – In an effort to address the increasing levels of violence in our neighborhood with regard to shootings, drugs, and gang activity administration have led a year long initiative in attending and hosting City Council meetings and raising awareness for community and law enforcement action with regard to the school neighborhood.

Schedule changes to implement CAPA recommendations – In an effort to address two integral CAPA recommendations, 90-minute literacy blocks and increased vertical and horizontal planning time for teachers, administration has submitted a charter amendment to extend the school day by 30 minutes and have hired a consultant to work on designing a schedule that will accommodate both goals.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2010.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools' accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2010.

Revenue	Amount	Percent of Total
Local	781,138	10%
State	5,695,631	73%
Federal	700,770	9%
Food Service	239,907	3%
Misc. Revenue	<u>394,827</u>	<u>5%</u>
Total	<u>\$ 7,812,273</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2010.

Expenditures	Amount	Percent of Total
Current	5,763,431	85%
Capital Outlay	38,818	1%
Special Revenue	1,047,435	15%
Food Service	<u>239,907</u>	<u>3%</u>
Total	<u>\$ 7,089,591</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the School is guided in large part by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.
- 10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent Certified Public Accountants (CPA) or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the state Treasury Circular letter 04–04 OMB. The auditor’s report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial statement of this report. The auditor’s reports related specifically to the single audit act are included in the single audit section of this report.

Respectfully submitted,



Glen T. Pinder, Executive Director

LADY LIBERTY ACADEMY CHARTER SCHOOL

ROSTER OF TRUSTEES AND OFFICERS JUNE 30, 2010

BOARD OF TRUSTEES

Mr. K. Anthony Thomas, President

Mr. De'Shawn Wright, Vice President

Mr. John Stolz

Ms. Nichelle L. Holder

Ms. Soyini Ma'at

Ms. Janellen M. Duffy

Ms. Juanita N. Roberson

CONSULTANTS AND ADVISORS

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Caldwell, NJ 07006

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Attorneys at Law
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Florham Park, NJ 07932

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CERTIFIED PUBLIC ACCOUNTANT
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**UNQUALIFIED OPINION ON BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY SCHEDULE OF
FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION -
GOVERNMENT ENTITY**

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Lady Liberty Academy Charter School
County of Essex
Newark, New Jersey

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Trustees of the Lady Liberty Academy Charter School, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the charter schools' basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustee's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Lady Liberty Academy Charter School, Board of Trustees, in the County of Essex, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 20, 2010 on my consideration of the Lady Liberty Academy Charter School, in the County of Essex, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over

financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and Budgetary Comparison schedules on pages 10 through 19 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Lady Liberty Academy Charter School Board of Trustees basic financial statements. The accompanying introductory section, other supplementary information including combining fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

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

Licensed Public School Accountant No. 870

A handwritten signature in cursive script that reads "Scott J. Loeffler CPA". The signature is written in black ink and is positioned above the typed name.

Scott J. Loeffler, CPA
December 20, 2010

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

This section of Lady Liberty Academy Charter School annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2009-10) and the prior year (2009-08) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year include the following:

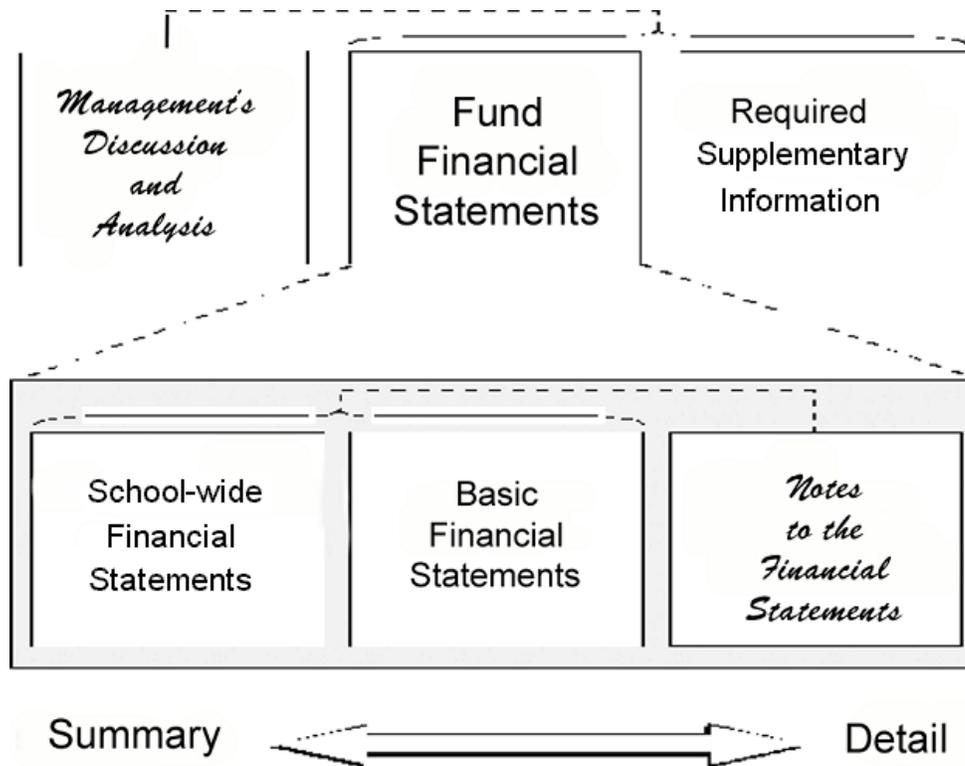
- Net assets were \$2,347,485.
- Net Assets increased by \$683,936 from July 1, 2009 to June 30, 2010.
- The General Fund balance at June 30, 2010 is \$1,438,229, an increase of \$722,682 when compared with the beginning balance at July 1, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Lady Liberty Academy Charter School.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Lady Liberty Academy Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Lady Liberty Academy Charter School, reporting the Lady Liberty Academy Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer financial information about the Food Service activities the Lady Liberty Academy Charter School operates like businesses.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
Year Ended June 30, 2010

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Lady Liberty Academy Charter School’s financial statements, including the portion of the Lady Liberty Academy Charter School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the Lady Liberty Academy Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Lady Liberty Academy Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statements of net assets	Balance sheet	Statement of net assets
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

School-wide Statements

The school-wide statements report information about the Lady Liberty Academy Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Lady Liberty Academy Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Lady Liberty Academy Charter School's net assets and how they have changed. Net assets – the difference between the Lady Liberty Academy Charter School's assets and liabilities – are one way to measure the Lady Liberty Academy Charter School's financial health or position.

In the school-wide financial statements, the Lady Liberty Academy Charter School's activities are shown in two categories:

- *Governmental activities*- Most of the Lady Liberty Academy Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education.
- *Business-type activities*- The Lady Liberty Academy Charter School's Food Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Lady Liberty Academy Charter School's funds – focusing on its most significant or “major” funds – not the Lady Liberty Academy Charter School as a whole.

Funds are accounting devices the Lady Liberty Academy Charter School uses to keep track of specific sources of funding and spending on particular programs:

Some funds are required by State law and by bond covenants.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

The Lady Liberty Academy Charter School use other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is property using certain revenues (e.g., federal funds).

The Lady Liberty Academy Charter School has three kinds of funds:

- **Governmental funds-** Most of the Lady Liberty Academy Charter School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Lady Liberty Academy Charter School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Lady Liberty Academy Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The Lady Liberty Academy Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The Lady Liberty Academy Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Lady Liberty Academy Charter School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. I exclude these activities from the Lady Liberty Academy Charter School's government-wide financial statements because the Lady Liberty Academy Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE LADY LIBERTY ACADEMY CHARTER SCHOOL AS A WHOLE

Net Assets. The Lady Liberty Academy Charter School's net assets were \$2,347,485 at June 30, 2010. (See Table A-1).

Governmental	\$ 2,347,485
Business Activities Food Service	-
Total	<u>\$ 2,347,485</u>

The Statement of Net Assets of \$2,347,485 reflects total capital assets, net of assumed depreciation from inception.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

The Lady Liberty Academy Charter School's financial position is the product of these factors:

- Total revenues during the 2009-10 school year were \$7,812,273.
- Total expenditures were \$7,089,591.

Table A-1
LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Net Assets
As of June 30, 2010

	<u>Total</u>
Current and Other Assets	2,708,608
Capital Assets (Including Business Activities)	909,256
Total Assets	<u>\$3,617,864</u>
Long-Term Liabilities	
Other Liabilities	1,270,379
Total Liabilities	<u>\$1,270,379</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	909,256
Restricted	
Unrestricted	1,438,229
Total Net Assets	<u><u>\$2,347,485</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net assets of \$2,347,485 on June 30, 2010.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

Table A-2
LADY LIBERTY ACADEMY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2010

Revenues	Total
Program revenues	
Charges for services	0
Operating grants and contributions	
General revenues	
Local Share	781,138
Federal and State Aid-Unrestricted	5,120,874
Federal and State Aid-Restricted	1,275,527
Food Service	239,907
Other	394,827
Decrease in Net Capital Outlay	(38,746)
Total revenues	<u>\$ 7,773,527</u>
Expenses	
Regular Instruction	3,050,717
General Administrative	2,016,949
School Administrative	1,510,786
On-behalf TPAF Social Security	232,414
Capital Outlay	38,818
Food Service	239,907
Total expenses	<u>\$ 7,089,591</u>
(Increase) in net assets	683,936
Net Assets, Beginning July 1	1,663,549
Net Assets, End of Year June 30	<u><u>\$ 2,347,485</u></u>

Changes in Net Assets. The Lady Liberty Academy Charter School's total revenues were \$7,812,273. Local share of \$781,138 represented 10% of revenues. The state and federal aid of \$6,396,401 represented 82% of revenues and food service \$239,907 represented 3% of revenues and \$394,827 represented 5% in miscellaneous revenues.

The Lady Liberty Academy Charter School's fund expenses of \$7,089,591 are predominantly related to instruction and support services. Instruction expenditures totaled \$3,050,717 (43%) of total expenditures. Support services and Capital Outlay, \$3,798,967 (54%) of total expenditures and \$239,907 (3%) for food service. (See Figure A-3)

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

Total revenues of the general fund exceeded expenditure, increasing net assets \$222,303 from the beginning balance at July 1, 2009.

Table A-3 (See Exhibit A-2)
LADY LIBERTY ACADEMY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction		\$ 3,050,717	\$ 3,050,717
Regular	B-2		
Support Services			
General Administrative Services	B-2	2,016,949	2,016,949
School Administrative Services	B-2	1,510,786	1,510,786
On-behalf TPAF Social Security	B-2	232,414	232,414
Capital Outlay	B-2	38,818	38,818
Food Service	G-2	239,907	239,907
Total Governmental Activities		\$ 7,089,591	\$ 7,089,591

FINANCIAL ANALYSIS OF THE LADY LIBERTY CHARTER SCHOOL'S FUNDS

The financial performance of the Lady Liberty Academy Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Lady Liberty Academy Charter School completed the year, its general fund reported a combined fund balance of \$1,438,229.

The business activities retained earnings at June 30, 2010 is \$-0-.

Revenues for the Lady Liberty Academy Charter School's governmental funds and business activities were \$7,783,706 while total expenses were \$7,089,591 (Table A-2) (Exhibit A-2)

GENERAL FUND

The General Fund includes the primary operations of the Lady Liberty Academy Charter School in providing educational services to students from grade K through grade 8.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

The following schedule presents a summary of General Fund and Special Revenues. The summary reflects the dollar and percent increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
LADY LIBERTY ACADEMY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Years Ended June 30, 2010 and 2009

General Fund Revenues	Year Ended 06/30/2010	Year Ended 06/30/2009	Amount of Increase (Decrease)
Local Sources:			
Local Share	781,138	736,758	44,380
Other Local Revenue	394,827	21,059	373,768
Total Local Sources	\$ 1,175,965	\$ 757,817	\$ 418,148
Intergovernmental			
State Sources	5,906,971	5,005,055	901,916
Federal Sources	700,770	904,145	(203,375)
Total Intergovernmental Sources	\$ 6,607,741	\$ 5,909,200	\$ 698,541
Total Revenue	\$ 7,783,706	\$ 6,667,017	\$ 1,116,689

The following schedule presents a summary of General Fund expenditures. The summary reflects the dollar increases (decreases) from the prior year.

Table A-5 (See Exhibit B-2)
LADY LIBERTY ACADEMY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Years Ended June 30, 2010 and 2009

General Fund Expenditures	Year Ended 06/30/2010	Year Ended 06/30/2009	Amount of Increase (Decrease)
Current:			
Regular Instruction	3,050,717	2,897,262	153,455
General Administrative Services	2,016,949	1,702,169	314,780
School Administration	1,510,786	1,350,972	159,814
On-behalf TPAF Social Security	232,414	203,732	28,682
Capital outlay	38,818	79,239	(40,421)
Food Service	239,907	211,340	28,567
Total Expenditures	\$ 7,089,591	\$ 6,444,714	\$ 644,877

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the General Fund unreserved-undesignated fund balance.

Table A-6
LADY LIBERTY ACADEMY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2010

General Fund	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Unreserved-Undesignated Fund Balance	1,438,229	715,547	493,244	51,982	29,594	69,610
Expenditures	6,849,684	6,444,714	5,088,291	4,989,031	4,939,605	5,044,528
Percentages	21%	11%	10%	1%	1%	1%

The Lady Liberty Academy Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designed to support the subsequent years budgets were \$1,438,229 for the 2009-10 school year

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of June 30, 2010, in the General Fund, the school had invested \$1,333,545 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expenses for the year was \$76,951.

Table A-7
LADY LIBERTY ACADEMY CHARTER SCHOOL
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2010

Land	
Facilities Improvement	737,545
Equipment	596,000
Total - General Fund	<u>\$1,333,545</u>
Less: Accumulated Depreciation	<u>(424,289)</u>
Total - Net Capital Assets General Fund	<u><u>\$909,256</u></u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2010

More detailed information about the district's long-term liabilities is presented in Note 4 to the financial statements.

FACTORS BEARING ON THE SCHOOL'S FUTURE

State Aid—As part of the “time-out” decision of the Supreme Court, the NJDOE was granted permission for level spending for the 2009-10 school year. The practical implication of this ruling is that the Lady Liberty Academy Charter School 2009-10 budget can be not greater than its kindergarten through grade 12 expenditures in the 2009-10 school year. The financial position of the State of New Jersey will likely result in continued level state aid for the 2009-10 school year. The school is likely to feel financial pressures related to contractual obligations that will put pressure on the school programs, inclusive of staffing levels.

No Child Left Behind (NCLB)—The integration of the requirements of this federal legislation needs to be integrated into in a way that eliminates duplication. The challenge before the State of New Jersey is development of a single, seamless process of assessment, planning, implementation, and evaluation that satisfies both State and federal authorities.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Business Office, Lady Liberty Academy Charter School, 23 Pennsylvania Avenue, Newark, NJ 07114

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Lady Liberty Academy Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2010.

SCHOOL-WIDE FINANCIAL STATEMENTS

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,697,737	\$ (24,215)	\$ 1,673,522
Investments			
Receivables, net	979,723	24,215	1,003,938
Rental Deposit	31,148		31,148
Capital assets, net (Note 2):	909,256		909,256
Total Assets	<u>3,617,864</u>	<u>-</u>	<u>3,617,864</u>
LIABILITIES			
Cash Overdraft		-	-
Accounts payable	1,040,175	-	1,040,175
Due to Newark Board of Education	130,204		130,204
Payable to federal government	100,000		100,000
Payable to state government	-		-
Deferred revenue	-		-
Noncurrent liabilities (Note 3):			-
Due within one year			
Due beyond one year			
Total liabilities	<u>1,270,379</u>	<u>-</u>	<u>1,270,379</u>
NET ASSETS			
Invested in capital assets, net of related debt	909,256		909,256
Restricted for:			
Debt service			-
Capital Reserves			-
Permanent endowment - nonexpendable			
Other purposes			
Unrestricted	1,438,229	-	1,438,229
Total net assets	<u>\$ 2,347,485</u>	<u>\$ -</u>	<u>\$ 2,347,485</u>

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Activities
For the Year Ended June 30, 2010

Exhibit A-2

Functions/Programs	Program Revenues				Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 3,050,717	\$ -	\$ (700,770)	\$ -	\$ (2,349,947)	\$ -	\$ (2,349,947)
Support services:							
General administration	2,016,949	-	(346,665)	-	(1,670,284)	-	(1,670,284)
School administrative services/ operations plant serv.	1,510,786	-	-	-	(1,510,786)	-	(1,510,786)
On - behalf TPAF Social Security	232,414	-	-	-	(232,414)	-	(232,414)
Capital Outlay	38,818	-	-	-	(38,818)	-	(38,818)
Total governmental activities	6,849,684	-	(1,047,435)	-	(5,802,249)	-	(5,802,249)
Business-type activities:							
Food Service	-	239,907	-	-		(239,907)	(239,907)
Total business-type activities	-	239,907	-	-		(239,907)	(239,907)
Total primary government	\$6,849,684	\$ 239,907	\$ (1,047,435)	\$ -	\$ (5,802,249)	\$ (239,907)	\$ (6,042,156)
General revenues:							
Local Share					781,138		781,138
State Share					5,120,874	-	5,120,874
State and Federal Aid					574,757	237,422	812,179
Miscellaneous Income					48,162	2,485	50,647
Decrease in net Capital Outlay					(38,746)		(38,746)
Total general revenues, special items, extraordinary					6,486,185	239,907	6,726,092
Change in Net Assets					683,936	-	683,936
Net Assets—beginning					1,663,549	-	1,663,549
Net Assets—ending					\$ 2,347,485	\$ -	\$ 2,347,485

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

LADY LIBERTY ACADEMY CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,375,006	\$ (677,269)	\$ -		\$ 1,697,737
Investments			-		
Receivables, net	-	979,723	-		979,723
Inventory					-
Security deposit	31,148	-			31,148
Total assets	<u>\$ 2,406,154</u>	<u>\$ 302,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,708,608</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft		-			
Accounts payable	967,925	72,250			1,040,175
Due to Newark Board of Ed.	-				
Payable to federal government	-	130,204			130,204
Deferred revenue		100,000			100,000
Total liabilities	<u>967,925</u>	<u>302,454</u>			<u>1,270,379</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	1,438,229		-		1,438,229
Capital projects fund					
Permanent fund					
Total Fund balances	<u>1,438,229</u>		<u>-</u>		<u>1,438,229</u>
Total liabilities and fund balances	<u>\$ 2,406,154</u>	<u>\$ 302,454</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,333,545 and the accumulated depreciation is \$(424,289) 909,256

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)

Net assets of governmental activities \$ 2,347,485

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local share	\$ 781,138	\$ -	\$ -		\$ 781,138
State Share	5,120,874	-	-	-	5,120,874
Other Restricted Miscellaneous Revenues	-				-
Miscellaneous	48,162	346,665		-	394,827
Total - Local Sources	<u>5,950,174</u>	<u>346,665</u>	<u>-</u>	<u>-</u>	<u>6,296,839</u>
State sources	574,757	-		-	574,757
Federal sources	-	700,770		-	700,770
Total revenues	<u>6,524,931</u>	<u>1,047,435</u>	<u>-</u>	<u>-</u>	<u>7,572,366</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 2,349,947	\$ 700,770	\$ -	\$ -	\$ 3,050,717
Support services- General Administrative	1,670,284	346,665	-	-	2,016,949
Support Services- School Admin/ operations plant se	1,510,786				1,510,786
On-behalf TPAF Social Security	232,414				232,414
Capital outlay	38,818			-	38,818
Total expenditures	<u>5,802,249</u>	<u>1,047,435</u>	<u>-</u>	<u>-</u>	<u>6,849,684</u>
Excess (Deficiency) of revenues over expenditures	<u>722,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,682</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM					
Proceeds from sale of land	-	-	-	-	-
Net change in fund balances	722,682	-	-	-	722,682
Fund balance—July 1	715,547	-	-	-	715,547
Fund balance—June 30	<u>\$ 1,438,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,438,229</u>

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Total net change in fund balances - governmental funds (from B-2) \$ 722,682

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (77,564)	
Capital outlays	<u>38,818</u>	(38,746)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. -

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.

Proceeds of long-term debt		-
Increase in Compensated Absences		-
Capital lease proceeds		-

Change in net assets of governmental activities \$ 683,936

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

PROPRIETARY FUNDS

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Net Assets
Proprietary Funds
June 30, 2010

		Business-type Activities Enterprise Funds
		Food Service
		<hr/> <hr/>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	-
Investments		
Accounts receivable		24,215
Other receivables		
Inventories		
Total current assets		<hr/> <hr/> 24,215
Noncurrent assets:		
Restricted cash and cash equivalents		-
Furniture, machinery & equipment		-
Less accumulated depreciation		-
Total noncurrent assets		<hr/> -
Total assets		<hr/> <hr/> 24,215
LIABILITIES		
Current liabilities:		
Cash overdraft		(24,215)
Accounts payable		-
Compensated absences		-
Total current liabilities		<hr/> (24,215)
Total liabilities		<hr/> (24,215)
NET ASSETS		
Invested in capital assets net of related debt		-
Restricted for:		
Capital projects		-
Unrestricted		-
Total net assets	\$	<hr/> <hr/> -

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

Exhibit B-5

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Fund
	Food Service
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$2,485
Special functions	-
Total operating revenues	2,485
Operating expenses:	
Cost of sales	-
Salaries and Benefits	-
Professional Fees	-
Supplies, Materials and Other Expenses	(239,907)
Depreciation	0
Total Operating Expenses	(239,907)
Operating income (loss)	(237,422)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	8,456
Federal sources:	
National school breakfast program	28,966
National school lunch program	172,620
Vegetable Program	27,380
Total nonoperating revenues (expenses)	237,422
Income (loss) before contributions & transfers	-
Capital contributions	-
Transfers in (out)	-
Change in net assets	-
Total net assets—beginning	-
Total net assets—ending	-

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities -
	Enterprise Funds
	Food
	Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,485
Payments to employees and benefits	
Payments to suppliers	(239,907)
Net cash provided by (used for) operating activities	(237,422)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Federal Sources	264,465
Operating subsidies and transfers to other funds	
Net cash provided by (used for) non-capital financing activities	264,465
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase In Fixed Assets	27,043
Proceeds from sale/maturities of investments	
Net cash provided by (used for) investing activities	27,043
Net increase (decrease) in cash and cash equivalents	27,043
Balances—beginning of year	(51,258)
Balances—end of year	\$ (24,215)
Reconciliation of operating income (loss) to net cash provided	
(used) by operating activities:	
Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by	
(used for) operating activities	
Depreciation and net amortization	
(Increase) decrease in accounts receivable, net	27,043
(Increase) decrease in inventories	-
(Increase) decrease in USDA Communities	-
Increase (decrease) in accounts payable	-
Increase (decrease) in accrued compensated absences	
Total adjustments	27,043
Net cash provided by (used for) operating activities	\$ 27,043

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

FIDUCIARY FUNDS

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Unemployment Compensation Trust	Scholarship Fund	Agency Fund
ASSETS			
Cash and cash equivalents	\$ 52,240	\$ -	\$ -
Investments, at fair value:			
U.S. government obligations			
NJ municipal bonds			
Total investments			
Total assets			
LIABILITIES			
Accounts payable			
Payable to district			
Payable to student groups			
Payroll deductions and withholdings			
Total liabilities			
NET ASSETS			
Held in trust for unemployment claims and other purposes	\$ 52,240	\$ -	\$ -
Reserved for scholarships			

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
ADDITIONS		
Contributions:		
Plan member	\$ -	
Other	52,240	
Total Contributions	<u>52,240</u>	
Investment earnings:		
Net increase (decrease) in fair value of investments		
Interest		
Dividends		
Less investment expense		
Net investment earnings		
Total additions	<u>52,240</u>	
DEDUCTIONS		
Quarterly contribution reports		
Unemployment claims		
Scholarships awarded		
Refunds of contributions		
Administrative expenses		
Total deductions		
Change in net assets		
Net assets—beginning of the year	0	
Net assets—end of the year	<u>\$ 52,240</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lady Liberty Academy Charter School 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 (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Lady Liberty Academy Charter School's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) unanimously approved basic Financial Statements and Management's Discussion and Analysis for State and Local governments (Statement No. 34). This statement provides for significant changes in financial reporting and was first implemented by the Lady Liberty Academy Charter School for the fiscal year ending June 30, 2003. In addition, the school has implemented GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The Lady Liberty Academy Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Lady Liberty Academy Charter School Board of Trustees is responsible for the fiscal control of the Lady Liberty Academy Charter School. An Executive Director is appointed by the Lady Liberty Academy Charter School and is responsible for the administrative control of the Lady Liberty Academy Charter School. Under existing statutes, the Lady Liberty Academy Charter School's duties and powers include, but are not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

The accompanying financial statements present the government and its component units, entities for which the school is considered to be financially accountable. The Lady Liberty Academy Charter School has no blended or discretely presented component units. Furthermore, the Lady Liberty Academy Charter School is not includable in any other reporting entity as a component unit.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Lady Liberty Academy Charter School and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *miscellaneous revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:
(continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this measurement focus and basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both 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 Lady Liberty Academy Charter School considers revenues to be available if they are collected within 90 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures, which are recorded when payment is due and compensated absences and claims and judgments which are recorded only to the extent that there are expendable financial resources available.

Other items associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Lady Liberty Academy Charter School.

The Lady Liberty Academy Charter School reports the following major governmental funds:

The *general fund* is the Lady Liberty Academy Charter School's primary operating fund. It accounts for all financial resources of the Lady Liberty Academy Charter School, except those required to be accounted for in another fund.

The Lady Liberty Academy Charter School reports the following major proprietary fund which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:
(continued)

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for private donations for scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the intended purposes. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Lady Liberty Academy Charter School has elected not to follow FASB guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* in the Lady Liberty Academy Charter School -wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

D. Assets, Liabilities and Net Assets or Equity:

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. *Inventories and Prepaid Items*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred revenue.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Accrued Liabilities and Payables

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The school's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

D. Assets, Liabilities and Net Assets or Equity: (continued)

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the Lady Liberty Academy Charter School as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method.

5. *Fund Equity*

Reservations/Designations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. Specific reservations/designations of the fund balance accounts are summarized below.

Reserve for Encumbrances - This reserve is created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30. There were no reserve for encumbrance at June 30, 2010.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

D. Assets, Liabilities and Net Assets or Equity: (continued)

Reserve for Capital Reserve Account - This reserve is created by budget appropriation to fund future capital expenditures.

Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures- This reserve is created to represent the portion of fund balance at June 30, 2010 restricted and utilized in the adopted subsequent year's budget. At June 30, 2010 there were no reserves.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

No difference noted.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information:

In accordance with the requirements of the New Jersey Department of Education, the Lady Liberty Academy Charter School annually prepares its operating budget for the forthcoming year. The budget, except for the special revenue fund, which is more fully explained below, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon by the Board of Trustees. Budget adoptions and amendments are recorded in the Lady Liberty Academy Charter School minutes.

The budget is properly amended by the Lady Liberty Academy Charter School trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The school approved several budget transfers during the 2009/2010 school year.

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

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

The following presents a reconciliation of the special revenue fund from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Operating In</u>	<u>Transfers Out</u>
Budgetary Basis	\$1,047,435	\$1,047,435	-	-
Adjustments:	-	-	-	-
Add encumbrances at June 30, 2009	-	-	-	-
Less encumbrances at June 30, 2010	-	-	-	-
GAAP Basis	<u>\$1,047,435</u>	<u>\$1,047,435</u>	-	-

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

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

B. Capital Reserve Account:

No capital reserve account is noted.

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

As of June 30, 2010, Lady Liberty Academy Charter School cash and cash equivalents consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Operating Account	\$2,375,006	(\$677,269)	(\$24,215)	\$1,673,522

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

Category 2 - Collateralized with securities held by the pledging financial institutions trust department or agent in the school's name.

Category 3 - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Lady Liberty Academy Charter School's name.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

Deposits (continued)

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>
Deposits	\$1,673,522	\$ 0	\$ 0	\$1,673,522

The Lady Liberty Academy Charter School’s cash deposits as June 30, 2010 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the Lady Liberty Academy Charter School or bonds or other obligations of the local unit or units which the school district is located.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 18A:20-37.

The Lady Liberty Academy Charter School had no outstanding investments at June 30, 2010.

Custodial Credit Risk - 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 not have a formal policy for custodial credit risk.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

As of June 30, 2010, the school bank balance of \$1,673,522 was not exposed to custodial credit risk since all deposits were considered insured by either FDIC or GUDPA.

B. Receivables

Receivables as of year-end for the government's individual major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Account	<u>\$0</u>	<u>\$979,723</u>	<u>\$24,215</u>	<u>\$1,003,930</u>
Gross Receivables	<u>\$0</u>	<u>\$979,723</u>	<u>\$24,215</u>	<u>\$1,003,930</u>

C. Deferred Revenue

There is no deferred revenue in the general fund. The deferred revenue in special revenue is as follows:

MJE Grant	\$ 50,000
GEM Grant	<u>50,000</u>
	<u>\$100,000</u>

D. Capital Assets

Capital assets as at the year ended June 30, 2010 was as follows:

Primary Government:

	<u>Balance at June 30, 2010</u>
Capital assets, being depreciated:	
Building Improvements	737,545
Furniture and Fixtures	<u>596,000</u>
Total capital assets being depreciated	\$1,333,545
Less accumulated depreciation for:	
Total accumulated depreciation	<u>(424,289)</u>
Total capital assets, being depreciated, net all funds	<u>\$909,256</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Total depreciation expense - governmental activities	<u>\$ 77,564</u>
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Capital assets are depreciated in the financial statements using the straight-line method over the estimated useful life of the asset.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables, and Transfers:

As of June 30, 2010, there were no interfund transactions reflected.

NOTE 5. OTHER INFORMATION

A. Contingent Liabilities

The Lady Liberty Academy Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Lady Liberty Academy Charter School may be required to reimburse the grantor government.

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

The Federal Communication Commission (FCC) in Washington D.C., had assessed a notice of debt to the Lady Liberty Academy Charter School for approximately \$248,000. The Assessment is being issued as a request for refund of e-rate funding, which was issued in 2000-2001. The school has provided the documentation to show that the monies were properly utilized; however, the FCC contends that filings were not made by the third party who was contracted to perform electrical upgrades. The issue has not been definitively resolved to date; therefore, a liability of approximately \$300,000 has been accrued and is reflected in the current year accounts payable to reflect this contingency.

B. Employee Retirement Systems and Pension Plans

Plan Description

Substantially all of the Lady Liberty Academy Charter School's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statutes, all employer contributions are made jointly by the State of New Jersey and the Lady Liberty Academy Charter School. The Public Employees Retirement System is considered a cost-sharing multiple-employer plan.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible school employees.

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

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

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system. According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trusts.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Other Pension Funds (continued)

The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625- 0290.

Significant Legislation

P.L. 2007, c.92, implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a Defined Contribution Retirement Program (DCRP) for elected and certain appointed officials, effective July 1, 2007; closed the Workers' Compensation Judges part of PERS to new members, effective July 1, 2007;

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Significant Legislation (continued)

eliminated the four percent fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans.

It also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

P.L. 2007, c.103, certain parts effective July 1, 2007, provided for the following: changed employee contribution rates of TPAF, PERS (State employees only) and DCRP to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) and established for State employees an employee contribution of 1.5 percent of the employee's base salary.

Public Law 2009, c. 19 (S-21) was enacted on March 17, 2009 and allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying the full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the PERS and or PFRS obligations for payments due in the State fiscal year ending June 30, 2010. These payments were due on April 1, 2009.

Funding Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 76.0 percent with an unfunded actuarial accrued liability of \$28.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Funding Status and Funding Progress (continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time.

The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2007 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 5.5% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF.

Annual Pension Costs (APC)

During the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals the annual required contribution.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Annual Pension Costs (APC) (continued)

TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the school to the pension system in accordance with Chapter 114, P.L. 1997.

During the years ended June 30, 2010, 2009, 2008 and 2007 the school was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension contributions (including non-contributory group life insurance (NCGI)).

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the school \$203,732 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the school-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

C. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other than Pension Plans (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund -State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund -Local classified as a cost-sharing multiple-employer plan in the State's CAFR.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

The health benefit programs had a total of 452 state and local participating employers and contributing entities for Fiscal Year 2009.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Funds. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the State had a \$50.6 billion unfunded actuarial accrued liability for other post employment benefits (OPEB) which is made up to \$18.4 billion for state active and retired members and \$32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

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

Actuarial Methods and Assumptions

In the June 30, 2007, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 45.0 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 80,181 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$1 16.0 million toward Chapter 126 benefits for 12,545 eligible retired members in fiscal year 2010.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Notes to the Financial Statements
Year Ended June 30, 2010

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

Post-Retirement Medical Benefits Contributions (continued)

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF and PERS retirees' post-retirement benefits on behalf of the school was not determined or made available by the State of New Jersey.

NOTE 6. RISK MANAGEMENT

The Lady Liberty Academy Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 7. LONG-TERM LEASES

The school leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2010 amount to \$225,800.

Future obligations over the primary terms of the long-term lease is as follows:

2010	\$235,892
------	-----------

NOTE 8. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet date through the date of December 20, 2010, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

LADY LIBERTY ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$725,498	\$0	\$725,498	\$781,138	(\$55,640)
State Share	4,756,100	0	4,756,100	5,120,874	(364,774)
Other Restricted Miscellaneous Revenues					
Miscellaneous	0		0	48,162	(48,162)
Total - Local Sources	<u>5,481,598</u>	<u>0</u>	<u>5,481,598</u>	<u>5,950,174</u>	<u>(468,576)</u>
Categorical Aid					
Special Education	97,870	0	97,870	158,296	(\$60,426)
Non Public Aid	0	0	0	0	\$0
Adjustment Aid	157,250	0	157,250	184,047	
Demonstrably Effective Aid		0	0	0	\$0
TPAF Pension (On-Behalf - Non-Budgeted)	0		0	0	\$0
TPAF Social Security (Reimbursed - Non-Budgeted)	0	0	0	232,414	(232,414)
Total State Sources	<u>255,120</u>	<u>0</u>	<u>255,120</u>	<u>574,757</u>	<u>(292,840)</u>
Total Revenues	<u>5,736,718</u>	<u>0</u>	<u>5,736,718</u>	<u>6,524,931</u>	<u>(761,416)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	1,923,602	0	1,923,602	1,755,002	168,600
Other Salaries	284,644	0	284,644	239,613	45,031
Prof/Tech Services	60,000	0	60,000	174,204	(114,204)
Other Purchased Services (400-500 series)	34,144	0	34,144	30,263	3,881
General Supplies	35,000	0	35,000	61,079	(26,079)
Textbooks	115,000	0	115,000	54,988	60,012
Other Objects	40,000	0	40,000	34,798	5,202
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>2,492,390</u>	<u>0</u>	<u>2,492,390</u>	<u>2,349,947</u>	<u>142,443</u>

LADY LIBERTY COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - General Administrative					
Salaries of Administrative Salaries	\$334,056	\$0	\$334,056	\$165,480	\$168,576
Salaries of Secretarial and Clerical Assistants	123,491	0	123,491	225,236	(101,745)
Cost of Benefits	964,294	0	964,294	917,974	46,320
Professional/Tech Services	95,000	0	95,000	115,349	(20,349)
Other Purchased Services (400-500 series)	62,000	0	62,000	99,380	(37,380)
Communications/Telephone	35,000	0	35,000	44,437	(9,437)
Supplies and Materials	15,000	0	15,000	40,763	(25,763)
Miscellaneous	25,000	0	25,000	61,665	(36,665)
	<u>1,653,841</u>	<u>0</u>	<u>1,653,841</u>	<u>1,670,284</u>	<u>(16,443)</u>
Support Services - School Admin/Operation Plant Services					
Salaries	701,097	-	701,097	881,089	(\$179,992)
Purchased Professional and Technical Services	96,000	0	96,000	64,518	31,482
Other Purchased Services	156,500	0	156,500	14,426	142,074
Rent	225,890	0	225,890	225,890	0
Insurance	65,000	0	65,000	13,888	51,112
General Supplies	50,000	0	50,000	51,848	(1,848)
Transportation- Trips	16,000	0	16,000	19,562	(3,562)
Energy (Energy and Electricity)	110,000	0	110,000	110,928	(928)
Miscellaneous	100,000	0	100,000	99,932	68
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,520,487</u>	<u>0</u>	<u>1,520,487</u>	<u>1,482,081</u>	<u>38,406</u>
Food Service					
Other Purchsed Saervices	30,000	0	30,000	28,705	1,295
Total Food Services	<u>30,000</u>	<u>0</u>	<u>30,000</u>	<u>28,705</u>	<u>1,295</u>
On-behalf TPAF pension Contributions (non-budgeted)				0	
Reimbursed TPAF Social Security Contributions (non-budgeted)			0	232,414	(232,414)
TOTAL ON-BEHALF CONTRIBUTIONS			<u>0</u>	<u>232,414</u>	<u>(232,414)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	3,204,328	-	3,204,328	3,413,484	(209,156)
TOTAL GENERAL CURRENT EXPENSE	<u>5,696,718</u>	<u>0</u>	<u>5,696,718</u>	<u>5,763,431</u>	<u>(66,713)</u>

LADY LIBERTY COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	0	0	0	1,372	(1,372)
Non-instructional equipment	0	0	0	191	(191)
Purchased Improvements	40,000	0	40,000	37,255	2,745
Facilities Acquisition & Construction	0	0	0	0	0
Total Equipment	<u>40,000</u>	<u>0</u>	<u>40,000</u>	<u>38,818</u>	<u>1,182</u>
TOTAL EXPENDITURES- GENERAL FUND	5,736,718	0	5,736,718	5,802,249	(65,531)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>722,682</u>	<u>(695,885)</u>
Other Financing Sources:					
Operating Transfer In:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	0	0	0	722,682	(695,885)
Fund Balance, July 1	0	0	0	0	
			715,547	715,547	
Fund Balance, June 30	<u>\$0</u>	<u>\$0</u>	<u>\$715,547</u>	<u>\$1,438,229</u>	<u>(\$695,885)</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2010

Exhibit C-2
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources					
State Sources	346,665		346,665	346,665	
Federal Carryover					
Federal Sources	700,770		700,770	700,770	
Total Revenues	<u>1,047,435</u>		<u>1,047,435</u>	<u>1,047,435</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	496,774		496,774	496,774	
Other Salaries for Instruction					
Purchased Professional -Educational Services					
Purchased Professional and Technical Services	85,947		85,947	85,947	
Transportation					
Other Purchased Services (400-500 series)					
General Supplies	44,278		44,278	44,278	
Personal Services- Employee Benefits	73,771		73,771	73,771	
Textbooks					
Other Objects					
Total Instruction	<u>700,770</u>		<u>700,770</u>	<u>700,770</u>	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors	346,665		346,665	346,665	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services					
Purchased Technical Services	-		-	-	
Field Trips					
Scholarships					
Tuition					
Travel					
Other Object					
Supplies & Materials	-		-	-	
Total Support Services	<u>346,665</u>		<u>346,665</u>	<u>346,665</u>	

LADY LIBERTY ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	1,047,435		1,047,435	1,047,435	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

LADY LIBERTY ACADEMY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2010

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Lady Liberty Academy Charter School
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Year Ended June 30, 2010

	TOTAL	TITLE	TITLE	IDEA	IDEA	NCSF
		I	I ARRA	TITLE VI	ARRA	GRANT
REVENUES						
Intergovernmental						
State						
Federal C/O	\$0					
Federal	700,770	354,492	183,801	94,991	67,486	
Other Sources						
Miscellaneous	346,665					346,665
Total Revenues	1,047,435	354,492	183,801	94,991	67,486	346,665
EXPENDITURES						
Instruction	0					
Salaries	496,774	251,907	118,398	79,159	47,310	
Other Salaries	0	0				
Purchased Services	85,947	52,204	15,725		18,018	
Purchased Prof. and Tech. Services	0	0				
General Supplies	44,278		44,278			
Textbooks	0					
Personal Services - Employee Benefits	73,771	50,381	5,400	15,832	2,158	
Other Objects	0		0			
Equipment Instructional	0					
Total Instruction	700,770	354,492	183,801	94,991	67,486	0
Support Services						
Salaries of Supervisors of Instruction	0					
Salaries of Program Directors	346,665					346,665
Salaries of Other Prof. Staff	0					
Salaries of Secretarial and Clerical Ass't	0					
Other Purchased Services	0					
Program Administration	0					
Supplies and Materials	0					
Other Purchased Services	0					
Purchased Professional/Educational Ser.	0					
Scholarships	0					
Field Trips	0					
Building Improvements						
Total Support Services	346,665	0	0	0	0	346,665
TOTAL EXPENDITURES	\$1,047,435	\$354,492	\$183,801	\$94,991	\$67,486	\$346,665

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

LADY LIBERTY ACADEMY CHARTER SCHOOL OF NEWARK
 Statement of Net Assets
 JUNE 30, 2010

	Business-type Enterprise Fund
	<u>Food Services</u>
ASSETS	
Current Assets	
Cash	
Intergovernmental Receivable	
Federal	20,567
State	3,648
Accounts Receivable	
Total Current Assets	<u>24,215</u>
Total Assets	<u><u>24,215</u></u>
LIABILITIES	
Cash Overdraft	(24,215)
Accounts Payable	<u>0</u>
Total Current Liabilities	<u>(24,215)</u>
Net Assets	
Unrestricted	
Invested in capital assets net of related debt	<u>--</u>
Total Net Assets	<u>---</u>

Exhibit G-2

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2010

	Business-type Activities Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	2,485
Special Lunch and Breakfast Program	
Special Functions	
Total Operating Revenues	2,485
OPERATING EXPENSES	
Salaries, wages and employee benefits	
Supplies, Materials & Other	(239,907)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	(239,907)
Income (Loss) From Operations	(237,422)
Nonoperating Revenues	
State Sources	
State Sources	8,456
Federal Sources	0
School Breakfast Program	28,966
National School Lunch Program	172,620
Vegetable Program	27,380
Board Subsidy	0
Total Nonoperating Revenues	237,422
Net Income (Loss)	0
Total Net Assets- Beginning of Year	0
Total Net Assets- End of Year	0

LADY LIBERTY ACADEMY CHARTER SCHOOL
Statements of Cash Flow
For the Fiscal Year Ended June 30, 2010

	<u>2010</u>
Cash flows from operating activities	
Cash Received from Customers	2,485
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(239,907)
Net Cash (Used) by Operating Activities	<u>(237,422)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	0
Cash Received from State and Federal Subsidy Reimbursements	264,465
Net Cash Provided by Noncapital Financing Activities	<u>264,465</u>
Cash Flows from Investing Activities	<u>0</u>
Net Cash Provided by Investing Activities	<u>0</u>
Net Increase in Cash and Cash Equivalents	27,043
Cash and Cash Equivalents, Beginning of Year	<u>(51,258)</u>
Cash and Cash Equivalents, End of Year	<u><u>(\$24,215)</u></u>
Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities	
Operating (Loss)	<u>\$0</u>
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	27,043
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>27,043</u>
Net Cash Used by Operating Activities	<u><u>\$27,043</u></u>

FIDUCIARY FUNDS

LADY LIBERTY ACADEMY CHARTER SCHOOL
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2010

	<u>Unemployment</u> <u>Insurance</u>	<u>Expendable trust</u> <u>Scholarships</u>	<u>Student</u> <u>Activity</u>	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
ASSETS					
Cash	\$52,240				\$52,240
Total Assets	<u>\$52,240</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$52,240</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Intergovernmental Payable - State					
Payroll Deductions and Withholdings					
Accrued Salaries and Wages					
Due to Student Groups					
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances					
Reserve For Unemploy. Trust Fund	52,240				52,240
Total Fund Balances	<u>52,240</u>	<u> </u>	<u> </u>	<u> </u>	<u>52,240</u>
Total Liabilities and Fund Balances	<u>\$52,240</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$52,240</u>

Exhibit H-2

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2010**

NOT APPLICABLE

Exhibit H-3

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2010**

NOT APPLICABLE

LADY LIBERTY ACADEMY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and Cash Equivalents		\$3,914,788	\$3,914,788	
Total Liabilities		3,914,788	3,914,788	
LIABILITIES				
Payroll Deductions and Withholdings		1,566,472	1,566,472	
Accrued Salaries and Wages		2,348,316	2,348,316	
Total Liabilities		\$3,914,788	\$3,914,788	

LADY LIBERTY ACADEMY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and cash Equivalents	\$52,177	63	\$0	\$52,240
Total Assets	<u>\$52,177</u>	<u>\$63</u>	<u>\$0</u>	<u>\$52,240</u>
LIABILITIES				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FUND BALANCE				
Reserve for Unemployment Compensation	\$52,177	\$63	\$0	\$52,240
Total Liabilities and Fund Balance	<u>\$52,177</u>	<u>\$63</u>	<u>\$0</u>	<u>\$52,240</u>

FINANCIAL TRENDS

**LADY LIBERTY ACADEMY CHARTER SCHOOL
NET ASSETS BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 909,256	\$ 948,002	\$ 945,714	\$ 992,605	\$ 1,038,805	\$ 1,078,610
Restricted						
Unrestricted	1,438,229	715,547	493,244	51,982	29,594	69,610
Total governmental activities net assets	<u>\$ 2,347,485</u>	<u>\$ 1,663,549</u>	<u>\$ 1,438,958</u>	<u>\$ 1,044,587</u>	<u>\$ 1,068,399</u>	<u>\$ 1,148,220</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted	-	-	-	-	-	-
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total business-type activities net assets						
School-wide						
Invested in capital assets, net of related debt	909,256	948,002	945,714	992,605	1,038,805	1,078,610
Restricted						
Unrestricted	1,438,229	715,547	493,244	51,982	29,594	69,610
Total school net assets	<u>\$ 2,347,485</u>	<u>\$ 1,663,549</u>	<u>\$ 1,438,958</u>	<u>\$ 1,044,587</u>	<u>\$ 1,068,399</u>	<u>\$ 1,148,220</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses						
Governmental activities						
Instruction						
Regular	3,050,717	2,897,262	2,450,071	2,518,571	2,292,796	2,444,813
Support Services:						
General administration	2,016,949	1,702,169	1,211,696	1,300,449	1,443,635	1,409,608
School Administrative Services	1,510,786	1,350,972	987,548	948,820	1,014,207	874,081
On-behalf TPAF Social Security	232,414	203,732	174,679	161,510	117,850	162,596
Capital outlay	38,818	79,239	71,430	59,681	71,117	153,430
Unallocated depreciation	77,564	76,951	67,973	65,252	64,703	27,735
Total governmental activities expenses	<u>6,927,248</u>	<u>6,310,325</u>	<u>4,963,397</u>	<u>5,054,283</u>	<u>5,004,308</u>	<u>5,072,263</u>
Business-type activities:						
Food service	239,907	211,340	192,867	199,753	202,519	192,370
Child Care						
Total business-type activities expense	<u>239,907</u>	<u>211,340</u>	<u>192,867</u>	<u>199,753</u>	<u>202,519</u>	<u>192,370</u>
Total district expenses	<u><u>7,167,155</u></u>	<u><u>6,521,665</u></u>	<u><u>5,156,264</u></u>	<u><u>5,254,036</u></u>	<u><u>5,206,827</u></u>	<u><u>5,264,633</u></u>
Program Revenues						
Governmental activities:						
Charges for services:						
Daily Sales - National Lunch Program	239,907	211,340	191,876	199,072	204,191	192,370
Pupil transportation						
Central and other support services						
Operating grants and contributions						
Capital grants and contributions	1,047,435					
Total governmental activities program revenues	<u>1,287,342</u>	<u>211,340</u>	<u>191,876</u>	<u>199,072</u>	<u>204,191</u>	<u>192,370</u>
Business-type activities:						
Charges for services						
Food service	0	0	0	0	0	0
Child care						
Operating grants and contributions						
Capital grants and contributions						
Total business type activities program revenues	<u>239,907</u>	<u>211,340</u>	<u>191,876</u> #	<u>199,072</u>	<u>204,191</u>	<u>192,370</u>
Total school program revenues	<u><u>1,287,342</u></u>	<u><u>211,340</u></u>	<u><u>191,876</u></u> #	<u><u>199,072</u></u>	<u><u>204,191</u></u>	<u><u>192,370</u></u>
Net (Expense)/Revenue						
Governmental activities	(5,879,813)	(6,310,325)	(4,964,388)	(5,054,964)	(5,002,636)	(5,072,263)
Business-type activities	0	0	0	0	0	0
Total school-wide net expense	<u><u>(5,879,813)</u></u>	<u><u>(6,310,325)</u></u>	<u><u>(4,964,388)</u></u>	<u><u>(5,054,964)</u></u>	<u><u>(5,002,636)</u></u>	<u><u>(5,072,263)</u></u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010

General Revenues and Other Changes in Net A	2010	2009	2008	2007	2006	2005
Governmental activities:						
Local share	781,138	736,758	986,199	763,208	754,486	684,503
State Share	5,120,874	4,552,590	2,413,597	2,395,837	2,424,711	2,375,730
State and Federal aid	574,757	1,145,270	1,911,742	1,852,374	1,692,878	1,872,955
Miscellaneous income	48,162	21,059	25,148	0	27,414	0
Increase in Net Capital Outlay	38,818	79,239	21,082	19,052	24,898	82,154
Transfers						
Total governmental activities	<u>6,563,749</u>	<u>6,534,916</u>	<u>5,357,768</u>	<u>5,030,471</u>	<u>4,924,387</u>	<u>5,015,342</u>
Business-type activities:						
Investment earnings						
Transfers						
Total business-type activities	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total school-wide	<u>6,563,749</u>	<u>6,534,916</u>	<u>5,357,768</u>	<u>5,030,471</u>	<u>4,924,387</u>	<u>5,015,342</u>
Change in Net Assets						
Governmental activities	683,936	224,591	394,371	(23,812)	(79,921)	(56,921)
Business-type activities	0	0	(991)	(681)	1,672	0
Total school	<u>683,936</u>	<u>224,591</u>	<u>393,380</u>	<u>(24,493)</u>	<u>(78,249)</u>	<u>(56,921)</u>

**LADY LIBERTY ACADEMY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund						
Reserved						
Unreserved	1,438,229	715,847	493,244	51,982	29,594	69,610
Total general fund	<u>\$ 1,438,229</u>	<u>\$ 715,847</u>	<u>\$ 493,244</u>	<u>\$ 51,982</u>	<u>\$ 29,594</u>	<u>\$ 69,610</u>
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
June 30, 2010

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues						
Local tax Levy	\$781,138	\$736,758	\$1,011,347	\$763,208	\$754,486	\$684,503
Other local revenue	48,162	21,059	19,052	0	27,414	0
State sources	5,695,631	4,996,891	3,801,347	3,781,702	3,612,378	3,725,267
Federal sources	1,047,435	700,969	504,940	466,509	505,211	523,418
Total revenue	<u>7,572,366</u>	<u>6,455,677</u>	<u>5,336,686</u>	<u>5,011,419</u>	<u>4,899,489</u>	<u>4,933,188</u>
Expenditures						
Instruction	2,349,947	2,277,609	1,950,999	2,052,062	2,031,921	2,073,441
Regular Instruction						
Support Services:						
General administration	1,670,284	1,620,853	1,205,828	1,300,449	1,350,082	1,235,217
School administrative services/Plant	1,510,786	1,350,972	987,548	948,820	1,014,207	874,081
TPAF Social Security	232,414	203,732	174,679	161,510	117,850	162,596
Food Service						
Capital outlay	38,818	79,239	71,430	59,681	71,117	153,530
Debt service:						
Principal						
Interest and other charges						
Special Revenue	1,047,435	700,969	504,940	466,509	354,428	545,763
Total expenditures	<u>6,849,684</u>	<u>6,233,374</u>	<u>4,895,424</u>	<u>4,989,031</u>	<u>4,939,605</u>	<u>5,044,628</u>
Excess (Deficiency) of revenues over (under) expenditures						
Other Financing sources (uses)						
Proceeds from borrowing						
Capital leases (non-budgeted)						
Proceeds from refunding						
Payments to escrow agent						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$722,682</u>	<u>\$222,303</u>	<u>\$441,262</u>	<u>\$22,388</u>	<u>(\$40,116)</u>	<u>(\$111,440)</u>

Source: School records

REVENUE CAPACITY

EXHIBIT J-5

**LADY LIBERTY ACADEMY CHARTER SCHOOL
REVENUE CAPACITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOT APPLICABLE

Exhibit J-6

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Year Ended June 30, 2010**

NOT APPLICABLE

Exhibit J-7

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Year Ended June 30, 2010**

NOT APPLICABLE

Exhibit J-8

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Principal Property Taxpayers
For the Year Ended June 30, 2010**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Property Tax Levies and Collections
For the Year Ended June 30, 2010**

NOT APPLICABLE

Exhibit J-10

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Year Ended June 30, 2010**

NOT APPLICABLE

Exhibit J-11

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Year Ended June 30, 2010**

NOT APPLICABLE

Exhibit J-12

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2010**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
For the Year Ended June 30, 2010**

NOT APPLICABLE

Exhibit J-14

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Principal Employers
For the Year Ended June 30, 2010**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

LADY LIBERTY ACADEMY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Year Ended June 30, 2010

<u>Function/Program</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Instruction						
Regular	34		33	34	55	72
Special education (NCLB + IDEA)	9		7	5		
Other special education						
Vocational						
Other instruction	2					
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	13		8	13		
General administration						
School administrative services	4		4	2		
Other administrative services	4		5	3	-	
Central services	1		1	2		
Administrative Information Technology						
Plant operations and maintenance	5					
Pupil transportation				-	-	-
Other support services	7			7	-	-
Special Schools			18	6	-	-
Food Service	3					
Child Care						
Total	<u>82</u>		<u>76</u>	<u>72</u>	<u>55</u>	<u>72</u>

Source: School Personnel Records

LADY LIBERTY ACADEMY CHARTER SCHOOL
Operating Statistics
For the Year Ended June 30, 2010

Exhibit J-16

Pupil/Teacher Ratio

<u>Fiscal Year</u>	<u>Enroll</u>	<u>Operating Expend.</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Elementary</u>	<u>Middle School</u>	<u>Senior High School</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2005	94	786,629	8,368	0.00%	40	N/A	14	N/A			0.00%	97.00%
2006	94	786,769	8,370	0.02%	40	N/A	14	N/A			0.00%	98.00%
2007	443	4,274,522	9,649	15.28%	41	N/A	11	N/A			-3.19%	98.00%
2008	443	4,713,525	10,640	10.27%	42	N/A	--	N/A			N/A	98.00%
2009	443	6,233,374	14,071	32.25%	45	N/A	--	N/A	433	402	N/A	98.00%
2010	443	6,233,374	14,071	32.25%	45	N/A	--	N/A	433	402	N/A	98.00%

Sources: School records

LADY LIBERTY ACADEMY CHARTER SCHOOL
School Building Information
For the Year Ended June 30, 2010

<u>School Building</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Building						
Square Feet	-	-	-	-	-	-
Capacity (students)	500	500	500	500	500	500
Enrollment	443	443	443	443	443	445
Number of Schools at June 30, 2010						
Elementary = 0						
Middle School = 1						
Senior High School =						

Source: School Office

LADY LIBERTY ACADEMY CHARTER SCHOOL
Insurance Schedule
For the Year Ended June 30, 2010

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 1,000,000	\$ 10,000
Boiler and Machinery	1,000,000	5,000
General Automobile Liability	1,000,000	1,000
School Board Legal Liability	1,000,000	10,000
Umbrella	1,000,000	-
Workers' Compensation	500,000	-
 Surety Bonds		
School Board Legal Liability	250,000	N/A
Public Official Bond	100,000	N/A

Source: Charter School Records

LADY LIBERTY ACADEMY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Year Ended June 30, 2010

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
Fiscal Year							
Ending June 30,							
2002						15,214	15,214
2003	-	-				18,829	18,829
2004		-			-	48,885	48,885
2005	-				-	-	-
2006	-	-			-	27,414	27,414
2007						-	-
2008						25,148	25,148
2009						21,059	21,059
2010						48,162	48,162
Source: School records							

Exhibit J-20

**LADY LIBERTY ACADEMY CHARTER SCHOOL
Schedule of Allowable Maintenance Expenditures by School Facility
For the Year Ended June 30, 2010**

NOT APPLICABLE

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
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EXHIBIT K-1

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

The Honorable President and
Members of the Board of Trustees
Lady Liberty Academy Charter School
County of Essex
Newark, New Jersey

I have audited the financial statements of the Board of Trustees of the Lady Liberty Academy Charter School County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued my report thereon dated December 20, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Lady Liberty Academy Charter School Board of Trustees internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Lady Liberty Academy Charter School Board of Trustee's internal control over financial reporting. Accordingly, I do not express an opinion on effectiveness of the Lady Liberty Academy Charter School Board of Trustee's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lady Liberty Academy Charter School Board of Trustees financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. These are identified in the accompanying schedule of findings and questioned costs.

I also noted certain matters that I reported to management of the Lady Liberty Academy Charter School Board of Trustees in a separate report entitled, Auditors' management Report on Administrative Findings – Financial, Compliance and Performance" dated December 20, 2010.

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J Loeffler CPA". The signature is written in a cursive style.

Scott J Loeffler, CPA

December 20, 2010

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EXHIBIT K-2

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and
Members of the Board of Trustees
Lady Liberty Academy Charter School
County of Essex
Newark, New Jersey

Compliance

I have audited the compliance of the Board of Trustees of the Lady Liberty Academy Charter School, in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010. Lady Liberty Academy Charter School major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Lady Liberty Academy Charter School management. My responsibility is to express an opinion on the Lady Liberty Academy Charter School compliance based on my audit.

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

In my opinion, except for the noncompliance described in the accompanying Schedule of Findings and Questioned Costs, the Board of Trustees of the Lady Liberty Academy Charter School, in the County of Essex, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The management of the Board of Trustees of the Lady Liberty Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing my audit, I considered the Lady Liberty Academy Charter School internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly I do not express an opinion on the effectiveness of Lady Liberty Academy Charter School's Board of Trustees internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Licensed Public School Accountant No. 870



Scott J. Loeffler, CPA
December 20, 2010

LADY LIBERTY ACADEMY CHARTER SCHOOL
Schedule of Federal Financial Assistance
For the Fiscal Year Ended June 30, 2010

EXHIBIT A

Federal/Grantor Program Title	CFDA/GRANT Project Number	Grant Period	Award Amount	Balance July 1, 2009	Prior Carry over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Deferred Revenue/ (Accounts Receivable) June 30, 2010	Due to Grantor at June 30, 2010
Enterprise Fund						\$181,018	\$201,585			(\$20,567)	
Special Revenue											
NCLB 2009-2010											
Title 1	*NCLB	09/01/09-08/31/10	406,267			0	354,492			(354,492)	
Title I ARRA	NCLB	09/01/09-08/31/10	195,373			0	183,801			(183,801)	
Title IIA	NCLB	09/01/09-08/31/10	33,825			0	0			0	
Title IID	NCLB	09/01/09-08/31/10	4,043			0	0			0	
Title III	NCLB	09/01/09-08/31/10	432				0				
Title IV	NCLB	09/01/09-08/31/10	4,043			0	0			0	
Idea Title VI ARRA	ARRA	09/01/09-08/31/10	99,765				94,991			(94,991)	
Idea Title VI Grant	IDEA	09/01/09-08/31/10	130,350			0	67,486			(67,486)	
NCLB Carry Over											
Title I A 2008-09	NCLB	09/01/08-08/31/10	398,735	(259,453)		154,855	0			(104,598)	
Title I A 2008-09	NCLB	09/01/08-08/31/10	100,000	(98,574)						(98,574)	
Title I C/O 2008-09	NCLB	09/01/08-08/31/10	39,134	(3,482)						(3,482)	
Title I C/O 2008-09	NCLB	09/01/08-08/31/10	3,311							0	
Title I C/O 2007-08	NCLB	09/01/07-08/31/08	168,662	32,194	0		0		83,833	0	116,027
Title I C/O 2006-07	NCLB	09/01/09-08/31/10	50,485	14,177	0		0				14,177
IDEA Carry Over	IDEA	09/01/07-08/31/08	168,662	(99,765)		27,466				(72,299)	
Total Special Revenue				(\$414,903)	\$0	\$182,321	\$700,770		\$83,833	(\$979,723)	130,204
GRAND TOTAL				(\$414,903)	\$0	363,339	902,355		\$83,833	(\$1,000,290)	130,204

*Major Program

The notes to the Schedule of Federal Financial and State Assistance are an integral part of this schedule.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Schedule of State Financial Assistance
For the Fiscal Year Ended June 30, 2010

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2009</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust</u>	<u>(Accts Rec) June 30, 2010</u>
GENERAL FUND									
TPAF Social Security	96-495034095-032	7/1/09-06/30/10	232,414		232,414	232,414			
On Behalf Pension	96-495034095-032	7/1/09-06/30/10							
Charter School Aid - Local *	5120-495/150-360030-60	7/1/09-06/30/10	781,138		781,138	781,138			
Charter School Aid - State *	5120-195/070030-60	7/1/09-06/30/10	5,120,874		5,120,874	5,120,874			
Special Education	5120-195/070030-60	7/1/09-06/30/10	158,296		158,296	158,296			
Security Aid	5120-495/050030-60	7/1/09-06/30/10	184,047		<u>184,047</u>	<u>184,047</u>			
Total General Fund				<u>--</u>	<u>6,476,769</u>	<u>6,476,769</u>			
ENTERPRISE FUND	96-100-034-5120-122	7/1/09-06/30/10		<u>--</u>	<u>4,808</u>	<u>8,456</u>			<u>(3,648)</u>
GRAND TOTAL				<u>--</u>	<u>\$6,481,577</u>	<u>\$6,485,225</u>			<u>(3,648)</u>

*Major Program

The notes to the Schedule of Federal Financial and State Assistance are an integral part of this schedule.

**LADY LIBERTY ACADEMY CHARTER SCHOOL
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of awards and financial assistance present the activity of all federal and state award programs of the Lady Liberty's Academy Charter School. The board of trustees is defined in the Notes to the school's general-purpose financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

**LADY LIBERTY ACADEMY CHARTER SCHOOL
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ ---	\$6,476,769	\$6,476,769
Special Revenue Fund	700,770	0	700,770
Food Service Fund	<u>201,585</u>	<u>8,456</u>	<u>210,041</u>
Total Awards and Financial Assistance	<u>\$ 902,355</u>	<u>\$ 6,485,225</u>	<u>\$7,387,580</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2010. TPAF Social Security Contributions of \$232,414 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

**LADY LIBERTY ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
YEAR ENDED JUNE 30, 2010**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unqualified
	<u>YES</u> <u>NO</u>
Internal control over financial reporting:	
Material weakness(es) identified:	X
Significant deficiencies identified not considered to be material weakness(es)?	X
Noncompliance material to financial statements noted?	X

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	X
Significant deficiencies identified not considered to be material weakness(es)?	X

Type of auditor’s report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X

Identification of major programs:

<u>C DFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.010A	No Child Left Behind – Title I	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000

Auditee did not qualify as low risk auditee:	X
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**LADY LIBERTY ACADEMY CHARTER SCHOOL
 COUNTY OF ESSEX, NEW JERSEY
 SCHEDULE OF FINDINGS OF NONCOMPLIANCE
 YEAR ENDED JUNE 30, 2010**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000	
Auditee qualified as low risk auditee:		X
Type of auditor’s report issued:		Unqualified
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?		X
Type of auditor’s report on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?	X	
Identification of major programs:		
<u>CDEA Number(s)</u>		<u>Name of Federal Program or Cluster</u>
5120-08		Charter School Aid Local and State

**LADY LIBERTY ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
JUNE 30, 2010**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (continued)

Federal and State Awards Section (continued)

Identification of Major Programs:

Federal

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	No Child Left Behind – Title I

State

<u>Program Number(s)</u>	<u>Name of State Program or Cluster</u>
5120-08	Charter School Aid/Local and State

**LADY LIBERTY ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
YEAR ENDED JUNE 30, 2010**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**LADY LIBERTY ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS OF NONCOMPLIANCE
JUNE 30, 2010**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND
QUESTIONED COSTS**

No findings noted that are required to be reported under Government Auditing Standards.

**LADY LIBERTY ACADEMY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Status of Prior Year Findings

The following findings and questioned costs relate to No Child Left Behind (NCLB) Title I Grant for the period September 1, 2007 to August 31, 2008.

1. Unsupported expenditures of \$74,196.77 were improperly charged to the Title I, Part A program.
2. A duplicate expenditure was incurred and improperly charged to Title I, Part A grant in the amount of \$9,636.
3. Appointments of Title I, Part A personnel, including their related salary and funding percentages were not recorded in the board minutes.
4. Title I split funded personnel did not prepare monthly time and activity reports to demonstrate the percentage of time chargeable to the Title I program.
5. Payroll registers were not certified for the 2007-2008 fiscal year.
6. The school must refund to the State of NJ a total of \$83,832.77 as a result of the NCLB Title I audit. This amount has been reflected in the accompanying financial statements as a liability.