

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**NEWARK LEGACY CHARTER SCHOOL**

**JUNE 30, 2011**

**PREPARED BY**

**NEWARK LEGACY CHARTER SCHOOL**

**NEWARK LEGACY CHARTER SCHOOL  
ESSEX COUNTY**

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ESSEX COUNTY**

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## **INTRODUCTORY SECTION**



November 28, 2011

Commissioner  
New Jersey Department of Education  
100 Riverview Executive Plaza  
CN – 500  
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Newark Legacy Charter School (the “Charter School”) for the fiscal period ended June 30, 2011. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the Management’s Discussion and Analysis, the basic financial statements, required supplementary information and other supplementary information, as well as the auditor’s report thereon. The statistical section includes one unaudited fiscal year of data. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey OMB Circular Letter 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”. Information related to this single audit, including the auditor’s report on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES**

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

NLCS received its approved charter in July 2010. The school was founded by Paula White Bradley along with a group of committed community members. The school facility provides outstanding educational space with a host of features to promote student success.

With the opening of its first year in August 2010, NLCS's initial enrollment was 120 students, with 60 scholars in the full day Kindergarten and 60 scholars in Grade 1. This includes general education and special needs student enrollment. NLCS accepts special education and disabled children if appropriate application is made to the Charter School as required by law. NLCS completed the 2010-2011 year with an average daily enrollment of 117.2 students with 120 scholars enrolled detailed below:

<b>Grade</b>	<b>Students</b>
Kindergarten	60
First Grade	60

2) **ECONOMIC CONDITION AND OUTLOOK**

The city of Newark proximity to New York City and easy access via major highways are its attractive features that made it a choice for many companies that conduct business in the metropolitan New York area. In addition, the city's close proximity to the Port of New York/New Jersey and Newark International airport make it a desirable business location and transportation hub.

The City is the largest city in the state. It serves as the county seat for Essex County, State's and Federal Courts as well as State's public utility and governmental offices attracting a large number of law firms and small businesses to the central business district. The City of Newark is the financial capital of the state, harboring financial institutions like Prudential Insurance Company, Blue Cross Blue Shield of New Jersey as well the State largest public utility, Public Service Electric and Gas Company (PSEG). The City has experienced a surge of large scale economy in the recent years by way of development projects initiated by Private Sector in partnership with the City including Professional Ice hockey team, "New Jersey Devils" and Professional Basketball team, The "New Jersey Nets".

**New Jersey Department of Education  
Commissioner**

Major initiatives:

The mission of Newark Legacy Charter School is to develop kindergarten through eighth grade students the scholarship, discipline and character necessary for them to gain entry to, succeed in, and graduate from demanding, college preparatory high schools. In a knowledge-based economy, scholars must be prepared to meet the challenges of a college curriculum. The curriculum of the Lower School is designed to provide scholars with the most solid foundation possible to propel them forward in their later years. The New Jersey Core Curriculum Content Standards and the Common Core State Standards delineate discrete standards to be taught to the state's public school students. As a public charter school, Newark Legacy Charter School uses various resources to suit the mandates of the state and nation, and to meet our internal goals. Our commitment is to teaching the standards, and not to a particular textbook or curricular program.

Though reading comprehension is developed daily through guided reading lessons, the School's literacy program has a heavy focus on phonics and word study throughout the lower school grades. Scholars become intimately familiar with the structure of the English language, such that they are able to decode unfamiliar words successfully. Word study lessons are designed to help students predict word meanings based on knowledge of a word's parts. Scholars also participate in the school's unique Oral Literacy Enrichment Program (OLEP), where they express themselves orally for varied purposes.

At least one hour of daily math instruction is provided, focusing on conceptual understanding in mathematics as well as mastery of mathematics procedures. We use the Singapore Math approach. A carefully-sequenced, standards-based instructional program is provided in social studies and science. The goal of the social studies curriculum is to provide scholars with a framework from which to become positive change agents in the world. We begin this process by helping the children to understand and appreciate their own heritage and background, and then we teach them about the various geographies, cultures, economies and heritages around them. Several field trips with social studies connections are planned yearly for each grade level. Science instruction at our school educates students about physical, earth and life sciences so that they can understand natural phenomena. To maximize instructional time for literacy, kindergarten, first and second grade students receive a minimum of 90 minutes of science instruction and 90 minutes of social studies instruction each week. In grades three and four, this time will increase.

There are two overarching academic goals established in our school's charter, for which we are held legally accountable by the New Jersey Department of Education. These goals are:

1. Students at NLCS will meet or exceed state standards for mastery of language arts, mathematics and science. (based on results from the NJ ASK)
2. Students at NLCS will show nationally competitive outcomes on a standardized assessment. (based on results from the Terra Nova)

**New Jersey Department of Education  
Commissioner**

Progress towards these goals have been evidenced based on students mastery of internal assessments, and external literacy, mathematics and science benchmark assessments. At present, more than 80% of students at each grade level, mastered content in language arts literacy, mathematics and science. The School will continue to carefully analyze the outcomes of these tests to determine where instruction should be focused in order to have the best possible outcomes.

The School's non-academic goals are:

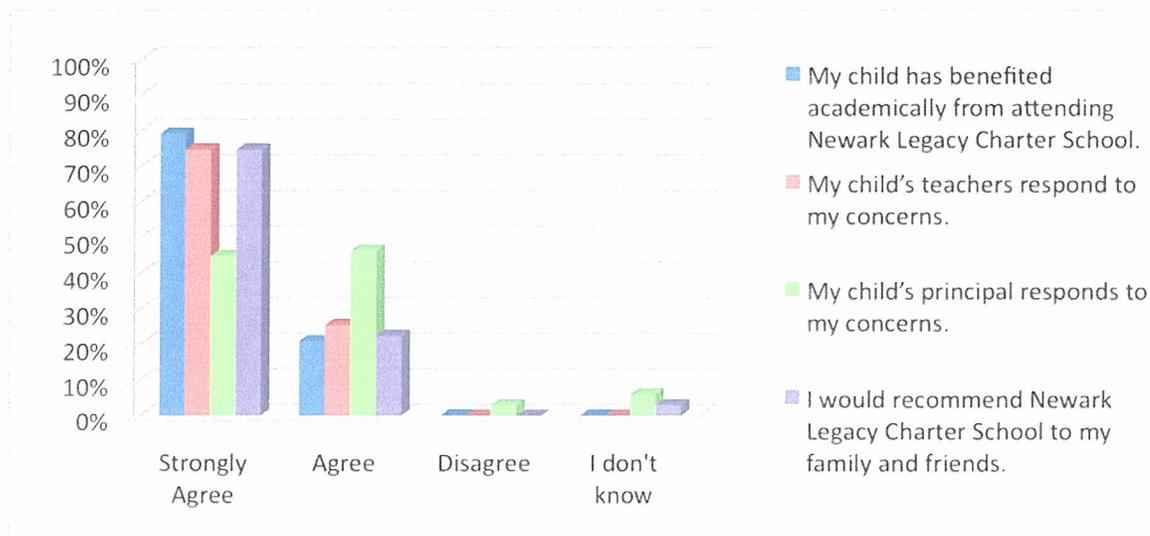
1. The School will maintain organizational strength by demonstrating fiduciary and financial responsibility.
2. The School will be fully enrolled and show high levels of daily attendance and student retention.
3. Newark Legacy's stakeholders will be satisfied with the school's performance.
4. The School's Oral Literacy Enrichment Program (OLEP) will be the public hallmark of the school.

Progress towards these goals have been steadily evidenced over the course of the 2010-2011 academic year, through ever-increasing adherence to all state and federal guidelines governing the school's finances. In addition, the school was at 100% enrollment at the beginning of the school year, and at the end of the school year, the School was at 97% of full enrollment. More details regarding the satisfaction of the school's stakeholders with the school's performance can be found below in the Parent Satisfaction section. Midway through the school year, and again at year's end, the School delivered a performance to an audience of parents, friends and other community members. 100% of the students participated.

**Parent Satisfaction**

The 2010-2011 Parent Satisfaction Survey was distributed in early June to assess parent satisfaction with the school's educational program. The survey solicited the opinions of parents/guardians regarding their views on quality of instruction, the value that the school adds to the community and the responsiveness of the school's teachers and leaders. More than 70% of families completed and returned surveys. Responses to 4 key questions are summarized in the graph below.

NLCS plans to conduct another parent satisfaction survey in 2011 – 2012, during the last month of the academic year. Additionally, the school is in ongoing dialogue with The NLCS Parent Circle – a parent-initiated and parent-run advocacy group that meets bi-monthly. The Head of School is invited to, and attends these meetings, and the School follows up with the parent's concerns that are raised during these meetings.



### 3) INTERNAL ACCOUNTING CONTROLS

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

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

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

4) **BUDGETARY CONTROLS**

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

5) **ACCOUNTING SYSTEM AND REPORT**

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

We are currently using Info-fund application for the school's fiscal operations to deliver and establish a complete program including encumbrances, general ledger, accounts payable, accounts receivable, budgetary accounts and Board secretary's monthly report. This system has tremendously helped the accountability of our financial structure.

6) **FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and special revenue funds for the fiscal years ended June 30, 2011.

	<u>2011</u>
<u>Revenue</u>	
Local Sources	\$ 571,966
State Sources	1,448,346
Federal Sources	<u>111,917</u>
Total	<u>\$ 2,132,229</u>

**New Jersey Department of Education  
Commissioner**

The amount of monies received from local sources is determined by the per pupil cost of the Newark Public School District. We receive 100% of this cost in accordance with current statute.

The State of New Jersey also provides additional monies due to the difference between per pupil cost and the T&E cost. This was due to litigation involving counsel on local school mandates.

NLCS received monies from State and Federal sources attributable to grants in aid are for start-up costs during the 2010-11 school year. In the coming years, we anticipate grant funding, No Child Left Behind (NCLB), including Title I, II, IV, V, as well as IDEA Part B for students identified with special needs. The start-up grant was awarded in two parts for the 2010-2011 fiscal year:

Initial Start-up Grant	\$75,000
Additional Start-Up funding	\$36,917

The following schedule presents a summary of general fund, special revenue expenditures for the fiscal year ended June 30, 2011.

	<u>2011</u>
<u>Expenditures</u>	
Instruction	\$ 718,264
Undistributed	-
Expenditures	1,105,419
Capital Outlay	81,200
	<hr/>
Total	<u>\$ 1,904,883</u>

For the year ending June 30, 2011, our expenditures were based upon 1 Head of School, 10 teachers, 2 instructional aides, 1 office manager, one part time nurse, and one full-time custodian. We ended the year with a part time interim Business Administrator and a full time Director of Operations. We contracted for services for physical education and for related services as required for students determined to have special needs. We also contracted with the Hunterdon County Educational Services Commission for the evaluation of Special Education students and speech services for those who required it.

7) **CASH MANAGEMENT**

The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. The Charter School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act. Our funds are presently deposited in PNC Bank N.J, in compliance with the state and federal regulations.

8) **RISK MANAGEMENT**

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

9) **OTHER INFORMATION**

**Independent Audit**

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ilori CPA LLC was appointed 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 Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04. The auditor’s report on the general-purpose financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Newark Legacy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and Newark school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

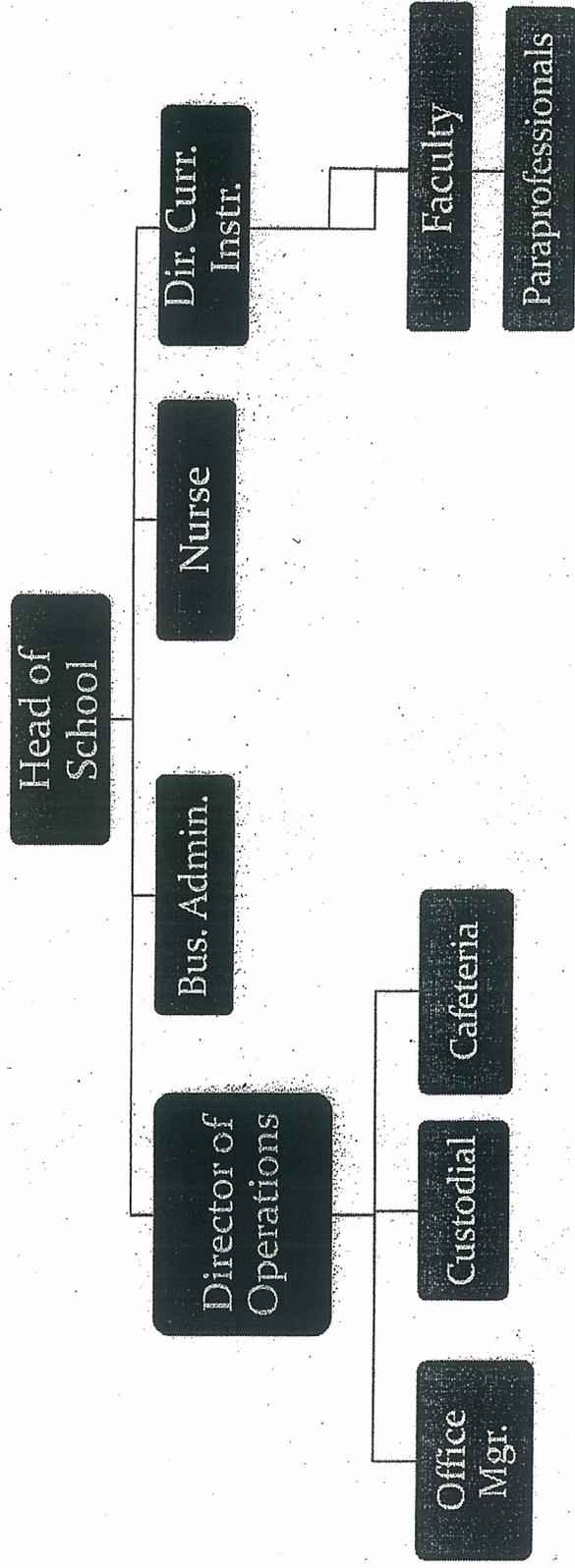
  
\_\_\_\_\_  
Head of School,  
Newark Legacy Charter

  
\_\_\_\_\_  
Interim Business  
Administrator/Board Secretary  
Newark Legacy Charter School



**newarklegacycharterschool**

SCHOLARSHIP · DISCIPLINE · CHARACTER



# NEWARK LEGACY CHARTER SCHOOL

## ROSTER OF OFFICIALS

JUNE 30, 2011

### Members of Board of Trustees

David Gibbons	President
Everett M. Johnson	Vice President
Krystal R. Canady	Member
Mshangwe Crawford	Member
Tanya Mitchell	Member
Kyle Rosenkrans	Member
Mirtha Sabio	Member

### Other Officials

Paula White Bradley	Founder / Head of School
Imani Moody	Director of operations
Michael J. Donow	Interim Business Administrator/Board Secretary

**NEWARK CHARTER SCHOOL  
CONSULTANTS AND ADVISORS**

**Attorney**

Porzio, Bromberg and Newman LLC  
100 South Gate Parkway  
Morristown, NJ 07962

**Audit Firm**

Ilori CPA LLC  
744 Broad Street Suite 1005  
Newark, NJ 07102

**Official Depository**

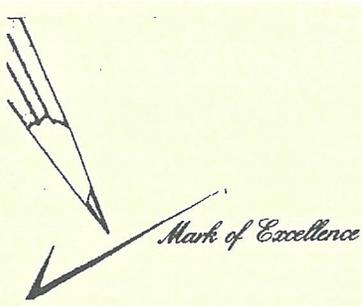
PNC Bank  
Newark, NJ 07631

## **FINANCIAL SECTION**

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**MANGEMENT DISCUSSION AND ANALYSIS**

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



ILORI CPA LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS  
*Member of AICPA, NJCPA & MACPA*

744 BROAD STREET 10<sup>TH</sup> FLOOR  
NEWARK, NEW JERSEY 07102  
Telephone (973)-621-5780  
Fax (973) 404- 8858

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Newark Legacy Charter School, Inc., (the "Charter School") in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the charter school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter School, as of June 30, 2011, and the respective changes in financial positions and cash flows, where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT - CONTINUED

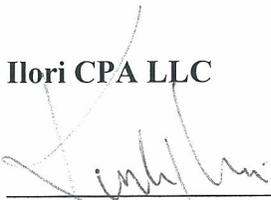
In accordance with *Government Auditing Standards*, we have also issued our report, dated November 28, 2010, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of these reports is to describe the scope of our testing and not to provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read with the report in considering the results of our audit.

The management Discussion and Analysis and Budgetary comparison information starting on pages 15 and 53 respectively are not a required part of the basic financial statements but are supplementary information required by accounting principle generally accepted by United States of America. We have applied certain limited procedures, consisted of principally of inquiries of management regarding method of measurement of and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying 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 accompanying schedules 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*, 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**Ilori CPA LLC**

  
Kunle B. Ilori, CPA  
Licensed Public School Accountant  
No. 20CS00233100

November 28, 2011  
Newark, New Jersey

# NEWARK LEGACY CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2011**

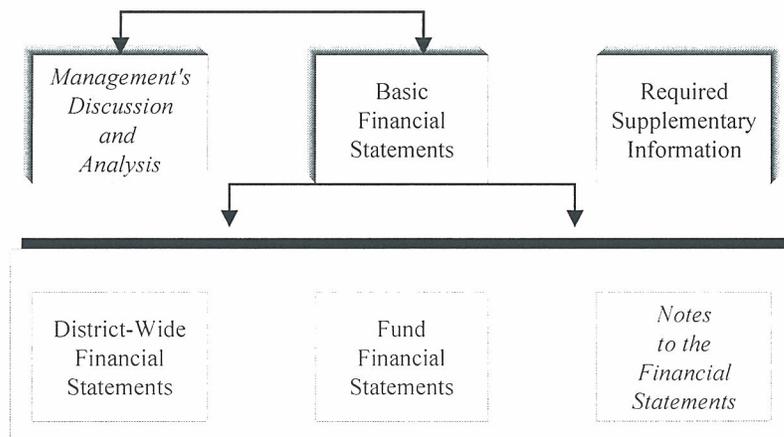
The discussion and analysis of Newark Legacy Charter School's financial performance provide an overview of the School's financial activities for the fiscal year ended June 30, 2011. The objective of this overview and analysis is to examine the District's financial performance as a whole and to disclose important financial commentary that will provide overall understanding of the District's financial position. However, readers of this document are encouraged to review the CAFR's Letter of Transmittal in the Introductory Section, and the Basic Financial Statements and Notes to Financial Statements in the Financial Section to enhance their understanding of Board's financial performance.

The Management's Discussion and Analysis (MD&A) as a 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; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, an amendment to GASB Statement No 21 and No 34, issued in June 2001, and; in GASB Statement No 38, *Certain Financial Statement Note Disclosures*, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD & A.

### Overview of the Financial Statements

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

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



## NEWARK LEGACY CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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

- The first two statements are charter school *financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the district-wide statements.
  - *Governmental funds* statements tell how *basic* services such as regular and special education were financed in the *short term* as well as what remains for future spending.
  - *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain certain information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Table A-1 shows how the required parts of this annual report are arranged and related to one another.

**NEWARK LEGACY CHARTER SCHOOL**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

Table A-2

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

Table A-2 summarizes the major features of the School's financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. The basic financial statements include two kinds of statements that present different views of the School:

- Charter School-wide Statements
- Fund Financial Statements

## NEWARK LEGACY CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

#### Charter School-wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues 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 School's *net assets* and how they have changed. Net assets the difference between the School's assets and liabilities is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School, you need to consider additional non-financial factors such as changes in the School's property tax base and the condition of school buildings and other facilities.

The School-wide financial statements of the School are divided into two categories:

- *Governmental activities* - Most of the School's basic services are included here, such as regular and special education, instruction, extracurricular activities, curriculum and staff development, health services, operations and maintenance of plant and administration. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The School charges fees to customers to help it cover the costs of certain services it provides. The School's Food Service Fund and Extended Day Program Fund are included here.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant *funds*-not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular programs. The School considers all governmental and proprietary funds to be major funds in accordance with requirements of the Division of Finance, Department of Education, of the State of New Jersey.

# NEWARK LEGACY CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

### Fund Financial Statements Cont'd

The School has three kinds of funds:

- *Governmental funds* - Most of the School's basic services are included in governmental funds, which 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 fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the School-wide statements, provide both long- and short-term financial information. In fact, the School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The School's Enterprise Fund includes the Food Service Program and the Extended Day Program.
- *Fiduciary funds* - The School is the trustee, or *fiduciary*, for assets that belong to others such as the state unemployment insurance, payroll, and student activity funds. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School's School-wide financial statements because the School cannot use these assets to finance its operations.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the School-wide and fund financial statements and can be found starting on page 37 of this report. In addition to the basic financial statements and accompanying notes, this report also includes required supplementary information.

## **NEWARK LEGACY CHARTER SCHOOL**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

#### **FINANCIAL ANALYSIS OF THE CHARTER SCHOOL AS A WHOLE**

The perspective of the Statement of Net Assets is of the Charter School as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

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

#### **Government Activities**

The Charter School's total revenues amounted to \$2,190,554 for the year ended June 30, 2011 which included none budgeted state reimbursement of TPAF Social Security Contributions of \$ 51,447.

The total cost of all programs and services was \$1,904,883.

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

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

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

Capital Outlay represents school equipment purchased under the \$2,000 threshold.

## NEWARK LEGACY CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

#### Business-Type Activities

Revenue for the Charter School's business-type activity "After School" Program for the years ended June 30, 2011 amounted to \$58,115. Newark Legacy Charter school is solely responsible for the management and fiscal accountability of the food program.

#### **The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. The fund balance for the year 2011 in the amount \$285,671 is very significant as it presents the school residual interest after all financial obligations have been met. As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2011.

	<u>2011</u>
<u>Revenue</u>	
Local Sources	\$ 571,966
State Sources	1,506,671
Federal Sources	<u>111,917</u>
Total	<u>\$ 2,190,554</u>

#### **Governmental Activities**

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services.

**NEWARK LEGACY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

**Governmental Activities- Continued**

It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2011.

	<u>Total Cost of Services</u>	<u>Grants/ Contributions</u>	<u>2011 Net Cost of Services</u>
Instruction	\$ 718,264	\$ 81,633	\$ 636,631
Support Services:	-	-	
Administrative expenses	477,448	-	477,448
Other support services	627,971	314,242	313,729
	-	-	0
Total Expenses	<u>\$ 1,823,683</u>	<u>\$ 395,875</u>	<u>\$ 1,427,808</u>

Changes in expenditures were the results of varying factors. Current expense increased due to salary increases, additional staff and students, and increased health benefit and utility costs.

**General Fund Budgeting Highlights**

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

**Business-Type Activity**

The business-type activity of the Charter School is the food service operation and after school programs. The food program revenue comprised charges for services and federal and state reimbursements grossing \$76,471. In addition, the school also received nominal fees for its aftercare program in the amount of \$ 6,746 for the year ended June 30, 2011. The combined programs sustained deficit of \$17,302 for the fiscal year ended as illustrated in the accompanying Comprehensive Annual Financial Report (CAFR).

## **NEWARK LEGACY CHARTER SCHOOL**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

#### **General Fund Budgeting Highlights**

The Charter School's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant of all the funds is the general fund as it provides resources for all other funds on a need basis.

The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams to modify if there is need to. During the course of fiscal 2011, the Charter School amended its general fund budget as needed.

For general fund, the final budgeted revenues and "other financing sources" were \$1,448,346, which included a local share of \$1,206,208. Expenditures and "other financing uses" were budgeted at \$1,241,949. The State of New Jersey reimbursed the Charter School \$ 1,448,346 for the fiscal year ended June 30, 2011. In addition, the state provided \$51,447 for the employer's share of social security contributions for Teachers Pension Annuity Fund (TPAF) members. This unbudgeted amount is included in both revenues and expenditures of the CAFR.

#### **Capital Assets**

At the end of fiscal year 2011, the Charter School had a capital asset of inventory completed. However, all the items acquired during the fiscal year 2010-2011 were valued below the \$2,000 threshold for capitalization. Accordingly, no capitalization of assets for the year ended June 30, 2011 is reported in the accompanying financial statements.

#### **Long-term debt and capitalized lease obligations**

At June 30, 2011, the Charter School had no long-term debt or mortgages on the school building.

#### **Economic Factors and Next Year's Budget**

The State of New Jersey continues to face serious budgetary constraints. This has impacted the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2010- 2011. Every effort was directed to providing quality education to the community. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs needed to meet New Jersey's Core Curriculum Content Standards.

**NEWARK LEGACY CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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

This financial report is designed to provide our citizens, taxpayers and investors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it received during the course of the fiscal year. If you have questions about this report or additional financial information, contact Mr. Imani Moody below:

Mr. Imani Moody  
Director of operations  
Newark Legacy Charter School  
309 Lyons Avenue  
Newark, New Jersey 07112

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the Charter School's operation. These financial statements present the financial position and operating results of all funds and account groups as of June 30, 2011.

## **CHARTER SCHOOL–WIDE FINANCIAL STATEMENTS**

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

**NEWARK LEGACY CHARTER SCHOOL**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2011 Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 346,393	\$ (33,510)	\$ 312,883
Receivables- state	7,621	14,468	22,089
Receivables-federal	40,607	7,085	47,692
Other receivable	398	-	398
Interfund receivable	1,063	-	1,063
Other - Security deposit	-	-	-
Total Assets	<u>396,082</u>	<u>(11,957)</u>	<u>384,125</u>
<b>LIABILITIES</b>			
Accounts payable	29,610	-	29,610
Payable to federal government	-	-	-
Payable to state government	62,823	-	62,823
Deffered revenue	9,831	-	9,831
Interfund payable	8,147	5,345	13,492
Other payable	-	-	-
	<u>110,411</u>	<u>5,345</u>	<u>115,756</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	-	-
	-	-	-
Unrestricted	285,671	(17,302)	268,369
<b>Total net assets</b>	<u>\$ 285,671</u>	<u>\$ (17,302)</u>	<u>\$ 268,369</u>

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

NEWARK LEGACY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 718,264	\$ -	\$ 81,633	\$ -	(636,631)	\$ -	\$ (636,631)
Support services:							
Student & instruction related services	477,448	-	-	-	(477,448)	-	(477,448)
School administrative services	627,971	-	314,242	-	(313,729)	-	(313,729)
	-	-	-	-	-	-	-
Total governmental activities	1,823,683	-	395,875	-	(1,427,808)	-	(1,427,808)
Business-type activities:							
Food and After care service	94,832	1,059	76,471	-	-	(17,302)	(17,302)
Total business-type activities	94,832	1,059	76,471	-	-	(17,302)	(17,302)
Total primary government	\$ 1,918,515	\$ 1,059	\$ 472,346	\$ -	\$ (1,427,808)	\$ (17,302)	\$ (1,445,110)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net							
					\$ 206,808	\$ -	\$ 206,808
Taxes levied for debt service							
					-	-	-
Federal and State aid not restricted							
					1,448,346	-	1,448,346
Miscellaneous Income							
					58,325	-	58,325
Total general revenues, special items, extraordinary items and transfers							
					1,713,479	-	1,713,479
Change in Net Assets							
					285,671	(17,302)	268,369
Net Assets—beginning							
					-	-	-
Adjustment							
					-	-	-
Adjusted -beginning net assets							
					-	-	-
Net Assets—ending							
					\$ 285,671	\$ (17,302)	\$ 268,369

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

**FUND FINANCIAL STATEMENTS**

NEWARK LEGACY CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

Exhibit B-1

	General Fund	Special Revenue Fund	Capital Projects Fund	2010 Total Governmental Funds
Cash and cash equivalents	\$ 376,697	\$ (30,304)	\$ -	\$ 346,393
Receivables- state	7,621	-	-	7,621
Receivables - Federal	-	40,607	-	40,607
Interfund Receivable	-	1,063	-	1,063
Other receivable	398	-	-	398
Other - Security deposit	-	-	-	-
Total assets	384,716	11,366	-	396,082
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	28,075	1,535	-	29,610
Deferred revenue	-	9,831	-	9,831
Interfund payable	8,147	-	-	8,147
Payable to federal government	-	-	-	-
Payable to state government	62,823	-	-	62,823
	-	-	-	-
Total liabilities	99,045	11,366	-	110,411
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	-
Legally restricted -- unexpended additional spending proposal	-	-	-	-
Legally restricted -- designated for subsequent year's expenditures	-	-	-	-
Excess surplus	-	-	-	-
Excess surplus -- designated for Subsequent year's expenditures	-	-	-	-
Other purposes	-	-	-	-
<b>Unreserved, reported in:</b>				
General fund	285,671	-	-	285,671
Special revenue fund	-	-	-	-
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total Fund balances	285,671	-	-	285,671
Total liabilities and fund balances	\$ 384,716	\$ 11,366	\$ -	-

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 governmental funds.

Total Aquisition Cost		
Less Accumulated Depreciation		-
		-

Net assets of governmental activities \$ 285,671

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

NEWARK LEGACY CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

Exhibit B-2

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenue</b>				
Local sources:				
"Local levy" local share	\$ 206,808	\$ -	\$ -	\$ 206,808
Contributions	-	365,158	-	365,158
Total - Local Sources	206,808	365,158	-	571,966
State sources	1,448,346	-	-	1,448,346
Other sources	58,325	-	-	58,325
Federal sources	-	111,917	-	111,917
Total revenues	1,713,479	477,075	-	2,190,554
<b>EXPENDITURES</b>				
Current:				
Instruction	636,631	81,633	-	718,264
Undistributed Expenditures:				
Administrative cost	426,001	-	-	426,001
Support services	313,729	314,242	-	627,971
TPAF reimbursed	51,447	-	-	51,447
Capital outlay	-	81,200	-	81,200
Total expenditures	1,427,808	477,075	-	1,904,883
Excess (Deficiency) of revenues over expenditures	285,671	-	-	285,671
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	285,671	-	-	285,671
Fund balance—July 1	2,461,135	-	-	2,461,135
Fund balance—June 30	<u>\$ 2,746,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,746,806</u>

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

NEWARK LEGACY 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, 2011

Total net change in fund balances - governmental funds (from B-2)	\$ 285,671
Amounts reported for governmental activities (A-2) are different :	-
	-
	-
	-
	-
Change in net assets of governmental activities	\$ 285,671

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

**PROPRIETARY FUND FINANCIAL STATEMENTS**

NEWARK LEGACY CHARTER SCHOOL  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

Exhibit B-4

	<b>Food Program</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ (33,510)
Government grants receivable	14,468
Interfund receivable	7,085
Other receivables	-
Inventories	-
Total current assets	(11,957)
Noncurrent assets:	
Furniture, machinery & equipment	-
Less accumulated depreciation	-
Total noncurrent assets	-
Total assets	(11,957)
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	5,345
Interfund payable General Fund	-
Deferred Revenue	-
Total current liabilities	5,345
Total liabilities	5,345
<b>NET ASSETS</b>	
Invested in capital assets net	
Unrestricted net assets	(17,302)
Total net assets	\$ (11,957)

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

**NEWARK LEGACY CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit B-5

Operating revenues:	
Charges for services:	
Daily sales - non-reimbursable programs	\$ 1,059
Total operating revenues	<u>1,059</u>
Operating expenses:	
Cost of sales	-
Salaries	-
Employee benefits	
Other purchased services	88,611
Miscellaneous	6
General supplies	5,650
Aftercare supplies	565
Total Operating Expenses	<u>94,832</u>
Operating loss	<u>(93,773)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	184
State school breakfast program	
Federal sources:	
National school breakfast program	2,311
National school lunch program	15,749
Reimbursement	48,174
After School program	6,746
Snack	3,307
Other income	-
Total nonoperating revenues	<u>76,471</u>
Loss before transfers	-
Transfers in (out)	
Change in net assets	<u>(17,302)</u>
Total net assets-beginning	<u>                    </u>
Total net assets-ending	<u>\$ (17,302)</u>

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

**NEWARK LEGACY CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 1,059
Other receipts	
Payments to employees	
Payment of miscellaneous	
Payments to suppliers	(111,340)
Net cash used for operating activities	<u>(110,281)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from State and Federal reimbursements	\$ 76,771
Net cash provided by (used for) non-capital financing activities	<u>76,771</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Change in capital contributions	
Purchases of capital assets	
Net cash provided by (used for) capital and related financing activities	<u>-</u>
Increase in Cash and Cash Equivalents	(33,510)
Balances-beginning of year	<u>-</u>
Balances-end of year	<u>(33,510)</u>

**Reconciliation of operating income (loss) to net cash provided**

<b>(used) by operating activities:</b>	
Operating income (loss) provided by operating activities	(93,773)
(Increase) decrease in other current assets	(21,853)
Increase (decrease) in accounts payable	5,345
Net cash used for operating activities	<u>\$ (110,281)</u>

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

**NEWARK LEGACY CHARTER SCHOOL  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

Exhibit B-7

	<b>Unemployment Compensation Trust</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 5
Interfund Receivable	25,014	
Investments, at fair value:		
U.S. government obligations	-	-
NJ municipal bonds	-	-
	-	5
Total assets	\$ 25,014	5
<b>LIABILITIES</b>		
Payable to the state unemployment	25,014	-
Accounts payable		5
Interfund payable	-	
Payroll deductions and withholdings	-	
	-	5
Total liabilities	\$ 25,014	5
<b>NET ASSETS</b>		
Held in trust for unemployment claims and other purposes	\$ -	

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

**NEWARK LEGACY CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit B-8**

	Unemployment Compensation Trust
<b>ADDITIONS</b>	
Contributions:	
Plan member	
Contributions to SUI	\$ 25,014
Other	
Total Contributions	25,014
 <b>DEDUCTIONS</b>	
	-
Payroll expense	25,014
Scholarships awarded	-
Refunds of contributions	-
Administrative expenses	-
Total deductions	25,014
Change in net assets	-
Net assets—beginning of the year	-
Net assets—end of the year	\$ -

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

**NOTES TO FINANCIAL STATEMENTS**

# NEWARK LEGACY CHARTER SCHOOL

## ESSEX COUNTY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity:

The Newark Legacy Charter School (NLCS) is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. NLCS received its approved charter in July 2010. The school was founded by Paula White Bradley along with a group of committed community members. The school facility provides outstanding educational space with a host of features to promote student success.

With the opening of its first year in August 2010, NLCS's initial enrollment was 120 students, with 60 scholars in the full day Kindergarten and 60 scholars in Grade 1. This includes general education and special needs student enrollment. NLCS accepts special education and disabled children if appropriate application is made to the Charter School as required by law. The Charter School is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. In addition, it must comply with the New Jersey Charter school program Act of 1995 and regulations promulgated thereafter.

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. The mission of Newark Legacy Charter School is to develop kindergarten through eighth grade students the scholarship, discipline and character necessary for them to gain entry to, succeed in, and graduate from demanding, college preparatory high schools. The Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. .

##### Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards is the degree of oversight responsibility maintained by the Charter School management.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**B Basis of Presentation**

Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. The financial statements of The Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed for governmental units. The Governmental Accounting Standards Board (GASB) is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles.

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. In 2004, all charter schools adopted the GASB and the changes. Certain significant changes in the financial statements include the following:

- A Management’s Discussion and Analysis (MD&A) providing an analysis of the District’s overall financial position and results of operations
- Charter School-wide financial statements prepared using full-accrual accounting for all of the District’s activities and the economic resources measurement focus.
- Depreciation expense on the District’s capital assets is reflected in the Charter school-wide statement of activities.
- Fund financial statements to focus on the major funds.

# NEWARK LEGACY CHARTER SCHOOL

## ESSEX COUNTY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

#### C. Basic Financial Statements:

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

#### School-wide Financial Statements

The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year end

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

#### D Fund Financial Statements

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

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

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**E Governmental Funds**

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings.

Improvement of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2011 there was no Capital Projects Fund.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Debt Service Fund** -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2011 there was no debt service fund.

**F Proprietary Funds**

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

**G Enterprise Funds:**

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

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

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Internal Service (Self-Insurance) Fund:**

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

**Fiduciary Funds**

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

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

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

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

**H Measurement Focus and Basis of Accounting**

**Measurement Focus** –The measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

**Basis of accounting**

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

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

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I Budgets/Budgetary Control**

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

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year end.

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

<u>Budget/Budgetary Control:</u>	<b>2011</b>
Total revenues and expenditures (budgetary basis)	\$ 477,075
Adjustments:	
Plus: Encumbrances at June 30, 2010	-
Less: Encumbrances at June 30, 2011	<u>-</u>
Total revenue and expenditures (GAAP basis)	<u>\$ 477,075</u>

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Cash, Cash Equivalent and Investments**

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

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in, New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public 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 loss funds on deposit with a failed banking institution in New Jersey.

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

**K. Tuition Payable**

The Charter School did not send any of its students to any other Charter Schools during the fiscal year ended June 30, 2011.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**L. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first- in-first-out (FIFO) Method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

**M. Interfund Assets/Liabilities.**

On the fund financial statement, receivable and payables resulting from short-term Inter-fund loans are classified as Inter-fund Receivable/Payable. Inter-fund balanced within governmental activities and within business-type activities are eliminated on the government wide Statements of Net Assets.

**N. Fixed Assets**

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**N. Fixed Assets - continued**

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

<u>Description</u>	<u>Estimated lives</u>
School Building if owned	50years
Building and Buildings Improvements	15 years
Furniture and Equipment	5 years

**O. Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. The school policy is to pay as you go, thereby preventing accumulation of accrued sick leave or vacation beyond the current fiscal year. Compensated absences that are related to future services, or that are contingent on specific events that are outside the control of the Charter School and its employees, are accounted for in the period in which such service is rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. As of JUNE 30, 2011, there were no accrued compensated absences at the Charter school.

**P. Deferred Revenue**

Deferred revenue in special revenue fund represents cash that has been received but not yet earned. As of June 30, 2011 the Charter has no deferred income.

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Q**      Accrued Liabilities and Long-Term Obligations

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

Fund Balance and Equity

In the fund financial statements, governmental fund report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for specific future use. Designated fund balance represents plans for future use of financial resources.

Net Assets

Net Assets on the *Statement of Net Assets* include the following:

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

Restricted for Specific Purposes –

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

NEWARK LEGACY CHARTER SCHOOL

ESSEX COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

**Contributed Capital**

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

**Inter-fund Transactions**

Inter-fund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Inter-fund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other inter-fund transfers are reported as operating transfer.

**Use of Estimates**

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

**On-Behalf Payments**

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

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include petty cash, change funds and amounts on deposit with local banks. New Jersey statutes require that Charter School deposit public funds in public depositories located in New Jersey which is insured by the Federal Deposit Insurance Corporation up to \$250,000 per account, or covered by a collateral pool maintained by the banks as required by New Jersey statutes. As of June 30, 2011, cash and cash equivalents consisted of the following:

<u>General Fund</u>	<u>Special Revenue</u>	<u>Food Program</u>	<u>2011 Total</u>
\$ 376,697	\$ (30,304)	\$ (33,510)	\$ 312,883
-	-	-	-
<u>\$ 376,697</u>	<u>\$ (30,304)</u>	<u>\$ (33,510)</u>	<u>\$ 312,883</u>

**NOTE3. FIXED ASSETS**

The charter school's capitalization policy is consistent with New Jersey State Department of Education. Thus, the current year additions were expended as the acquisition costs were below the established threshold of \$2,500 for all the acquired assets.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 4. OPERATING LEASES**

The Charter School is committed to a lease agreement under a non-cancelable annual operating lease with Newark Public School with an option to renew for two additional terms of one year beginning July 1, 2010 through June 30, 2011. The lease is on the school building located at 460 Lyons Avenue, Newark, New Jersey.

The future minimum lease payments are as follows:

<u>July 1,</u>	<u>Amount</u>
2012	128,000
2013	128,000

The total rent expense for the fiscal ended June 30, 2011 was \$126,663.

**NOTE 5 FEDERAL STATE AIDS**

Federal and State aids are generally subject to review by the responsible governmental agencies for compliance with the agencies' regulations governing the aids. In the opinion of the Charter School's management, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2011, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2011.

**NOTE 6 COMPENSATED ABSENCES**

Employees of the Organization are entitled to be paid unused vacation and authorized sick days. The Charter School policy is to forfeit any unused sick days at the end of fiscal year to prevent accumulation of sick days into the future. The unused vacation days are usually accrued if there are any. At June 30, 2011, there were no unused vacations days to be accrued.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 7 PENSIONS PLANS**

**A) Description of Plans**

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

**Teachers Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund was established as a January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**Public Employees' Retirement System (PERS)**

The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post retirement health care coverage.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**Significant Legislation**

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

The legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutors part of the PERS to new members and repealed the law for the new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time of five years of pension service credit is attained. The law also requires the state to make its full pension contribution, defined as 1/7<sup>th</sup> of the required amount, beginning in the fiscal year 2012.

TP. L. 2010, c.3 effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the state to individuals enrolled in the state “defined contribution” retirement program.

**C. Contribution requirement**

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5 % and 5.5%, respectively of employees’ annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 7 PENSIONS PLANS - CONTINUED**

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF and PERS. Accordingly, it was not eligible to receive State of New Jersey reimbursement during the year ended June 30, 2011 for the employer's share of pension contributions for TPAF members, as calculated on their base salaries

**NOTE 8 POST EMPLOYMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Public law (P.L.) 2007, c 103 amended the law to eliminate the funding of postretirement 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 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994. The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2010, the State paid \$126.3 million toward Chapter 126 benefits for 14050 eligible retired members.

**NOTE 9 DEFERRED COMPENSATION**

The Charter School has no other deferred compensation other than the New Jersey State TPAF and PERS as mentioned above. Accordingly, no amount has been recorded in the accompanying financial statements.

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 10 SOCIAL SECURITY TAX REIMBURSEMENTS**

In accordance with N.J. S.A. 18A: 66-66 of the State of New Jersey reimbursed the school \$51,447 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the accompanying CAFR as revenue and expenditure.

**NOTE 11 RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**New Jersey Unemployment Compensation**

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

**NOTE 12 BUSINESS RISK**

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

**NEWARK LEGACY CHARTER SCHOOL**

**ESSEX COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**NOTE 12 COMMITMENTS**

The grant program is subject to financial and compliance audits by the grantors or their representatives. The final determination on the allowability of costs resulting from expenditures funded by New Jersey Department of Education (NJDOE) remains with NJDOE. Management is not aware of any material items of non compliance which would result in disallowance of program expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART II**  
**BUDGETARY COMPARISON**

**NEWARK LEGACY CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
For the fiscal year ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Levy -Local share	\$ 153,147	\$ 53,661	\$ 206,808	\$ 206,808	-
Miscellaneous	-	-	-	-	-
<b>Total - Local Sources</b>	<u>153,147</u>	<u>53,661</u>	<u>206,808</u>	<u>206,808</u>	<u>-</u>
<b>Categorical Aid:</b>					
Local Levy -State share	1,008,205	353,257	1,361,462	1,361,713	(251)
Security Aid	50,199	402	50,601	50,601	-
Transportation Aid	-	-	-	-	-
Special Education Aid	70,520	(34,488)	36,032	36,032	-
<b>Total State Sources</b>	<u>1,128,924</u>	<u>319,171</u>	<u>1,448,095</u>	<u>1,448,346</u>	<u>(251)</u>
<b>Revenue from Other Sources:</b>					
Interest income	-	-	-	26	(26)
Miscellaneous	-	-	-	6,852	(6,852)
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	-	-
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	51,447	(51,447)
<b>Total Revenue from Other Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,325</u>	<u>(58,325)</u>
<b>Total Revenues</b>	<u>1,282,071</u>	<u>372,832</u>	<u>1,654,903</u>	<u>1,713,479</u>	<u>(58,576)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Instruction</b>					
Salaries of Teachers			-		-
Other Salaries for Instruction	502,750	61,900	564,650	513,787	50,863
Purchased Professional-Educational Services	55,250	(35,000)	20,250	19,317	933
Purchased Technical Services	-	14,500	14,500	14,490	10
Other Purchased Services (400-500 series)	7,500	24,100	31,600	26,845	4,755
General Supplies	6,800	59,655	66,455	35,143	31,312
Textbooks	4,000	25,000	29,000	23,612	5,388
Miscellaneous Expenditures	3,000	2,000	5,000	3,437	1,563
<b>Total Instruction</b>	<u>579,300</u>	<u>152,155</u>	<u>731,455</u>	<u>636,631</u>	<u>94,824</u>

**NEWARK LEGACY CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
For the fiscal year ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Undist. Expend. - Administrative Cost</b>					
Salaries	217,500	(5,550)	211,950	169,112	42,838
Salaries of Secretarial and Clerical Assistants	35,000	(6,000)	29,000	19,815	9,185
Total Benefit Costs	174,810		174,810	92,593	82,217
Professional/Technical Service	61,695	20,027	81,722	33,128	48,594
Other Purchased Services 400-500	7,200	35,575	42,775	35,695	7,080
Communications/Telephone	7,100		7,100	2,384	4,716
Supplies and Materials		35,752	35,752	35,217	535
Interest on current loans	2,344		2,344	1,623	721
Miscellaneous Expenditures		1,000	1,000	445	555
Salaries	-	36,000	36,000	35,989	11
<b>Total Undist. Expend. - Administrative Cost</b>	<u>505,649</u>	<u>116,804</u>	<u>622,453</u>	<u>426,001</u>	<u>196,452</u>
<b>Undist. Expend. - Support Services</b>					
Salaries		87,400	87,400	46,595	40,805
Other Purchased Services and Technical Service		43,000	43,000	29,455	13,545
Other Purchased Services (400-500 series)	-	1,100	1,100		1,100
Rental	140,000	(12,000)	128,000	126,663	1,337
Insurance-Fidelity, Liability, Property	1,800	6,000	7,800	31,642	(23,842)
Supplies and Materials	1,800	8,300	10,100	7,800	2,300
Transfer	12,000	65,000	77,000	67,341	9,659
Travel	1,400	4,000	4,389	4,389	-
Miscellaneous Expenditures		1,500	1,500	(156)	1,656
<b>Total Undist. Expend. - Support Services</b>	<u>157,000</u>	<u>204,300</u>	<u>360,289</u>	<u>313,729</u>	<u>46,560</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>662,649</u>	<u>321,104</u>	<u>982,742</u>	<u>739,730</u>	<u>243,012</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>1,241,949</u>	<u>473,259</u>	<u>1,714,197</u>	<u>1,376,361</u>	<u>337,836</u>
<b>CAPITAL OUTLAY</b>					
Instructional equipment			-		-
Non-instructional equipment			-		-
Purchase of land/improvement			-		-
Miscellaneous expenses			-		-
<b>Total Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ON-BEHALF CONTRIBUTIONS</b>					
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-		-
Reimbursed TPAF Social Security Contributions (non-budgeted)	51,447	-	51,447	51,447	-
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<u>51,447</u>	<u>-</u>	<u>51,447</u>	<u>51,447</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>1,293,396</u>	<u>473,259</u>	<u>1,765,644</u>	<u>1,427,808</u>	<u>337,836</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(11,325)</u>	<u>(100,427)</u>	<u>(110,741)</u>	<u>285,671</u>	<u>396,412</u>
<b>Fund Balance, July 1</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<u>\$ (11,325)</u>	<u>\$ (100,427)</u>	<u>\$ (110,741)</u>	<u>\$ 285,671</u>	<u>\$ 396,412</u>

**NEWARK LEGACY CHARTER SCHOOL  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Sources	\$ 372,428	\$ 1,498	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-
Federal Sources	150,000	(38,083)	111,917	111,917	-
Contributions	-	-	373,926	365,158	(8,768)
<b>Total Revenues</b>	<b>522,428</b>	<b>(36,585)</b>	<b>485,843</b>	<b>477,075</b>	<b>(8,768)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	24,093	(6,127)	17,966	17,966	-
Other Salaries for Instruction	-	-	-	-	-
Personal Services - Employee Benefits	757	-	757	757	-
Purchased Professional - Educational Services	-	-	-	-	-
Purchased Professional and Technical Services	-	-	-	-	-
Other Purchased Services	-	-	-	-	-
General Supplies	63,338	(6,716)	56,622	56,622	-
Textbooks	10,980	(4,692)	6,288	6,288	-
Other Objects	-	-	-	-	-
<b>Total Instruction</b>	<b>99,168</b>	<b>(17,535)</b>	<b>81,633</b>	<b>81,633</b>	<b>-</b>
<b>Support Services</b>					
Salaries of Other Professional Staff	81,250	(19,838)	61,412	61,412	-
Other Salaries	-	-	-	-	-
Personal Services - Employee Benefits	12,650	(5,547)	7,103	7,103	-
Purchased Professional - Educational Services	50,567	29,576	80,143	80,143	-
Other Purchased Professional Services	38,186	62,299	100,485	100,485	-
Text Books	4,506	(16)	4,490	4,490	-
Travel	2,585	(697)	1,888	1,888	-
Supplies & Materials	8,454	(2,935)	5,519	5,519	-
Instructional Equipment	2,443	22,165	24,608	24,608	-
Other Objects	25,351	3,243	28,594	28,594	-
<b>Total Support Services</b>	<b>225,992</b>	<b>88,250</b>	<b>314,242</b>	<b>314,242</b>	<b>-</b>
<b>Facilities Acquisition and Construction Services:</b>					
Buildings	31,151	596	31,747	31,747	-
Instructional Equipment	35,000	-	35,000	35,000	-
Noninstructional Equipment	20,971	(6,518)	14,453	14,453	-
<b>Total Facilities Acquisition and Const. Services</b>	<b>87,122</b>	<b>(5,922)</b>	<b>81,200</b>	<b>81,200</b>	<b>-</b>
<b>Total Expenditures</b>	<b>412,282</b>	<b>64,793</b>	<b>477,075</b>	<b>477,075</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under)</b>		0			
<b>Other Fin.Sources (Uses)</b>	<b>\$ 110,146</b>	<b>\$ (101,378)</b>	<b>\$ 8,768</b>	<b>\$ -</b>	<b>\$ 8,768</b>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NEWARK LEGACY CHARTER SCHOOL  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 NOTE TO RSI  
 FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 1,713,479	[C-2] \$ 477,075
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	-	-
	<u>                    </u>	<u>                    </u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] <u>\$ 1,713,479</u>	[B-2] <u>\$ 477,075</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 1,427,808	[C-2] \$ 477,075
Differences - budget to GAAP		
The district budgets for claims and compensated absences only to the extent expected to be paid, rather than on the modified accrual basis.		-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		-
	<u>                    </u>	<u>                    </u>
Total expenditures as reported on the statement of revenues,	[B-2] <u>\$ 1,427,808</u>	[B-2] <u>\$ 477,075</u>

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

**NEWARK LEGACY CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Cadres 15 and 16	Newark		Walton		Victoria		IDEA		Total
		Education Fund	Foundation	Foundation	Foundation	Foundation	Title I	Title V	Part B	
<b>REVENUES</b>										
Local Sources	\$ -	\$ 80,000	\$ 250,158	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365,158
State Sources	-	-	-	-	-	-	-	-	-	-
Federal Sources	111,917	-	-	-	-	-	-	-	-	111,917
<b>Total Revenues</b>	<b>111,917</b>	<b>80,000</b>	<b>250,158</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>477,075</b>
<b>EXPENDITURES:</b>										
<b>Instruction:</b>										
Salaries of Teachers		-	17,966	-	-	-	-	-	-	17,966
Other Salaries for Instruction		-	-	-	-	-	-	-	-	-
Personal Services - Employee Benefits		-	757	-	-	-	-	-	-	757
Purchased Professional - Educational Services		-	-	-	-	-	-	-	-	-
Purchased Professional and Technical Services		-	-	-	-	-	-	-	-	-
Other Purchased Services		-	-	-	-	-	-	-	-	-
General Supplies	16,917	-	39,705	-	-	-	-	-	-	56,622
Textbooks	-	-	6,288	-	-	-	-	-	-	6,288
Other Objects		-	-	-	-	-	-	-	-	-
<b>Total instruction</b>	<b>16,917</b>	<b>-</b>	<b>64,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,633</b>
<b>Support services:</b>										
Salaries of Other Professional Staff	60,547	865	-	-	-	-	-	-	-	61,412
Other Salaries		-	-	-	-	-	-	-	-	-
Personal Services - Employee Benefits	7,103	-	-	-	-	-	-	-	-	7,103
Purchased Professional - Educational Services	22,944	4,337	52,862	-	-	-	-	-	-	80,143
Other Purchased Professional Services	1,500	63,063	35,922	-	-	-	-	-	-	100,485
Insurance		4490	-	-	-	-	-	-	-	4,490
Travel	1,388	500	-	-	-	-	-	-	-	1,888
Other Purchased Services (400-500 series)		-	-	-	-	-	-	-	-	-
Supplies & Materials	1,518	4,001	-	-	-	-	-	-	-	5,519
Instructional Equipment		1,885	22,723	-	-	-	-	-	-	24,608
Other Objects		859	27,735	-	-	-	-	-	-	28,594
<b>Total support services</b>	<b>95,000</b>	<b>80,000</b>	<b>139,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>314,242</b>
<b>Facilities acquisition and construction:</b>										
Buildings		-	31,747	-	-	-	-	-	-	31,747
Instructional Equipment		-	-	35,000	-	-	-	-	-	35,000
Noninstructional Equipment		-	14,453	-	-	-	-	-	-	14,453
<b>Total facilities acquisition and construction</b>	<b>-</b>	<b>-</b>	<b>46,200</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,200</b>
<b>Total Expenditures</b>	<b>111,917</b>	<b>80,000</b>	<b>250,158</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>477,075</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

At June 30, 2011, there was no capital project fund.

**ENTERPRISE FUNDS  
DETAIL STATEMENTS**

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

**NEWARK LEGCAY CHARTER SCHOOL  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011**

	<b>Food Program</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ (33,510)
Government grants receivable	14,468
Interfund receivable General Fund	7,085
Other receivables	-
Inventories	-
Total current assets	(11,957)
Noncurrent assets:	
Furniture, machinery & equipment	-
Less accumulated depreciation	-
Total noncurrent assets	-
Total assets	(11,957)
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	5,345
Total liabilities	5,345
<b>NET ASSETS</b>	
Invested in capital assets net	(17,302)
Unrestricted net assets	-
Total net assets	\$ (11,957)

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

**NEWARK LEGACY CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Operating revenues:	
Charges for services:	
Daily sales - non-reimbursable programs	\$ 1,059
Total operating revenues	<u>1,059</u>
Operating expenses:	
Cost of sales	-
Salaries	-
Employee benefits	
Other purchased services	88,611
Bank charges	6
Contributions paid	5,650
Aftercare	565
Total Operating Expenses	<u>94,832</u>
Operating loss	<u>(93,773)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	184
Contribution received	
Federal sources:	-
National school breakfast program	2,311
National school lunch program	15,749
Reimbursement	48,174
After School program	6,746
Snack	3,307
Total nonoperating revenues	<u>76,471</u>
Loss before transfers	(17,302)
Transfers in (out)	-
Change in net assets	<u>(17,302)</u>
Total net assets-beginning	<u>-</u>
Total net assets-ending	<u>\$ (17,302)</u>

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

**NEWARK LEGACY CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$	1,059
Other receipts		
Payments to employees		
Payment of miscellaneous		
Payments to suppliers		(111,340)
Net cash used for operating activities		<u>(110,281)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from State and Federal reimbursements	\$	76,471
		300
Net cash provided by (used for) non-capital financing activities		<u>76,771</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Change in capital contributions		
Purchases of capital assets		
Net cash provided by (used for) capital and related financing activities		<u>-</u>
Increase in Cash and Cash Equivalents		(33,510)
Balances-beginning of year		-
Balances-end of year		<u><u>(33,510)</u></u>

**Reconciliation of operating income (loss) to net cash provided  
(used) by operating activities:**

Operating income (loss) provided by operating activities		(93,773)
(Increase) decrease in other current assets		(21,853)
Increase (decrease) in accounts payable		5,345
Increase (decrease) in deferred revenue		
Net cash used for operating activities	\$	<u><u>(110,281)</u></u>

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

**FIDUCIARY FUNDS  
DETAIL STATEMENTS**

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

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

At June 30, 2011 there was no non-expendable trust fund utilized by the Charter School.

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

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

## NEWARK LEGACY CHARTER SCHOOL

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010**

	Unemployment Compensation Insurance	Agency		Total Agency Fund
		Payroll Agency	Net Payroll	
<b>ASSETS</b>				
Cash and cash equivalents		\$ 5	\$ 5	\$ 10
Interfund Receivable	25,014		-	25,014
Total assets	25,014	5	5	25,024
<b>LIABILITIES</b>				
Interfund Payable				
Account Payable	-	5	5	10
Payroll deductions and withholdings	25,014		-	25,014
	-	-	-	-
Total liabilities	25,014	5	5	25,024
<b>NET ASSETS</b>				
Reserved for unemployment claims and other purposes	-	-	-	-
	-	-	-	-
Total net assets	\$ -	\$ -	\$ -	\$ -

**NEWARK LEGACY CHARTER SCHOOL**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

		<u>Unemployment Compensation Trust</u>
<b>ADDITIONS</b>		
Contributions	\$	25,014
Other Revenues		-
		<u>-</u>
Total Contributions		<u>25,014</u>
Investment earnings:		
Net increase (decrease) in fair value of investments		-
Interest		-
Dividends		-
Less investment expense		-
		<u>-</u>
Net investment expense		-
		<u>-</u>
Total additions		<u>-</u>
<b>DEDUCTIONS</b>		
Payment of claims		-
Payroll with		-
Administrative expenses		-
		<u>-</u>
Total deductions		-
		<u>-</u>
Change in net assets		25,014
		<u>25,014</u>
Net assets-beginning of the year		-
		<u>-</u>
Net assets-end of the year	\$	<u><u>25,014</u></u>

**NEWARK LEGACY CHARTER SCHOOL**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Unemployment Compensation Trust</b>
<b>ADDITIONS</b>	
Contributions	\$ 25,014
Other Revenues	-
Total Contributions	25,014
Investment earnings:	
Net increase (decrease) in fair value of investments	-
Interest	-
Dividends	-
Less investment expense	-
Net investment expense	-
Total additions	-
<b>DEDUCTIONS</b>	
Payment of claims	-
Payroll with	-
Administrative expenses	-
Total deductions	-
Change in net assets	25,014
Net assets-beginning of the year	-
Net assets-end of the year	\$ 25,014

## **LONG-TERM DEBT**

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding. As of June 30, 2011 there were no activities to be reported in this section.

## **STATISTICAL SECTION**

GASB requires 10 years of statistical data be presented. The Charter School is in operation for one fiscal year. Accordingly, statistical data for one year operation has been presented in the accompanying CAFR.

Each year thereafter, an additional year's data will be included up to 10 years

**NEWARK LEGACY CHARTER SCHOOL  
NET ASSETS BY COMPONENT  
LAST TEN YEARS**

**Exhibit J-1**

*(accrual basis of accounting)*

Fiscal Year ending June 30, 2011

Governmental activities	
Invested in capital assets, net of related debt	\$ -
Restricted	
Unrestricted	285,671
Total governmental activities net assets	<u>\$ 285,671</u>
Business-type activities	
Invested in capital assets, net of related debt	\$ -
Restricted	-
Unrestricted	(17,302)
Total business-type activities net assets	<u>\$ (17,302)</u>
District-wide	
Invested in capital assets, net of related debt	\$ -
Restricted	-
Unrestricted	268,369
Total district net assets	<u>\$ 268,369</u>

NEWARK LEGACY CHARTER SCHOOL

CHANGES IN NET ASSETS

Exhibit J-2

LAST TEN YEARS

(accrual basis of accounting)

Fiscal Year Ending June 30, 2011

Expenses

Governmental activities

Instruction	\$ 718,264
Administration	477,448
Support Services:	627,971
Capital Outlay	

Total governmental activities expenses \$ 1,823,683

Business-type activities:

Food service	94,267
After Child Care	565
	<u>94,832</u>

Total business-type activities expense \$ 1,918,515

Total district expenses

Program Revenues

Governmental activities:

Revenue	
Operating grants and contributions	395875
Capital grants and contributions	1713479

Total governmental activities program revenues 2109354

Business-type activities:

Charges for services	
Food service	1,059
After care and other services	6,746
Operating grants and contributions	69,725
Capital grants and contributions	0

Total business type activities program revenues \$ 77,530

Total district program revenues

Net (Expense)/Revenue

	1,427,808
Governmental activities	(17,302)
Business-type activities	<u>\$ 1,410,506</u>

Total district-wide net expense

General Revenues and Other Changes in Net Assets

Governmental activities:

General purposes	
Grants and contributions(Federal/state aid )	1,655,154
Investment earnings	0
Miscellaneous income	58,325
Transfers	<u>1,713,479</u>

Total governmental activities

Business-type activities:

Excess expenditures over revenue	0
Transfers	0
	<u>0</u>

Total business-type activities \$ 1,713,479

Total Charter -wide

Change in Net Assets

	\$ 285,671
Governmental activities	(17,302)
Business-type activities	<u>\$ 268,369</u>

Total Charter School

NEWARK LEGACY CHARTER SCHOOL

Exhibit J-3

FUND BALANCES-GOVERNMENTAL FUNDS  
LAST TEN YEARS

*(modified accrual basis of accounting)*

Fiscal Year ending June 30, 2011

<b>General Fund</b>	
Reserved	\$ -
Unreserved	285,671
Total general fund	<u>\$ 285,671</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>
Total governmental funds	<u>\$ 285,671</u>

NEWARK LEGACY CHARTER SCHOOL  
 LAST TEN YEARS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Exhibit J-4

(modified accrual basis of accounting)

	<u>2011</u>
<b>Revenues</b>	
Local sources	\$ 206,808
Contribution	365,158
Miscellaneous	58,325
State sources	1,448,346
Federal sources	<u>111,917</u>
Total revenue	<u>2,190,554</u>
<b>Expenditures</b>	
Instruction	
Regular Instruction	718,264
Special education instruction	
Other special instruction	
Vocational education	
Other instruction	
Nonpublic school programs	
Adult/continuing education	
Support Services:	
Tuition	
Student & inst. related services	
General administration	426,001
School administrative services	0
Central services	
Admin. information technology	
Plant operations and maintenance	
Pupil transportation	
Other Support Services	627,971
Employee benefits	51,447
Capital outlay	81,200
Debt service:	
Principal	
Interest and other charges	
Total expenditures	<u>1,904,883</u>
Excess (Deficiency) of revenues over (under) expenditures	285,671
<b>Other Financing sources (uses)</b>	
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>
Net change in fund balances	<u>\$ 285,671</u>

**NEWARK LEGACY CHARTER SCHOOL**

**FULL TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY  
FUNCTION/PROGRAM**

**LAST TEN YEARS**

*(modified accrual basis of accounting)*

**UNAUDITED**

	<u>2011</u>
<b><u>Function/Program</u></b>	
Instruction	
Regular	8
Special education	
Other special education	
Vocational	
Other instruction	1
Nonpublic school programs	
Adult/continuing education programs	
Support Services:	
Student & instruction related services	2
General administration	1
School administrative services	1
Other administrative services	
Central services	
Administrative Information Technology	
Plant operations and maintenance	1
Pupil transportation	
Other support services	1
Special Schools	2
Food Service	
Child Care	
Total	<u><u>17</u></u>

**Source:** District Personnel Records

NEWARK LEGACY CHARTER SCHOOL  
OPERATING STATISTICS

Exhibit J-17

LAST TEN YEARS

UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						K	ELEMENTARY	GRADE 4-7				
2011	120	1,918,515	15,988	-	-	1	4	0	117.6	115.2		

**NEWARK LEGACY CHARTER SCH**

**Exhibit J-18**

**SCHOOL BUILDING INFORMATION**

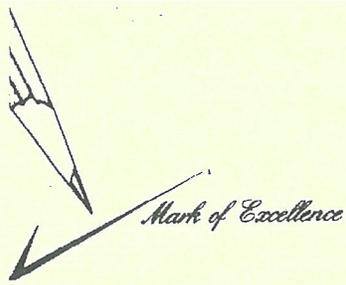
**LAST TEN YEARS**

<u>Charter School Building</u>	<u>2011</u>
Square Feet	14,400
Building Capacity for students	120
<b>Enrollment:</b>	
Kindergarten	60
Grade 1	60
Grade 2	
Grade 3	
Grade 4	
Grade 5	
Grade 6	-
Total students	120

**2010-2011 Schedule of Insurance  
for Newark Legacy Charter School**

<b>COVERAGE</b>	<b>LIMITS</b>	<b>SUMMARY</b>
<b>Package</b> Stonington Insurance Co CHP-30035826-00 06/14/10-11 \$6,128.00	Covered Location	460 Lyons Avenue Newark, NJ 07112
<u><b>Property</b></u>	\$150,000 \$60,000	Contents - Replacement Cost-All Risk w/ \$1,000 Deductible EDP/ Computers All Risk w/ \$1,000 Deductible
<u><b>Crime</b></u>	\$111,000	Blanket Employee Theft w/ \$1,000 Deductible ( Inc Board Treasurer/ Board Secretary/BA
<u><b>General Liability</b></u>	\$1,000,000 \$3,000,000 \$1,000,000 \$1,000,000 \$5,000	Single Limit for Bodily Injury and Property Damage Products/Completed Operations Aggregate Annual Aggregate for Child Molestation/ Sexual Abuse Each Occurrence for Personal Injury/Advertising Injury Premise Medical Payments Per Accident
<u><b>Educators Protection Plus</b></u>	\$1,000,000 \$1,000,000	Educators Professional Liability - Occurrence w/ \$5,000 Deductible Educators Professional Liability -Aggregate w/ \$5,000 Deductible
<b>Automobile Liability</b> Stonington Insurance Co CHA-30035826 06/14/10-11 \$252.00	\$1,000,000	Hired/Non Owned Auto Liability ONLY
<b>Student Accident</b> Hartford Insurance Co 20SR-138857 08/01/10-11 \$486	\$25,000	Medical Payments
<b>Umbrella</b> Stonington Insurance Co CHU-30035826 06/14/10-11 \$1,144.00	\$1,000,000 \$1,000,000	Each Occurrence w/ \$10,000 Deductible Aggregate Limit w/ \$10,000 Deductible
<b>Workers' Compensation</b> Hartford Casualty Insurance Co 13WBC ZP7738 02/12/10-11 \$1,674.00 Audit will be significant	\$1,000,000 \$1,000,000 \$1,000,000 Statutory	Each Accident Each Employee Policy Limit
<b>Directors and Officers Liability/ Employment Practice Liability</b> Philadelphia Insurance Co PHSD596077 02/15/10-11 \$1,624	\$1,000,000 \$1,000,000	Directors & Officers Liability w/\$1,000 Deductible Employment Practice Liability w \$5,000 Deductible

**SINGLE AUDIT SECTION**



**ILORI CPA LLC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**& MANAGEMENT CONSULTANT**  
*Member of AICPA, NJCPA & MACPA*

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**NEWARK, NEW JERSEY 07102**  
**Telephone (973)-621-5780**  
**Fax (973) 404-8858**

**EXHIBIT K-1**

**INDEPENDENT AUDITOR'S 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  
Newark Legacy Charter School, Inc.  
Essex County, New Jersey

We have audited the financial statements of Newark Legacy Charter School, Inc.(NLCS), in the County of Essex, State of New Jersey (the "Charter School") as of and for the fiscal year ended June 30, 2011 and have issued our report thereon, dated November 28, 2010. We conducted our 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 our audit, we considered Newark Legacy Charter School, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newark Legacy Charter School, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

**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***

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the items 2011-01 and 2011-02 described in the accompany schedule of findings and questioned costs to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NLCS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by Division of Finance and regulatory compliance, Department of Education, State of New Jersey which are described in the accompanying schedule of findings and questioned costs as item 2011-02

We noted certain matters that we reported to management of NLCS in a separate letter called "Auditors management report on administrative findings, compliance and performance" dated November 28, 2011.

The NLCS response to the findings identified in our audit is described in the accompanying schedule of findings and Questioned Costs. We did not audit the NLCS response and accordingly, we express no opinion on it.

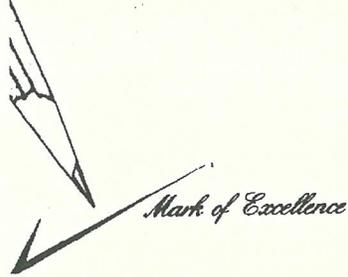
This report is intended for the information of the management and Board of Trustees of Newark Legacy Charter School, the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than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

**Ilori CPA LLC**



Kunle B. Ilori, CPA  
Licensed Public School Accountant  
No. 20CS00233100

November 28, 2011  
Newark, New Jersey



**ILORI CPA LLC**  
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**EXHIBIT K-2**

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and  
Members of the Board of Trustees  
Newark Legacy Charter School, Inc.  
Essex County, New Jersey

**Compliance**

We have audited the compliance of the management of Newark Legacy Charter School, Inc., in the county of Essex, State of New Jersey (the "Charter School"), with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that are applicable to each of its major state program for the fiscal year ended June 30, 2011. The Charter School's major state program is 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 state program is the responsibility of the Charter School management. Our responsibility is to express an opinion on Charter School's compliance, based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major and federal or state program occurred.

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

As described in item **2011- 02** in the accompanying schedule of findings and questioned costs, The Charter School did not comply with requirements regarding "Net payroll and Agency account" that are applicable to its school programs. Compliance with such requirements is necessary, in our opinion, for the school to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Newark Legacy Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

**Internal Control over Compliance**

The management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04.

A deficiency in Charter School's internal control over compliance may exist 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 or state program on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-02 to be a significant deficiency.

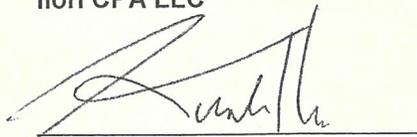
A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of federal or state program will not be prevented or detected by the Charter School's internal control.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. Our consideration of the internal control over compliance was for 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.

NLCS response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit NLCS's response and, accordingly, we express no opinion on the response.

This report is intended for the information of the management of Newark Legacy Charter School Inc, 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.

**Ilori CPA LLC**



Kunle B. Ilori, CPA  
Licensed Public School Accountant  
No. 20CS00233100

November 28, 2011  
Newark, New Jersey

NEWARK LEGACY CHARTER SCHOOL  
ESSEX COUNTY

EXHIBIT K-3  
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	Federal CFDA No.	Grant or State Project No.	Program Name	Program or Award Amount	Grant Period	Balance 06/30/10	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	(Accts. Rec.) Def. Rev 06/30/11	Due to Grantor 06/30/11
<b>U.S. Department of Education</b>												
<b>Passed-through State Dept. of Education:</b>												
Federal School lunch	10.558			\$ 61,080	09/1/10-8/31/11	\$ -	\$ -	61080	\$ -	\$ -	\$ -	\$ -
Public Charter School	84.282A			\$ 111,917	08/1/10-7/31/11	-	-	71310	111917	-	(40,607)	-
National Activities (Parts A and D)	84.281A			-		-	-	-	-	-	-	-
Title IV-Safe and Drug-Free Schools and Communities-State Grants	84.186A	NCLB643003	Title II	-		-	-	-	-	-	-	-
Title V - Part A Innovative Programs	84.298A	NCLB643003	Title IV	-		-	-	-	-	-	-	-
IDEA - Individuals with disabilities Education Act			IDEA	-		-	-	-	-	-	-	-
<b>Total U. S. Dept. of Education</b>				<u>\$ 172,997</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,390</u>	<u>\$ 172,997</u>	<u>\$ -</u>	<u>\$ (40,607)</u>	<u>\$ -</u>

See accompanying Notes to Schedules of Expenditures of Federal Awards

NEWARK LEGACY CHARTER SCHOOL  
ESSEX COUNTY

EXHIBIT K-4  
SCHEDULE B

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

JUNE 30, 2011

STATE GRANTOR/ PROGRAM TITLE	Grant or State Project No.	Program or Award Amount	Grant Period	(Accts. Rec.) Def. Rev June 30, 2010	Carryover (Walkover) Over Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment or Prior Year's Balance	(Accts. Rec.) Def. Rev June 30, 2011	Due to Grantor June 30, 2011
<b>State Department of Education</b>											
<b>General Fund:</b>											
Equalization Aid	11-495-034-5120-071	\$ 1,361,713	7/1/10-6/30/11	\$ -	\$ -	1,361,713	\$ 1,361,713	-	\$ -	-	-
Security Aid	11-495-034-55120-084	50,601	7/1/10-6/30/11	-	-	50,601	50,601	-	-	-	-
Special Education	11-495-034-5120-089	36,032	7/1/10-6/30/11	-	-	36,032	36,032	-	-	-	-
Teacher's Pension and Annuity Fund	11-100-034-5095-002	51,447	7/1/10-6/30/11	-	-	51,447	59,068	-	-	(7,621)	(7,621)
<b>Total State Financial Assistance</b>		<b>1,499,793</b>		<b>-</b>	<b>-</b>	<b>1,499,793</b>	<b>1,507,414</b>	<b>-</b>	<b>-</b>	<b>(7,621)</b>	<b>(7,621)</b>
Total expenditures general											

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

\*Major Program

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1. GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal and state award programs of the Board of Trustees, Newark Legacy Charter School. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the modified accrual basis of accounting with the exception of those recorded in the special revenue, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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 BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for 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 subsequent year or expenditures have been made.

The general fund is presented in the accompanying schedule on the modified basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from budgetary basis to GAAP basis is \$0 for general fund and \$ 0 for special revenue fund. 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 Board's basic financial statements on a GAAP basis as follows:

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS- CONTINUED**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,421,808	\$ 1,421,808
Special Revenue Fund	117,917	365,158	483,075
	-	-	-
Total	<u>\$ 117,917</u>	<u>\$ 1,786,966</u>	<u>\$ 1,904,883</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**

Revenue and expenditures reported under the Food distribution program represent current year value received and current year distributions respectively. The amount reported as TPAF 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, 2011.

**NOTE 6. SCHOOL WIDE PROGRAM FUNDS**

School-wide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in school wide programs are included in the total expenditures of the program contributing the funds in the schedule of expenditures of the program contributing the funds in the schedule of expenditures of federal and state awards.

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

\* Material weakness (es) indentified? \_\_\_\_\_ yes       X  no

\* Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ yes       X  none reported

\* Noncompliance material to basic financial statements noted? \_\_\_\_\_ yes       X  no

***Federal Awards***

Internal control over major programs:

\* Material weakness(es) identified? \_\_\_\_\_ yes       X  no

\* Significant deficiencies identified that are not considered to be material weaknesses  X  yes      \_\_\_\_\_ no

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

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.282A	Public Charter School



**SCHEDULES OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2010-01 Bank reconciliation**

**Condition**

In reviewing the accuracy and completeness of the of bank reconciliations, we noted that the bank reconciliations was not properly prepared for both general fund and enterprise fund. The reconciliation was not prepared per bank to general ledger basis; a case in point is general fund reconciliation which included enterprise balance that should have been independently reconciled with its related bank statements to its self balancing general ledger.

**Criteria**

N.A. J.S 18A 17-9 requires the Chief school business administrator and Board of Trustees to prepare monthly reconciliation of all back accounts prior to the completion of monthly Board secretary report including Payroll.

**Cause**

The fiscal department was not aware of such error in the process.

**Effect**

The failure could result in misclassification of accounts, commingling of funds and possibly misappropriation of funds in the absence of a treasurer.

**Recommendation**

In the absence of a treasurer of school monies, it is vital that the bank reconciliation be performed in a timely manner and reconciled to the general ledger per bank account. The designated employee should avoid commingling of funds by making necessary transfers subject to approval of the school principal.

**Management Response**

Management is in agreement with the recommendation and plan to designate a new employee to handle the monthly bank reconciliation.

**Corrective Action Plan**

The corrective action plan will be prepared along with the audit synopsis to the state Department of Education.

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND  
QUESTIONED COSTS**

**Current Year**

2011-02 Payroll Agency

**Condition**

Employees' payroll deductions and employee's share of fringe benefits including health were paid out of general fund instead of agency account. Furthermore, the payroll register was not reconciled to the general ledger for accuracy and completeness

**Criteria**

All public schools are to maintain payroll agency account for employee's deductions and withholdings in accordance with N.J. A. C. 5:30-17 to be remitted to appropriate governmental agencies or outside party such as Health Insurance Company

**Cause**

The School was not aware of the payroll process as it relates to New Jersey Charter Schools.

**Effect**

This led to a lot of miss posting and incorrect account classification that otherwise would have been detected and possibly adjusted in a timely manner had the reconciliation been done

**Recommendation**

We recommend that management and Board of trustees ensure that the bank accounts for Payroll and agency transactions are kept up-to-date to avoid commingling of funds.

**Management Response**

Management agrees with the auditor.

**Corrective Action Plan**

The corrective action plan will be prepared along with the audit synopsis to the state Department of Education. Management has hired a new SBA who is also an accountant to handle the fiscal aspects of the operations.

**SUMMARY SCHEDULE OF PRIOR YEAR  
AUDIT FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

This is the first year audit of the charter school; there are no findings to be reported for prior year.