

FREEDOM ACADEMY CHARTER SCHOOL

Camden, New Jersey
County of Camden

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

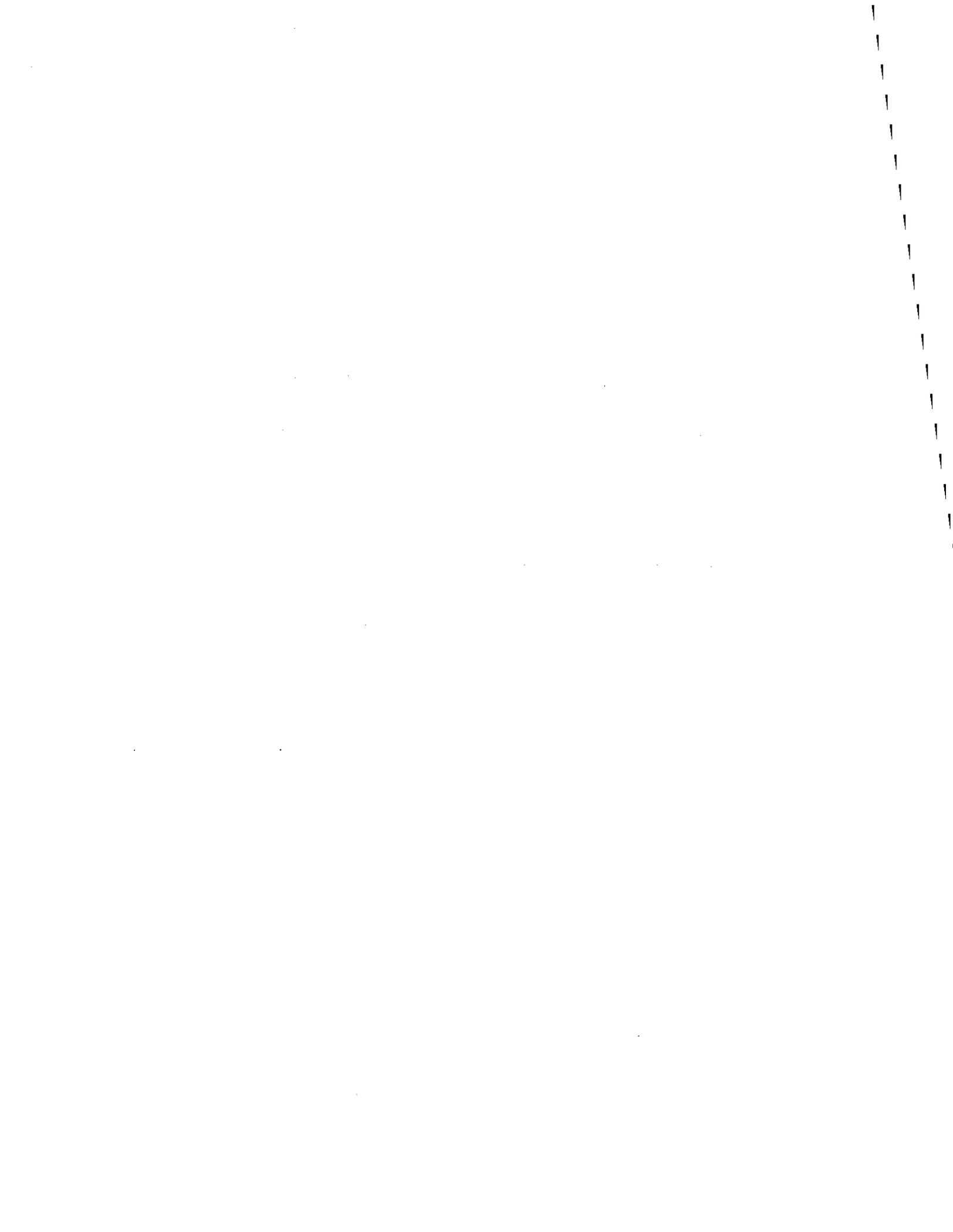
FREEDOM ACADEMY CHARTER SCHOOL

CAMDEN, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by

Freedom Academy Charter School Finance Department



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INTRODUCTORY SECTION

Freedom Academy Charter School
"Freedom Starts With A Dream"

September 30, 2011

Honorable President and Members
of the Board of Trustees
Freedom Academy Charter School
County of Camden
Camden, New Jersey 08104

We hereby submit the Comprehensive Annual Financial Report of Freedom Academy Charter School (the "School") for the fiscal year 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 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 School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and New Jersey single audit. The introductory section includes this transmittal letter, the School's organizational chart, a list of principal officials, and a list of consultants and advisors. The financial section includes the Management's Discussion and Analysis, the basic financial statements, required supplemental information and other supplementary information, as well as the auditors' report thereon. The statistical section includes six unaudited years of data. The School is required to undergo an annual single audit in conformity with the provisions of 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 auditors' report on internal control and compliance with applicable laws and regulations and the findings and recommendations, are included in the New Jersey single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") as established by GASB Statement No. 14, *The Financial Reporting Entity*. All funds and account groups of the School are included in this report.

School Description

Startup: The School began operations in the 2004-2005 school year with students enrolled in fifth grade. The School has just completed its sixth year of operations with grades, 5, 6, 7 and 8.

Address: The School is located at 1400 Collings Road, Camden, NJ 08104.

Facility: The School is located in the building that previously house St Joan of Arc School.

Number of Students, Grades and Classes: The School was authorized a maximum enrollment of 240 students in 2010-2011 in 5, 6, 7, and 8. The enrollment at the beginning of the school year was 233 students. At the end of the year, the enrollment was 236 students. There are two classes per grade.

Class Size: Class size is approximately 25 students per class.

Employees: The School employs a School Leader, Director of Special Education, 20 Full-time Teachers, 3 Instructional Aides, a School Nurse, a Social Worker, two full-time Office Assistants, a Cafeteria Manager, a custodian and a full-time secretary aide.

Defining Attributes: The School is founded on the premise that all students can and will learn. The School believes that with a focus on results, choice and commitment, the power to lead, additional instructional time, and high expectations, every child will achieve academic success.

Community/Organizational Affiliation: Freedom Academy is affiliated with St. Josephine Bakita Roman Catholic Church, Malandra Hall, Rowan University, Met East High School, Camden Catholic High School, Camden County Technical School and Foundations Incorporated.

2) REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS (CONTINUED)

Board of Trustees

Major Accomplishments

The Board devoted much time and effort to addressing the issues and concerns identified by the New Jersey State Department of Education as well as community concerns that centered upon the dismissal and hiring of staff member. The Board took the following actions:

- The Board continued the partnership with Foundations, Inc., an organization with much experience in providing technical assistance to schools and school districts. The Board of Trustees also added two new board members, Mr. Maurice Suggs, a former employee of Freedom Academy during the 2008-09 school year and Mr. Nestor Smith, an adjunct professor at Stockton College and a lawyer.
- The Board also met the requirements mandated by the state and were taken off probation with the Department of Education.

The Board is currently at full strength with five voting members and three ex-officio non-voting members.

Board Members

The School is governed by the Board, which includes community members; parents, student and teacher representatives; and the School Leader. In compliance with the Board's bylaws (the bylaws state that the number of Trustees may never be less than three); there are currently 5 members on the Board, including four community members (all voting members), a parent member and the following ex-officio non-voting members:

- School Leader
- Board Secretary
- Board Treasurer

The following chart identifies the 2010-2011 Board members as of June 30, 2011 along with their role, affiliation and voting status

Edward Hill	President	Community Member	Voting
Dwight Moxie	Vice-President	Community Member	Voting
Steve Gilmartin	Secretary	Community Member	Non-Voting
Nilsa Gonzalez	Member	Parent Member	Voting
Jill Bazon	Member	Community Member	Voting
Monique Bonnier	Treasurer	Treasurer	Non-Voting
Tisho Davis	School Leader	School Leader	Non-Voting

Board Training

At this time, all Board members have attended NJ School Boards Association training.

3) REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS (CONTINUED)

Anticipated Issues:

Staff Stability: Staff turnover during the first five years of operation was high. Reasons for teachers leaving included moving from the area and accepting a new position. In some cases, the Board did not renew employment. The Board and the School administration were successful in filling these vacancies with highly qualified teachers. The Board and the School Leader need to be involved with the staff in an ongoing process to develop a plan that will encourage teachers to remain at the School. Information gathered through the exit interview process may provide some insights into areas of concern that need to be addressed. Staffing has become more stable with minimal turnover.

Strategic Plan: The Board has been working to develop a ten-year strategic plan. Board turnover in membership along with changes in board leadership and changes in the School's leadership have hindered progress in completing this task. Efforts to establish a long-range strategic plan will continue during the 2011-2012 school year.

School Administrators

Summary of Changes or Accomplishments

Foundations is currently providing business services for the School.

Major Accomplishments:

The School operated under the direction of School Leader, Tisho Davis, in her 2nd year in the position. Major accomplishments are listed below:

- 100% Graduation rate of 8th grade students.
- Raised close to \$6,500 in fundraising to assist students' financial responsibilities for the end of the school year trip.
- The School Leader served as an effective liaison between the State Department of Education and the School as she, the Board, and the staff worked to address concerns and issues raised by the DOE so that the school could continue to operate during the 2010-2011 school year. Freedom Academy Charter School was removed from probation this school year.

- The School Leader, an experienced and certified school administrator, brought a degree of stability to the School, the staff and the community. She was receptive and responsive to their concerns, earning the respect of the constituencies she served.
- Certified teachers were hired to fill all positions. This addressed concerns expressed by the DOE and the community.

4) **REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS (CONTINUED)**

- The Director of Special Education, hired in the 2009-2010 school year, has greatly improved services to special education and brought stability to the instruction of special education students.

5) **INTERNAL ACCOUNTING CONTROLS**

Management of the School is responsible for establishing and maintaining internal control designed to ensure the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. 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 School is responsible for ensuring the adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Board.

As part of the 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 School has complied with applicable laws and regulations.

6) **BUDGETARY CONTROLS**

In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. 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.

7) **ACCOUNTING SYSTEM AND REPORT**

The School's accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in Note 1 to the financial statements.

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

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

<u>Revenue</u>	<u>2011</u>
Local Sources	\$ 217,905
State Sources	3,112,259
Federal Sources	<u>265,084</u>
Total	<u>\$ 3,595,248</u>

The following schedule presents a summary of the expenditures of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2011.

<u>Expenditures:</u>	<u>2011</u>
Instruction	\$ 1,447,522
Support Services:	
Administrative expenses	889,636
Other Support Services	600,363
Capital Outlay	16,879
Unallocated Benefits	<u>183,265</u>
Total Expenses	<u>\$ 3,137,665</u>

As of June 30, 2011, there was no reserved and appropriated fund balance.

9) **CASH MANAGEMENT**

The investment policy of the school is guided in large part by State Statute as detailed in Note 2 to the financial statements. The School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from 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.

10) **RISK MANAGEMENT**

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

11) **OTHER INFORMATION**

Independent Audit

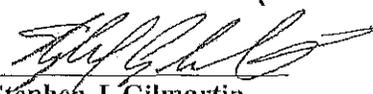
The State of New Jersey Statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman and Frenia, PC

was appointed by the School. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the New Jersey OMB Circular Letter 04-04. The auditors' report on the general-purpose financial statements, combining and individual fund statements, and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

12) ACKNOWLEDGEMENTS

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

Respectfully submitted



Stephen J. Gilmartin
School Business Administrator
Freedom Academy Charter School



Edward Hill
Board President
Freedom Academy CharterSchool

**FREEDOM ACADEMY CHARTER SCHOOL
CAMDEN, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2011**

MEMBERS OF THE BOARD OF TRUSTEES VOTING

Dwight Moxie	Board President
Edward Hill	Vice President
Jill Bazelojn	Member
Nilsa Gonzalez	Parent
Steve Gilmartin	Board Secretary
Nestor Smith	Member

SCHOOL OFFICIALS NON VOTING

Tisho Davis	School Leader
Monique Bonnier	Treasure of Monies

FREEDOM ACADEMY CHARTER SCHOOL
Camden, New Jersey

CONSULTANTS AND ADVISORS

AUDIT FIRM

Holman & Frenia, P. C.
618 Stokes Road
Medford, New Jersey 08055

ATTORNEY

Capehart & Scatchard, P. A.
8000 Midlantic Drive, Suite 300
Mt. Laurel, New Jersey 08054

OFFICIAL DEPOSITORY

PNC Bank
2895 Mount Ephraim Road
Camden, New Jersey 08104

FINANCIAL SECTION



Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Freedom Academy Charter School
County of Camden
Camden, New Jersey 08104

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Freedom Academy Charter School, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as disclosed in the following paragraph we conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Governmental 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 opinions.

Because of the inadequacy of accounting records for the prior year June 30, 2010, we were unable to form an opinion regarding the amounts reflected in the financial statements for property and equipment and depreciation.

In our opinion, except for the adjustments, if any, as might have been necessary had prior year records concerning property, equipment and accumulation depreciation been available, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Freedom Academy Charter School, County of Camden, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 12 to the financial statements, the School has pending litigation with the New Jersey Department of Education, Office of Fiscal Accountability for the recovery of \$415,938 in state aid due to violations of bidding laws and other statutory requirements. This condition raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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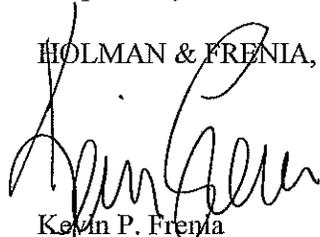
In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the Freedom Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 14 and 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Freedom Academy Charter School's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, expenditures of state financial assistance and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and is also not a required part of the financial statements. The combining and individual fund financial statements, long-term debt schedules and the accompanying schedule of state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information 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.

Respectfully submitted,

HOLMAN & FRENIA, P. C.



Kevin P. Frema
Certified Public Accountant
Public School Accountant
No. 1011

Medford, New Jersey
September 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis

**FREEDOM ACADEMY CHARTER SCHOOL
(COUNTY OF CAMDEN)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

UNAUDITED

Introduction

The Board of Trustees at Freedom Academy Charter School (the "School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2011. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

Financial Highlights

- In total, the School's net assets increased by \$409,631 to \$620,825 for the year ended June 30, 2011.
- General revenues accounts for \$3,338,523 or 90% of total revenues of \$3,729,474 for the year ended June 30, 2011. Program specific revenues, in the form of charges for services, grants and contributions, accounted for \$390,694, or 10%, of total revenues for the year ended June 30, 2011.
- The School's cash balance at June 30, 2011, was \$361,809, representing an increase of \$74,192.
- The School's General Fund reported an unassigned fund balance of \$408,021 at June 30, 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basis financial statements. The School's basic financial statements as presented comprise of five components: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) the notes to the financial statements, (4) required supplementary schedules and, (5) State of New Jersey single audit.

Government-Wide Financial Statements

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

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

the statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. expenditures accrued in one fiscal year but paid in subsequent years, and depreciation).

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School. The School's function is to provide an alternative education opportunity.

Governmental Fund

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

The School's government fund (the general fund) reporting and ended fund balance of \$408,021 at June 30, 2011.

Fund Financial Statements

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has four fund types, the governmental general fund, the special revenue fund, the proprietary fund, and the fiduciary agency fund.

Notes to the Financial Statements

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

Supplementary Information

The governmental fund budgetary comparison schedules are presented for purposes of additional analysis and are prepared using a non-GAAP basis for state reporting requirements.

New Jersey Audit Requirements

The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which requires a comparative analysis of current and prior balances.

	Governmental Activities		Business Type Activities		TOTAL	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 466,044	\$ 542,854	\$ 69,924	\$ 59,677	\$535,968	\$ 602,531
Capital Assets, net	142,880	155,001	-	-	142,880	155,001
Total Assets	<u>608,924</u>	<u>697,855</u>	<u>-</u>	<u>59,677</u>	<u>678,848</u>	<u>757,532</u>
Total Liabilities	<u>58,023</u>	<u>546,338</u>	<u>-</u>	<u>-</u>	<u>58,023</u>	<u>546,338</u>
Invested in Capital Assets	142,880	155,001			142,880	155,001
Unrestricted	<u>408,021</u>	<u>(3,484)</u>	<u>69,924</u>	<u>59,677</u>	<u>477,945</u>	<u>56,193</u>
Total Net Assets	<u>\$ 550,901</u>	<u>\$ 151,517</u>	<u>\$ 69,924</u>	<u>\$ 59,677</u>	<u>\$ 620,825</u>	<u>\$ 211,194</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$620,825 as of June 30, 2011.

The School's revenues are predominately received from the State of New Jersey based on student enrollment. For the year ended June 30, 2011, the School's revenues \$3,729,474, exceeded its expenditures \$3,319,843 by \$409,631.

	Governmental Activities		Business Type Activities		TOTAL	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Operating Grant & Contr.	\$ 241,725	\$ 360,330	\$ 148,969	\$ 135,145	\$ 390,694	\$ 495,475
Charges for services	257		257		257	
General Revenues					126,547	112,001
Local Aid	126,547	112,001		-	3,135,618	2,389,292
Federal and state aid	3,135,618	2,389,292		-		
Miscellaneous	76,358	13,515		34,116	76,358	47,631
Total general revenues	3,580,248	2,514,808		34,116	3,338,523	2,548,924
Total Revenues	3,338,523	2,875,138	149,226	169,261	3,729,474	3,044,399
Expenses						
Instructional	1,447,522	1,451,402		-	1,447,522	1,451,402
Student & instruction related services	600,363	693,563		-	600,363	693,563
School & administrative svcs	920,714	1,264,895		-	920,714	1,264,895
Unallocated depreciation	29,000	29,801		-	29,000	29,801
Unallocated benefits	183,265					
Food service		-	138,979	121,181	138,979	121,181
Total expenses	3,180,864	3,439,661	138,979	121,181	3,319,843	3,560,842
Change in net assets	\$ 399,384	\$ (564,523)	\$ 10,247	\$ 48,080	\$ 409,631	\$ (516,443)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011, the School's investment in capital assets for its governmental activities totaled \$142,880 (net of accumulated depreciation). The investment in capital assets includes furniture and fixtures for the school.

Long Term Debt

At June 30, 2011, the School had no outstanding long-term debt.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general state fund for 2011-2012. Nothing was done to compromise the quality of the programs in place in the School during the regular instructional day. The budget was prepared to ensure that all students have textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

Contact the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to reflect the School's accountability for the funds it receives. Questions about this report or additional financial information needs should be directed to:

FREEDOM ACADEMY CHARTER SCHOOL
1400 Collings Road
Camden, New Jersey 08104

BASIC FINANCIAL STATEMENTS

A. District-Wide Financial Statements

FREEDOM ACADEMY CHARTER SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS (MEMORANDUM ONLY)	
			JUNE 30, 2011	JUNE 30, 2010
Current Assets:				
Cash	\$299,772	62,037	361,809	287,617
Receivables, Net	166,272	7,887	174,159	122,054
Total Current Assets	466,044	69,924	535,968	409,671
Noncurrent Assets:				
Capital Assets, Net (Note 4)	142,880		142,880	155,001
Total Assets	608,924	69,924	678,848	564,672
 LIABILITIES				
Accounts Payable & Accrued Expenses	58,023		58,023	353,478
Total Liabilities	58,023		58,023	353,478
 NET ASSETS				
Restricted for:				
Invested in Capital Assets	142,880		142,880	155,001
Unrestricted	408,021	69,924	477,945	56,193
Total Net Assets	\$550,901	69,924	620,825	211,194

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

**FREEDOM ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS (MEMORANDUM ONLY)	
						JUNE 30, 2011	JUNE 30, 2010
Governmental Activities:							
Instruction	\$1,447,522		206,916	(1,240,606)		(1,240,606)	(1,163,234)
Support Services	600,363		34,809	(565,554)		(565,554)	(621,401)
Administration	920,714			(920,714)		(920,714)	(1,264,895)
Unallocated Benefits	183,265			(183,265)		(183,265)	
Unallocated Depreciation	29,000			(29,000)		(29,000)	(29,801)
Total Governmental Activities	<u>3,180,864</u>		<u>241,725</u>	<u>(2,939,139)</u>		<u>(2,939,139)</u>	<u>(3,079,331)</u>
Business-Type Activities:							
Proprietary Funds	<u>138,979</u>	<u>257</u>	<u>148,969</u>		<u>10,247</u>	<u>10,247</u>	<u>13,964</u>
Total Business-Type Activities	<u>138,979</u>	<u>257</u>	<u>148,969</u>		<u>10,247</u>	<u>10,247</u>	<u>13,964</u>
Total Primary Government	<u>\$3,319,843</u>	<u>257</u>	<u>390,694</u>	<u>(2,939,139)</u>	<u>10,247</u>	<u>(2,928,892)</u>	<u>(3,065,367)</u>
General Revenues:							
Property Taxes, Levied for General Purposes, Net				126,547		126,547	112,001
Unrestricted Federal & State Aid				3,135,618		3,135,618	2,389,292
Miscellaneous Income				76,358		76,358	47,631
Total General Revenues, Special Items, Extraordinary Items & Transfers				<u>3,338,523</u>		<u>3,338,523</u>	<u>2,548,924</u>
Change In Net Assets				399,384	10,247	409,631	(516,443)
Net Assets - Beginning				151,517	59,677	211,194	727,637
Net Assets - Ending				<u>\$550,901</u>	<u>69,924</u>	<u>620,825</u>	<u>211,194</u>

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

B. Fund Financial Statements

Governmental Funds

**FREEDOM ACADEMY CHARTER SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS (MEMORANDUM ONLY)	
			JUNE 30, 2011	JUNE 30, 2010
ASSETS & OTHER DEBITS				
Cash	\$318,478		318,478	234,480
Receivables; Net	124,973	31,077	156,050	102,710
Interfund Receivables	10,222		10,222	192,860
Receivables from Other Governments				12,804
	<hr/>			
Total Assets	\$453,673	31,077	484,750	542,854
	<hr/>			
LIABILITIES & FUND BALANCES				
Liabilities:				
Cash Deficit		18,706	18,706	
Intergovernmental Accounts Payable	4,590		4,590	
Accounts Payable	41,062	12,371	53,433	353,478
Interfund Payables				192,860
	<hr/>			
Total Liabilities	45,652	31,077	76,729	546,338
	<hr/>			
Fund Balances:				
Unassigned:				
General Fund	408,021		408,021	(3,484)
	<hr/>			
Total Fund Balances	408,021		408,021	(3,484)
	<hr/>			
Total Liabilities & Fund Balances	\$453,673	31,077		
	<hr/>			

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$242,822 and the accumulated depreciation \$99,942.	142,880	155,001
	<hr/>	
Net assets of Governmental Activities	\$550,901	\$151,517
	<hr/>	

See Accompanying Notes to Financial Statements

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

**FREEDOM ACADEMY CHARTER SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS (MEMORANDUM ONLY)	
			JUNE 30, 2011	JUNE 30, 2010
Revenues:				
Local Sources:				
Local Levy	\$126,547		126,547	112,001
Miscellaneous	76,358		76,358	13,515
Total Local Sources	202,905		202,905	125,516
State Sources	3,112,259		3,112,259	2,389,292
Federal Sources	6,480	258,604	265,084	360,330
Total Revenues	3,321,644	258,604	3,580,248	2,875,138
Expenditures:				
Instructional	1,240,606	206,916	1,447,522	1,451,402
Administration Costs	920,714		920,714	1,264,895
Support Services	565,554	34,809	600,363	693,563
Capital Outlay		16,879	16,879	
Unallocated Benefits	183,265		183,265	
Total Expenditures	2,910,139	258,604	3,168,743	3,409,860
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	411,505		411,505	(534,722)
Other Financing Sources/(Uses):				
Transfers	15,000	(15,000)		
Total Other Financing Sources & U:	15,000	(15,000)		
Net Change in Fund Balances	426,505	(15,000)	411,505	(534,722)
Fund Balances July 1	(18,484)	15,000	(3,484)	531,238
Fund Balances June 30	\$408,021	-	408,021	(3,484)

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

**FREEDOM ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$442,583
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

	(\$29,000)	
Depreciation Expense	16,879	(12,121)
Capital Outlays	16,879	(12,121)
Change in Net Assets of Governmental Activities	\$430,462	\$430,462

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

Proprietary Funds



**FREEDOM ACADEMY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011
 (With Comparative Totals for June 30, 2010)**

ASSETS	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2011	JUNE 30, 2010
Cash	\$62,037	62,037	53,137
Due from Other Governments	7,887	7,887	6,458
Other Receivables			82
Total Assets	69,924	69,924	59,677
NET ASSETS			
Unreserved Net Assets	69,924	69,924	59,677
Total Net Assets	\$69,924	69,924	59,677

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

**FREEDOM ACADEMY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (With Comparative Totals for June 30, 2010)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2011	JUNE 30, 2010
Operating Revenues:			
Charges for Services:			
Daily Sales Nonreimbursable Programs	\$257	257	34,116
Total Operating Revenue	257	257	34,116
Operating Expenses:			
Cost of Sales	137,001	137,001	121,181
Repairs	1,978	1,978	
Total Operating Expenses	138,979	138,979	121,181
Operating Income/(Loss)	(138,722)	(138,722)	(87,065)
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	1,962	1,962	5,278
Federal Sources:			
National School Breakfast Program	44,386	44,386	39,852
National School Lunch Program	98,817	98,817	72,271
After School Snacks Program	3,804	3,804	17,744
Total Nonoperating Revenues	148,969	148,969	135,145
Net Income/(Loss)	10,247	10,247	48,080
Net Assets - July 1	59,677	59,677	11,597
Net Assets - June 30	\$69,924	69,924	59,677

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

**FREEDOM ACADEMY CHARTER SCHOOL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
 (With Comparative Totals for June 30, 2010)**

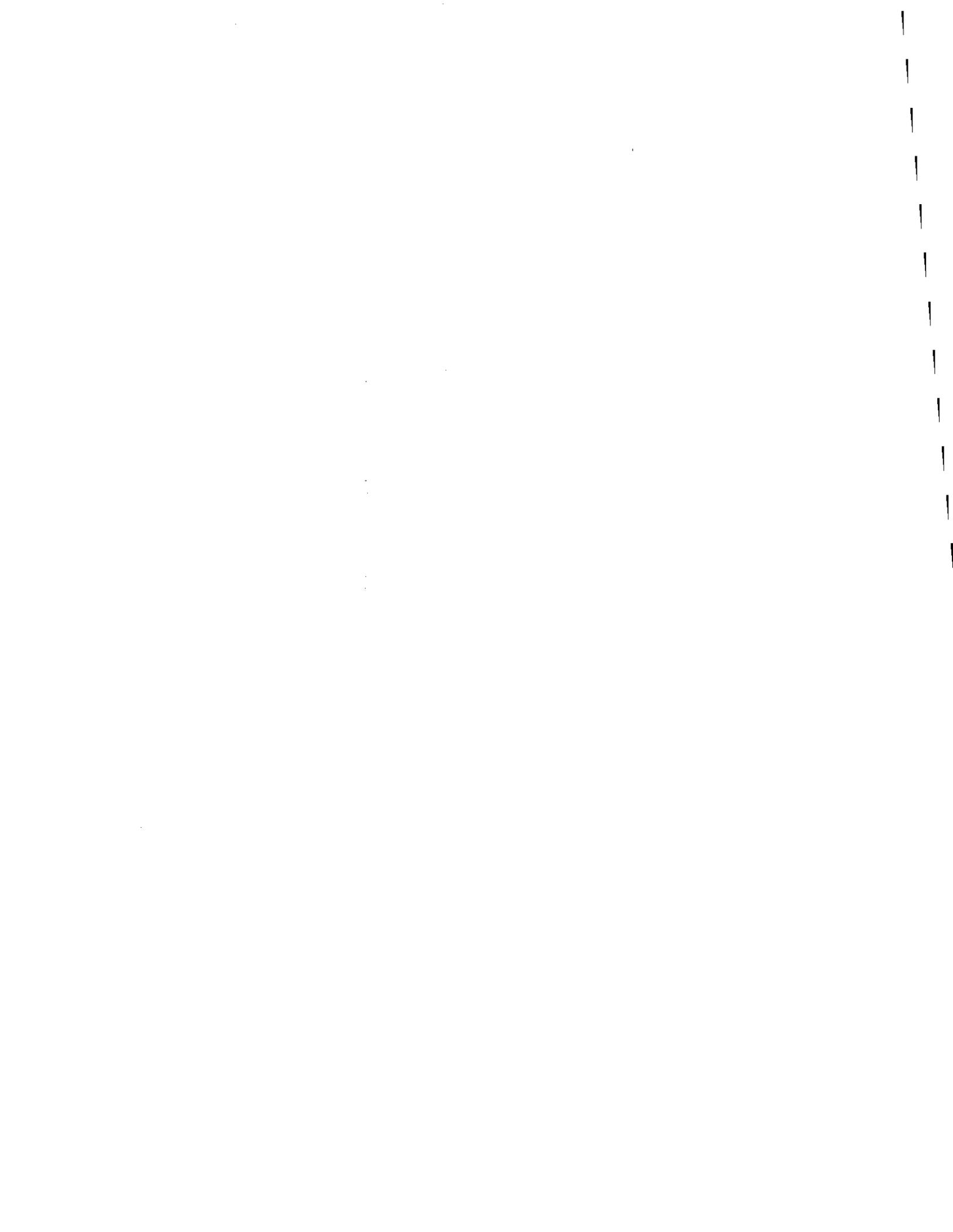
	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2011	JUNE 30, 2010
Cash Flows From Operating Activities:			
Cash Received from Customers	\$339	339	34,034
Payments to Suppliers	(138,979)	(138,979)	(148,193)
Net Cash Provided/(Used) by Operating Activities	(138,640)	(138,640)	(114,159)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	147,540	147,540	172,635
Transfer to Other Funds			(5,339)
Net Cash Provided by Noncapital Financing Activities	147,540	147,540	167,296
Net Increase/(Decrease) in Cash & Cash Equivalents	8,900	8,900	53,137
Balances - Beginning of Year	53,137	53,137	
Balances - Ending of Year	\$62,037	62,037	53,137

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	(\$138,722)	(138,722)	(87,065)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:			
Change in Assets & Liabilities:			
Decrease/(Increase) Interfund Accounts Receivable	82	82	(82)
Increase/(Decrease) Interfund Accounts Payable			(27,012)
Total Adjustments	82	82	(27,094)
Net Cash Provided/(Used) by Operating Activities	(\$138,640)	(138,640)	(114,159)

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

Fiduciary Fund



**FREEDOM ACADEMY CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

ASSETS	PAYROLL AGENCY FUND	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2011	JUNE 30, 2010
Cash	\$21,900	21,900	26,192
Total Assets	21,900	21,900	26,192
LIABILITIES			
Payroll Deductions & Withholdings	11,678	11,678	26,192
Interfund Payable	10,222	10,222	
Total Liabilities	21,900	21,900	26,192
NET ASSETS			
Total Net Assets	-	-	-

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

**FREEDOM ACADEMY CHARTER SCHOOL
BOARD OF TRUSTEES**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Freedom Academy Charter School have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for state and local governmental entities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

With the implementation of GASB Statement 34, the Charter School has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the basic financial statements.

Other GASB Statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the Charter School has implemented the following GASB Statements in the current fiscal year: Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*; Statement 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement 38 – *Certain Financial Statement Note Disclosures*; Statement 40 – *Deposit and Investment Risk Disclosures*; Statement 44 – *Economic Condition Reporting – The Statistical Section* and Statement 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements present the financial position of the Charter School and the various funds and fund types, the results of operations of the Charter School and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2011 and for the year then ended with comparative totals as of and for the year ended June 30, 2010 (Memorandum Only).

A. Reporting Entity:

The Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The School is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies (continued):

A. Reporting Entity (continued):

The combined financial statements include all funds and account groups for the Charter School over which the Board of Trustees exercises operating control.

B. Basis of Presentation, Basis of Accounting

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

Charter School-wide 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 overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

Fund Financial Statements: During the fiscal year, 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. The fund financial statements provide information about the Charter School's funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies (continued):

B. Basis of Presentation, Basis of Accounting (continued):

GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

Governmental Funds:

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

As required by the New Jersey Department of Education, the Charter High School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles (GAAP) 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, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

Proprietary Fund:

Enterprise (Food Service) Fund - The enterprise fund is used to accounts for all revenues and expenses pertaining to the cafeteria operations. The Food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies (continued):

B. Basis of Presentation, Basis of Accounting (continued):

Fiduciary Fund:

Fiduciary funds are used to account for assets held by the Charter School on the behalf of others and include the Payroll Agency Fund, Net Payroll Account, Unemployment Trust and Student Activities.

Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used for measuring financial position and operating results of basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

In its accounting and financial reporting, the Freedom Academy Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and private purpose trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies (continued):

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are 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(m)1*. All budget amendments must be approved by School Board resolution.

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

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

The budget, as detailed on Exhibit C-1, includes all amendments to the adopted budget, if any.

The following presents a reconciliation of the special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General, and Special Revenues Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types:

**Notes to Required Supplementary Information.
Budgetary Comparison Schedule**

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) “revenues” from the budgetary comparison schedules	<u>\$3,336,644</u>	<u>\$258,604</u>

FREEDOM ACADEMY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011**

Note 1. Summary of Significant Accounting Policies (continued):

C. Budgets/Budgetary Control:

	General Fund	Special Revenue Fund
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$3,336,644</u>	<u>\$258,604</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$2,910,139</u>	<u>\$258,604</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$2,910,139</u>	<u>\$258,604</u>

D. Encumbrances:

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

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

E. Cash, Cash Equivalents and Investments:

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

New Jersey Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.18A:20-37* provides a list of permissible investments that may be purchased by New Jersey Charter Schools.

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies (continued):

E. Cash, Cash Equivalents and Investments:

Additionally, the Board 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 of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A.17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks 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 deposits 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.

F. Inventories & Prepaid Expenses

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed.

Prepaid expenses, which benefit future periods, other than those recorded in the enterprise funds, are recorded as expenditure during the year of purchase. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

G. Short-Term Interfund Receivables/Payables

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

H. Fixed Assets:

General fixed assets acquired or constructed during the year are reported in the applicable governmental or business-type activities columns in the Charter School-wide financial statements. Fixed assets are defined by the Charter School as assets, which have a cost in excess of \$2,000 at the date of acquisition and a useful life of one year or more. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed were valued by an independent

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies (continued):

H. Fixed Assets (continued):

appraisal company. General fixed assets, such as land and buildings, are valued at the historical cost basis and through estimated procedures performed by an independent appraisal company, respectively.

General fixed assets are reflected as expenditures in the applicable governmental funds. Depreciation expense is recorded in the Charter School-wide financial statements as well as the proprietary fund. Capital assets are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally estimated useful lives are as follows:

Machinery and Equipment	3 – 20 Years
Building & Other Improvements	7 – 60 Years
Infrastructure	30 Years

I. Accrued Salaries and Wages

Charter School employees, who provide services to the Charter School over the ten-month academic year and extended eleven-month calendar, do not have the option to have their salaries disbursed during the entire twelve-month year. Therefore, there is no accrual as of June 30, 2011 for such salaries.

J. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In the Charter School-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

K. Deferred Revenue

Deferred revenue in the general and special revenue funds represents cash, which has been received but not yet earned.

L. Long-Term Obligations

In Charter School-wide financial statements, under governmental activities, long-term debt is recognized as a liability in the general fund as debt is incurred.

FREEDOM ACADEMY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011**

Note 1. Summary of Significant Accounting Policies (continued):

M. Subsequent Events

Freedom Academy Charter School has evaluated subsequent events occurring after June 30, 2011 through the date of September 30, 2011, which is the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents and Investments

The Charter School is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at June 30, 2011, and reported at fair value are as follows:

Type	Carrying Value
Deposits:	
Demand Deposits	<u>\$383,709</u>
Total Deposits	<u>\$383,709</u>
Reconciliation to Statements of Net Assets:	
Governmental Funds	\$299,772
Business-Type Funds	62,037
Fiduciary Funds	<u>21,900</u>
Total Cash and Cash Equivalents	<u>\$383,709</u>

Custodial Credit Risk – Deposits in financial institutions, reported as components of cash, cash equivalents and investments had a bank balance of \$522,193 at June 30, 2011. Of the bank balance \$250,000 was fully insured by the FDIC (Federal Depository Insurance Corporation) and \$272,193 was secured by a collateral pool held by the bank, but not in the Charter School’s name, as required by New Jersey’s Governmental Unit Deposit Protection Act (GUDPA). The Governmental Unit Deposit Protection Act is more fully described in Note 3 of these financial statements.

Investment Interest Rate Risk – The Charter School has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investment held at June 30, 2011, are provided in the above schedule.

Investment Credit Risk – The Charter School has no investment policy that limits its investment choices other than the limitation of state law as follows:

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 2. Cash and Cash Equivalents and Investments (continued):

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Charter School;
- Local Governments investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities with certain limitations.

Concentration of Investment Credit Risk – The Charter School places no limit on the amount it may invest in any one issuer.

Note 3. Governmental Unit Deposit Protection Act (GUDPA)

The Charter School has deposited cash in 2011 with an approved public fund depository qualified under the provisions of the Government Unit Deposit Protection Act. In addition to savings and checking accounts the Charter School invests monies in certificates of deposits.

The Governmental Unit Deposit Protection Act P.L. 1970, Chapter 236, was passed to afford protection against bankruptcy or default by a depository. C.17:9-42 provides that no governmental unit shall deposit funds in a public depository unless such funds are secured in accordance with this act. C.17:9-42 provides that every public depository having public funds on deposit shall, as security for such deposits, maintain eligible collateral having a market value at least equal to either (1) 5% of the average daily balance of collected public funds on deposit during the 6 month period ending on the next preceding

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 3. Governmental Unit Deposit Protection Act (GUDPA) (continued):

valuation date (June 30 or December 31) or (2) at the election of the depository, at least equal to 5% of the average balance of collected public funds on deposit on the first, eighth, fifteenth, and twenty-second days of each month in the 6 month period ending on the next preceding valuation date (June 30 or December 31). No public depository shall be required to maintain any eligible collateral pursuant to this act as security for any deposit or deposits of any governmental unit to the extent such deposits are insured by F.D.I.C. or any other U.S. agency which insures public depository funds.

No public depository shall at any time receive and hold on deposit for any period in excess of 15 days public funds of a governmental unit(s) which, in the aggregate, exceed 75% of the capital funds of the depository, unless such depository shall, in addition to the security required to be maintained under the paragraph above, secure such excess by eligible collateral with a market value at least equal to 100% of such excess.

In the event of a default, the Commissioner of Banking within 20 days after the default occurrence shall ascertain the amount of public funds on deposit in the defaulting depository and the amounts covered by federal deposit insurance and certify the amounts to each affected governmental unit. Within 10 days after receipt of this certification, each unit shall furnish to the Commissioner verified statements of its public deposits. The Commissioner shall ascertain the amount derived or to be derived from the liquidation of the collateral maintained by the defaulting depository and shall distribute such proceeds pro rata among the governmental units to satisfy the net deposit liabilities to such units.

If the proceeds of the sale of the collateral are insufficient to pay in full the liability to all affected governmental units, the Commissioner shall assess the deficiency against all other public depositories having public funds on deposit determined by a formula determined by law. All sums collected by the Commissioner shall be paid to the governmental units having deposits in the defaulting depository in the proportion that the net deposit liability to each such governmental unit bears to the aggregate of the net deposit liabilities to all such governmental units.

All public depositories are required to furnish information and reports dealing with public funds on deposit every six months, June 30th and December 31st, with the Commissioner of Banking. Any public depository which refuses or neglects to give any information so requested may be excluded by the Commissioner from the right to receive public funds for deposit until such time as the Commissioner shall acknowledge that such depository has furnished the information requested.

Upon review and approval of the Certification Statement that the public depository complies with statutory requirements, the Commissioner issues forms approving the bank as a municipal depository. The Charter School should request copies of these approval forms semiannually to assure that all depositories are complying with requirements.

FREEDOM ACADEMY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011**

Note 4. Capital Assets, Net

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Furniture & Equipment	\$225,943	\$ 16,879	\$ -	\$242,822
Less:				
Accumulated Depreciation	<u>(41,141)</u>	<u>(29,000)</u>		<u>(99,942)</u>
Net Book Value	<u>\$155,001</u>	<u>\$(12,121)</u>	<u>\$ -</u>	<u>142,880</u>

Note 5. Leases

Rental Lease:

On September 1, 2010, the School entered into a lease agreement effective until August 31, 2012 with The Church of Saint Joan of Arc, West Collingswood, New Jersey (landlord), a religious corporation in the State of New Jersey, for the Facility located at 1400 Collings Road, Camden, New Jersey 08104, at a monthly rental of \$9,116. Subsequently, the School has agreed to pay the same rental on a month-to-month basis.

Note 6. Pension Plans

Plan Descriptions - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (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 Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established in January 1955, under the provisions of *N.J.S.A.18A:66* to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' 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 system's other related noncontributing employers. Membership is mandatory for substantially all

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011

Note 6. Pension Plans (continued):

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 System (PERS) was established in January 1955 under the provisions of *N.J.S.A.43:15A* to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions of PERS are set by *N.J.S.A.43:15A* and *43.3B* and *N.J.S.A.18A:6C* for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Charter School's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the TPAF and the

FREEDOM ACADEMY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011**

Note 6. Pension Plans (continued):

PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides that all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Contribution Requirements – The contribution policy is set by *N.J.S.A.43:15A*, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and *N.J.S.A.18:66*, 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% of employees’ annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of the TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	NONE	100%	NONE
6/30/10	NONE	100%	NONE
6/30/09	NONE	100%	NONE

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

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$78,358	100%	NONE
6/30/10	N/A	100%	NONE
6/30/09	42,363	100%	NONE

During the year ended June 30, 2011 the State of New Jersey contributed \$78,358 to the TPAF for normal post-retirement benefits on behalf of the Charter School. Also in accordance with *N.J.S.A.18A:66-66* the State of New Jersey reimbursed the Charter School \$104,907 for 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 basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

Note 7. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers’ Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-

FREEDOM ACADEMY CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS (continued):
JUNE 30, 2011**

Note 7. Post-Retirement Benefits (continued):

retirement medical benefits for those State Employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 P.L. 1994, c.62. 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 P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

Note 8. Risk Management

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

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

New Jersey Unemployment Compensation Insurance – The Charter School has elected to fund their New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan the Charter School has a quarterly contribution due based on the amount of wages paid for the quarter and remits these funds with the employee withholdings to the State.

Note 9. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$10,222	
Fiduciary Fund	_____	<u>\$10,222</u>
Total	<u>\$10,222</u>	<u>\$10,222</u>

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued): JUNE 30, 2011

Note 10. GASB #54 – Fund Balance Disclosure

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Freedom Academy School classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

General Fund – Of the \$439,099 General Fund fund balance at June 30, 2011, \$0 is restricted for subsequent years expenditures; \$0 is restricted for excess surplus in accordance with *N.J.S.A.18A:7F-7*; \$0 is assigned as designated for subsequent year's expenditures and \$433,381 is unassigned.

Note 11. Compensated Absences

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted vacation and sick leave in varying amounts under the Charter School's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for specified dollar amount per sick day accumulated and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net assets under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2011 is unavailable.

FREEDOM ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS (continued): JUNE 30, 2011

Note 11. Compensated Absences (continued):

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011 no liability existed for compensated absences in the proprietary fund types.

Note 12. Litigation

The School was audited by the New Jersey Department of Education, Office of Fiscal Accountability and Compliance ("OFAC"). The initial report of examination issued in July 2009 found numerous violations and recommended a recovery of \$415,938 in state aid. The School filed an appeal with OFAC challenging the report of examination and was granted in part and denied in part. The School filed a Notice of Appeal with the Chief of Staff of OFAC.

As of May 4, 2011, the charter school's probationary status was officially complete and the school's probation was ended. However, the school remains in pending litigation with the New Jersey Department of Education, Office of Fiscal Accountability, for the recovery of \$415,938 in state aid due to violations of bidding laws and other statutory requirements.

Additionally, a complaint was filed against the Charter School by TBF Financial, LLC due to the Charter School failing to make payments in accordance with a January 23, 2007 copier lease agreement. TBF Financial, LLC has obtained a judgment in the amount of \$31,078.15 against the Charter School. A judgment payable in the amount of \$31,078.15 has been set up as of June 30, 2011 and has been paid as of the date of this audit report.

Note 13. Going Concern

As of June 30, 2011, the Charter School has pending litigation with the New Jersey Department of Education, Office of Fiscal Accountability, for the recovery of \$415,938 in state aid due to violations of biddings laws and other statutory requirements. These conditions raise substantial doubt about its ability to continue as a going concern. The accompanying financial statements do not include any adjustments to the financial statements that might be necessary should the Charter School be unable to continue as a going concern.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

C. Budgetary Comparison Schedules

**FREEDOM ACADEMY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	JUNE 30, 2011				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	JUNE 30, 2010				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Revenues:										
Local Sources:										
Local Tax Levy	\$136,544	(13,405)	123,139	126,547	3,408	103,218	11,655	114,873	112,001	(2,872)
Miscellaneous				76,358	76,358				13,515	13,515
Total Local Sources	136,544	(13,405)	123,139	202,905	79,766	103,218	11,655	114,873	125,516	10,643
State Sources:										
Equalization Aid	2,502,788	180,364	2,683,152	2,795,867	112,715	2,386,573	48,713	2,435,286	2,225,700	(209,586)
Special Education Aid	99,533	(45,843)	53,690	53,311	(379)	67,453	(7,081)	60,372	53,740	(6,632)
Security Aid	78,342	3,379	81,721	79,816	(1,905)		68,276	68,276		(68,276)
Nonbudgeted:										
On-Behalf TPAF										
Pension Contributions				78,358	78,358					
Reimbursed TPAF Social Security Contributions				104,907	104,907	92,374	26,007	118,381	109,852	(8,529)
Total State Sources	2,680,663	137,900	2,818,563	3,112,259	293,696	2,546,400	135,915	2,682,315	2,389,292	(293,023)
Federal Sources:										
Special Education - Medicaid Initiative				6,480	6,480					
Total Federal Sources				6,480	6,480					
Total Revenues	2,817,207	124,495	2,941,702	3,321,644	379,942	2,649,618	147,570	2,797,188	2,514,808	(282,380)

**FREEDOM ACADEMY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	JUNE 30, 2011				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	JUNE 30, 2010				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Expenditures:										
Instruction:										
Salaries of Teachers	903,215	58,116	961,331	955,812	5,519	1,137,796	(124,899)	1,012,897	885,648	127,249
Other Salaries for Instruction	109,725	2,124	111,849	111,749	100	154,479	(110,797)	43,682	89,517	(45,835)
Purchased Professional - Educational Services	11,000	(6,219)	4,781	3,500	1,281	15,000	1,500	16,500	13,721	2,779
Other Purchased Services - (400-500Series)	72,600	7,273	79,873	79,873			200	200	117	83
General Supplies	77,700	(32,186)	45,514	40,825	4,689	100,000	(25,000)	75,000	61,955	13,045
Textbooks	12,000	(1,000)	11,000	8,887	2,113	60,000	(25,000)	35,000	27,849	7,151
Miscellaneous	36,210	5,000	41,210	39,960	1,250	115,000		115,000	84,427	30,573
Total Instruction	1,222,450	33,108	1,255,558	1,240,606	14,952	1,582,275	(283,996)	1,298,279	1,163,234	135,045
Administration:										
Salaries - General Administration	77,700	24,250	101,950	101,939	11	160,000	51,235	211,235	211,235	
Salaries for Secretarial/Clerical Assistants	114,283	(1,783)	112,500	111,018	1,482	70,370		70,370	64,170	6,200
Health Benefits Costs	226,228	224,421	450,649	379,949	70,700	345,940	142,292	488,232	522,690	(34,458)
Purchased Professional - Technical Services	226,070	10,000	236,070	230,176	5,894	234,600	85,230	319,830	319,830	
Other Purchased Services	11,600		11,600	6,518	5,082	36,000	22,246	58,246	58,246	
Communications/Telephone	40,000		40,000	29,730	10,270	36,000		36,000	31,130	4,870
Supplies and Materials	12,000	1,000	13,000	12,628	372	34,000	(11,305)	22,695	22,695	
Miscellaneous Expenses	7,604	10,074	17,678	17,678		20,700	16,000	36,700	34,899	1,801
Judgments Against the Charter School				31,078	(31,078)					
Total Administration	715,485	267,962	983,447	920,714	62,733	937,610	305,698	1,243,308	1,264,895	(21,587)

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**FREEDOM ACADEMY CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	JUNE 30, 2011				POSITIVE/ (NEGATIVE)	JUNE 30, 2010				POSITIVE/ (NEGATIVE)
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	FINAL TO ACTUAL
Support Services:										
Salaries	323,916	200	324,116	309,067	15,049	259,910	41,998	301,908	298,042	3,866
Purchased Professional & Technical Services	20,000	12,000	32,000	31,720	280	30,000	15,000	45,000	44,860	140
Other Purchased Services - (400-500Series)	56,205	4,400	60,605	56,837	3,768	81,000	(40,539)	40,461	40,461	
Rent on Land & Buildings	109,400		109,400	109,400		140,000	(15,500)	124,500	117,196	7,304
Insurance for Property, Liability & Fidelity	18,300		18,300	18,240	60	50,000		50,000	45,205	4,795
Supplies and Materials	15,000	4,000	19,000	18,159	841	7,000	6,000	13,000	10,672	2,328
Energy (Heat & Electricity)	32,800		32,800	22,131	10,669	45,000	500	45,500	33,857	11,643
Miscellaneous Expenses							30	30	31,108	(31,078)
Total Support Services	575,621	20,600	596,221	565,554	30,667	612,910	7,489	620,399	621,401	(1,002)
Nonbudgeted:										
On-Behalf TPAF Pension Contributions				78,358	(78,358)					
Reimbursed TPAF Social Security Contributions				104,907	(104,907)					
Total Expenditures	2,513,556	321,670	2,835,226	2,910,139	(74,913)	3,132,795	29,191	3,161,986	3,049,530	112,456
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Sources/(Uses)	303,651	(197,175)	106,476	411,505	305,029	(483,177)	118,379	(364,798)	(534,722)	(169,924)
Other Financing Sources/(Uses): Transfer In				15,000	15,000					
Total Other Financing Sources/(Uses)				15,000	15,000					
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures After Other Financing Sources/(Uses)	303,651	(197,175)	106,476	426,505	320,029	(483,177)	118,379	(364,798)	(534,722)	(169,924)
Fund Balances, July 1	(18,484)		(18,484)	(18,484)		437,260		437,260	516,238	78,978
Fund Balances, June 30	\$285,167	(197,175)	87,992	408,021	320,029	(45,917)	118,379	72,462	(18,484)	(90,946)

**FREEDOM ACADEMY CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

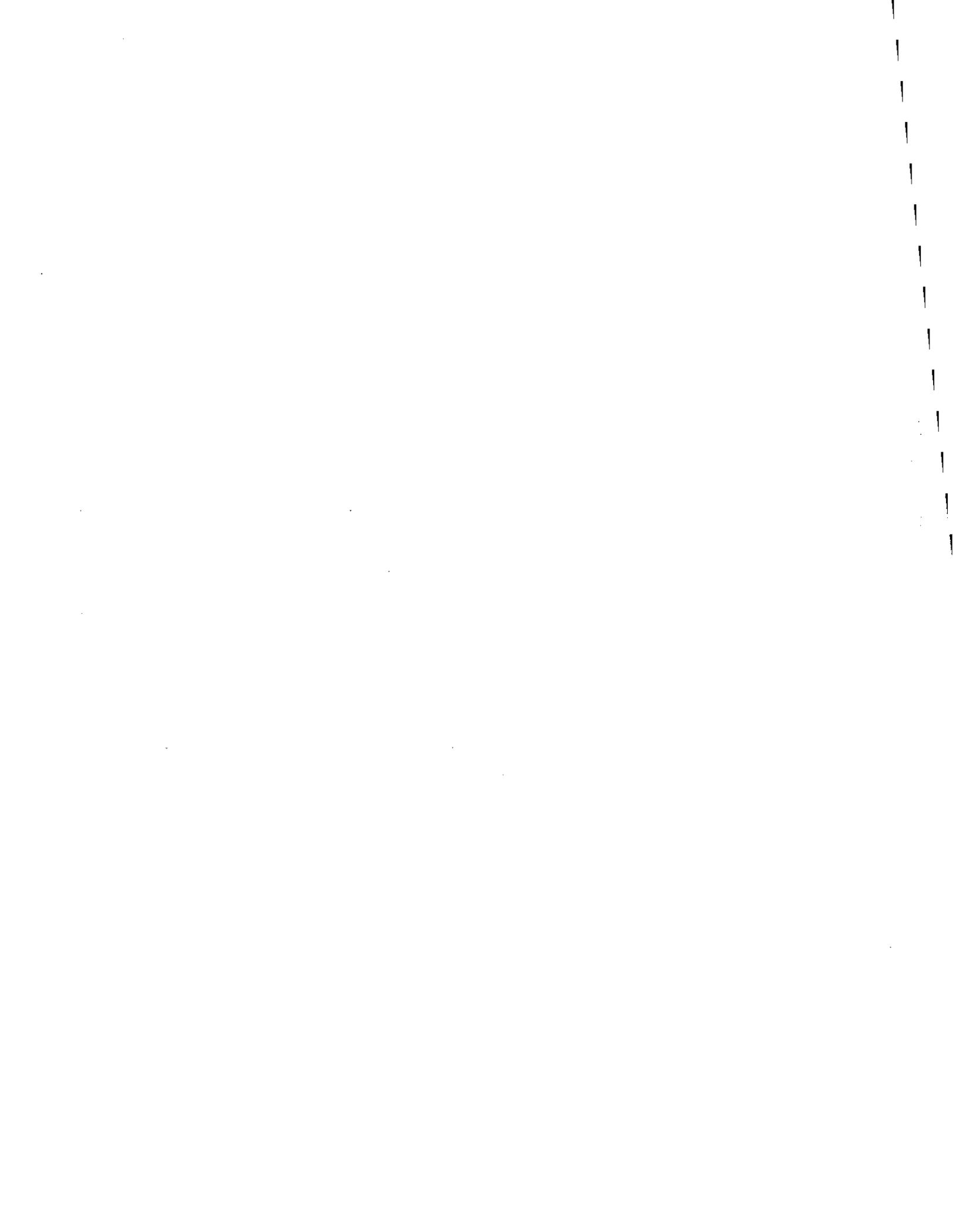
	JUNE 30, 2011				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	JUNE 30, 2010				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
REVENUES										
Federal Sources	\$326,947		326,947	258,604	(68,343)	360,330		360,330	360,330	
Total Revenues	326,947		326,947	258,604	(68,343)	360,330		360,330	360,330	
EXPENDITURES:										
Instruction:										
Salaries of Teachers	191,223		191,223	182,445	8,778	223,819		223,819	223,819	
Other Salaries						44,763		44,763	44,763	
Purchased Professional - Educational Services	59,751		59,751	20,850	38,901	16,597		16,597	14,868	1,729
General Supplies	7,785		7,785	3,621	4,164	4,718		4,718	4,718	
Total Instruction	258,759		258,759	206,916	51,843	289,897		289,897	288,168	1,729
Support Services:										
Salaries of Other Professional Staff						61,342		61,342	61,342	
Personal Services - Employee Benefits	34,434		34,434	34,434		10,825		10,825	10,820	5
Other Purchased Professional Services	16,875		16,875	375	16,500					
Total Support Services	51,309		51,309	34,809	16,500	72,167		72,167	72,162	5
Facilities Acquisition & Construction Services:										
Instructional Equipment	16,879		16,879	16,879						
Total Facilities Acquisition & Construction Services	16,879		16,879	16,879						
Total Expenditures	326,947		326,947	258,604	68,343	362,064		362,064	360,330	1,734
Other Financing Sources/(Uses) Transfers				(15,000)	(15,000)					
Total Outflows	326,947		326,947	273,604	53,343	362,064		362,064	360,330	1,734
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	-	-	-	(15,000)	(15,000)	(1,734)	-	(1,734)	-	(1,734)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**FREEDOM ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	<u>\$3,336,644</u>	<u>258,604</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$3,336,644</u>	<u>258,604</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	<u>\$2,910,139</u>	<u>258,604</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$2,910,139</u>	<u>258,604</u>



OTHER SUPPLEMENTARY INFORMATION

D. School Based Budget Schedules

Not Applicable

E. Special Revenue Fund

**FREEDOM ACADEMY CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

	TITLE I	EDUCATION DURING A PANDEMIC	I.D.E.A. PART B BASIC	2011	2010
Revenues:					
Federal Sources	\$184,870	25,000	48,734	258,604	360,330
Total Revenues	\$184,870	25,000	48,734	258,604	360,330
Expenditures:					
Instruction:					
Salaries of Teachers	\$141,833		40,612	182,445	223,819
Other Salaries					44,763
Purchased Professional Educational Services	16,350	4,500		20,850	14,868
General Supplies		3,621		3,621	4,718
Total Instruction	158,183	8,121	40,612	206,916	288,168
Support Services:					
Personal Services/ Employee Benefits	26,312		8,122	34,434	61,342
Other Purchased Professional Services	375			375	10,820
Total Support Services	26,687		8,122	34,809	72,162
Facilities Acquisition & Construction Services:					
Instructional Equipment		16,879		16,879	
Total Facilities Acquisition & Construction Services		16,879		16,879	
Total Expenditures	\$184,870	25,000	48,734	258,604	360,330



F. Capital Projects Fund

Not Applicable

G. Proprietary Funds

Enterprise Funds

**FREEDOM ACADEMY CHARTER SCHOOL
ENTERPRISE FUND
COMBINING SCHEDULE OF NET ASSETS
AS OF JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

ASSETS	<u>BUSINESS-TYPE ACTIVITIES - FOOD SERVICE</u>	2011	2010
Cash	\$62,037	62,037	53,137
Due from Other Governments:			
State	191	191	
Federal	7,696	7,696	6,458
Other Receivables			82
Total Assets	69,924	69,924	59,677
NET ASSETS			
Unreserved Net Assets	69,924	69,924	59,677
Total Net Assets	\$69,924	69,924	59,677

**FREEDOM ACADEMY CHARTER SCHOOL
ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
AS OF JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

	<u>BUSINESS-TYPE ACTIVITIES - FOOD SERVICE</u>	2011	2010
Operating Revenues:			
Local Sources:			
Daily Sales - Nonreimbursable Programs	\$257	257	34,116
Total Operating Revenue	<u>257</u>	<u>257</u>	<u>34,116</u>
Operating Expenses:			
Cost of Sales	137,001	137,001	121,181
Repairs	1,978	1,978	
Total Operating Expenses	<u>138,979</u>	<u>138,979</u>	<u>121,181</u>
Operating Income/(Loss)	<u>(138,722)</u>	<u>(138,722)</u>	<u>(87,065)</u>
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	1,962	1,962	5,278
Federal Sources:			
National School Lunch Program	98,817	98,817	39,852
National School Breakfast Program	44,386	44,386	72,271
After School Snacks Program	3,804	3,804	17,744
Total Nonoperating Revenues	<u>148,969</u>	<u>148,969</u>	<u>135,145</u>
Net Income/(Loss)	10,247	10,247	48,080
Net Assets - July 1	<u>59,677</u>	<u>59,677</u>	<u>11,597</u>
Net Assets - June 30	<u>\$69,924</u>	<u>69,924</u>	<u>59,677</u>

**FREEDOM ACADEMY CHARTER SCHOOL
ENTERPRISE FUND
SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	2011	2010
Cash Flows From Operating Activities:			
Receipts from Customers	\$339	339	34,034
Payments to Suppliers & Employees	(138,979)	(138,979)	(148,193)
Net Cash Provided/(Used) by Operating Activities	(138,640)	(138,640)	(114,159)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	147,540	147,540	172,635
Transfer to Other Fund			(5,339)
Net Cash Provided by Noncapital Financing Activities	147,540	147,540	167,296
Net Increase/(Decrease) in Cash & Cash Equivalents	8,900	8,900	53,137
Balances - Beginning of Year	53,137	53,137	
Balances - Ending of Year	\$62,037	62,037	53,137

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	(\$138,722)	(138,722)	(87,065)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:			
Change in Assets & Liabilities:			
Decrease/(Increase) Interfund Accounts Receivable	82	82	(82)
Increase/(Decrease) Interfund Accounts Payable			(27,012)
Total Adjustments	82	82	(27,094)
Net Cash Provided/(Used) by Operating Activities	(\$138,640)	(138,640)	(114,159)

Internal Service Fund

Not Applicable

H. Fiduciary Fund

**FREEDOM ACADEMY CHARTER SCHOOL
TRUST AND AGENCY FUND
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011
(With Comparative Totals for June 30, 2010)**

ASSETS	<u>AGENCY PAYROLL FUND</u>	2011	2010
Cash & Cash Equivalents	\$21,900	21,900	26,192
Total Assets	<u>21,900</u>	<u>21,900</u>	<u>26,192</u>
LIABILITIES			
Payroll Deductions & Withholdings	11,678	11,678	26,192
Interfund Payable	<u>10,222</u>	<u>10,222</u>	
Total Liabilities	<u>21,900</u>	<u>21,900</u>	<u>26,192</u>
NET ASSETS			
Held in Trust for Unemployment Claims & Other Purposes			<u>26,192</u>
Total Net Assets	<u>-</u>	<u>-</u>	<u>-</u>

**FREEDOM ACADEMY CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ASSETS	BALANCE JULY 1, 2010	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2011
Cash	\$26,192	2,174,268	2,178,560	21,900
	<u>\$26,192</u>	<u>2,174,268</u>	<u>2,178,560</u>	<u>21,900</u>
LIABILITIES				
Interfunds Payable		1,476,419	1,476,419	
Net Payroll		10,222		10,222
Payroll Deductions & Withholdings	\$26,192	687,627	702,141	11,678
Total Liabilities	<u>\$26,192</u>	<u>697,849</u>	<u>702,141</u>	<u>21,900</u>

I. Long-Term Debt

Not Applicable

STATISTICAL SECTION (Unaudited)

FREEDOM ACADEMY CHARTER SCHOOL
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,						
	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:							
Restricted	\$142,880	155,001	184,802	150,963	108,181	51,516	23,012
Unrestricted	408,021	(3,484)	531,238	687,238	587,349	163,821	64,298
Total Governmental Activities							
Net Assets	<u>\$550,901</u>	<u>151,517</u>	<u>716,040</u>	<u>838,201</u>	<u>695,530</u>	<u>215,337</u>	<u>87,310</u>
Business-Type Activities:							
Unrestricted	\$69,924	59,677	11,597				
Total Business-Type Activities							
Net Assets	<u>\$69,924</u>	<u>59,677</u>	<u>11,597</u>				
District-Wide:							
Restricted	\$142,880	155,001	184,802	150,963	108,181	51,516	23,012
Unrestricted	477,945	56,193	542,835	687,238	587,349	163,821	64,298
Total District Net Assets	<u>\$620,825</u>	<u>211,194</u>	<u>727,637</u>	<u>838,201</u>	<u>695,530</u>	<u>215,337</u>	<u>87,310</u>

**FREEDOM ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS - (ACCRUAL BASIS OF ACCOUNTING)
LAST SEVEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,						
	2011	2010	2009	2008	2007	2006	2005
Expenses:							
Governmental Activities							
Instruction	\$1,447,522	1,451,402	1,668,078	1,654,480	1,090,733	622,136	289,361
Administration	920,714	1,264,895	1,093,152	749,985	661,638	422,079	197,327
Support Services	600,363	693,563	666,454	547,547	500,887	372,516	286,063
Unallocated Benefits	183,265						
Unallocated Depreciation	29,000	29,801	12,857	12,857	8,197	4,914	2,317
Total Governmental Activities Expenses	<u>3,180,864</u>	<u>3,439,661</u>	<u>3,440,541</u>	<u>2,964,869</u>	<u>2,261,455</u>	<u>1,421,645</u>	<u>775,068</u>
Business-Type Activities:							
Food Service	138,979	121,181	149,614				29,353
Total Business-Type Activities Expense	<u>138,979</u>	<u>121,181</u>	<u>149,614</u>				<u>29,353</u>
Total Charter School Expenses	<u>\$3,319,843</u>	<u>3,560,842</u>	<u>3,590,155</u>	<u>2,964,869</u>	<u>2,261,455</u>	<u>1,421,645</u>	<u>804,421</u>
Program Revenues:							
Governmental Activities:							
Capital Grants & Contributions	\$241,725	360,330	262,292	343,510	374,525	230,512	224,531
Total Governmental Activities Program Revenues	<u>241,725</u>	<u>360,330</u>	<u>262,292</u>	<u>343,510</u>	<u>374,525</u>	<u>230,512</u>	<u>224,531</u>
Business-Type Activities:							
Charges for Services:							
Food Service	257	34,116					29,353
Capital Grants & Contributions	148,969	135,145	161,211				13,712
Total Business Type Activities Program Revenues	<u>149,226</u>	<u>169,261</u>	<u>161,211</u>				<u>43,065</u>
Total Charter School Program Revenues	<u>\$390,951</u>	<u>529,591</u>	<u>423,503</u>	<u>343,510</u>	<u>374,525</u>	<u>230,512</u>	<u>267,596</u>
Net/(Expense)/Revenue:							
Governmental Activities	(\$2,939,139)	(3,079,331)	(3,178,249)	(2,621,359)	(1,886,930)	(1,191,133)	(550,537)
Business-Type Activities	10,247	48,080	11,597				13,712
Total Charter School Net Expense	<u>(\$2,928,892)</u>	<u>(3,031,251)</u>	<u>(3,166,652)</u>	<u>(2,621,359)</u>	<u>(1,886,930)</u>	<u>(1,191,133)</u>	<u>(536,825)</u>

**FREEDOM ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS - (ACCRUAL BASIS OF ACCOUNTING)
LAST SEVEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,						
	2011	2010	2009	2008	2007	2006	2005
General Revenues & Other Changes in Net Assets:							
Governmental Activities:							
Property Taxes Levied for General Purposes, Net	\$126,547	112,001	98,626	421,341	312,016	175,951	43,721
Grants & Contributions	3,135,618	2,389,292	2,830,715	2,339,989	2,055,107	1,136,066	575,304
Miscellaneous Income	76,358	13,515	126,747	2,700		239	5,114
Total Governmental Activities	<u>3,338,523</u>	<u>2,514,808</u>	<u>3,056,088</u>	<u>2,764,030</u>	<u>2,367,123</u>	<u>1,312,256</u>	<u>624,139</u>
Total Charter School Wide	<u>\$3,338,523</u>	<u>2,514,808</u>	<u>3,056,088</u>	<u>2,764,030</u>	<u>2,367,123</u>	<u>1,312,256</u>	<u>624,139</u>
Change in Net Assets:							
Governmental Activities	\$399,384	(564,523)	(122,161)	142,671	480,193	121,123	73,602
Business-Type Activities	10,247	48,080	11,597				13,712
Total Charter School	<u>\$409,631</u>	<u>(516,443)</u>	<u>(110,564)</u>	<u>142,671</u>	<u>480,193</u>	<u>121,123</u>	<u>87,314</u>

Source: Charter School's Records

FREEDOM ACADEMY CHARTER SCHOOL
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,						
	2011	2010	2009	2008	2007	2006	2005
General Fund							
Unassigned	\$408,021	(18,484)	516,238	687,238	587,349	163,821	64,297
Total General Fund	<u>\$408,021</u>	<u>(18,484)</u>	<u>516,238</u>	<u>687,238</u>	<u>587,349</u>	<u>163,821</u>	<u>64,297</u>
All Other Governmental Funds							
Unassigned:							
Special Revenue Fund	\$ -	15,000	15,000				
Total All Other Governmental Funds	<u>\$ -</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

FREEDOM ACADEMY CHARTER SCHOOL
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TWO FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2011	2010
Revenues:		
Federal	\$265,084	360,330
State	3,112,259	2,389,292
Local	202,905	125,516
	<hr/>	<hr/>
Total Revenue	3,580,248	2,875,138
	<hr/>	<hr/>
Current Expense:		
Instruction:		
Teachers' Salaries	1,162,728	1,109,467
Other Salaries	111,749	134,280
Purchased Professional/Technical Services	3,500	28,589
Other Purchased Services	79,873	117
General Educational Supplies	40,825	66,673
Textbooks	8,887	27,849
Other Objects	39,960	84,427
Administrative Services:		
Salaries	101,939	211,235
Salaries of Secretarial/Clerical Assistants	111,018	64,170
Total Benefit Costs	379,949	584,032
Professional/Technical Services	230,176	330,650
Other Purchased Services	6,518	58,246
Communication & Telephones	29,730	31,130
Supplies and Materials	12,628	22,695
Miscellaneous Expense	17,678	34,899
Judgment Payable	31,078	
Support Services:		
Salaries	309,067	298,042
Purchased Professional/Technical Services	31,720	44,860
Other Purchased Services	91,646	40,461
Rent on Land & Buildings	109,400	117,196
Insurance-Fidelity, Liability, Property	18,240	45,205
Supplies and Materials	18,159	10,672
Energy Costs (Heat & Electric)	22,131	33,857
Miscellaneous		31,108
Capital Outlay:		
Instructional Equipment	16,879	
Unallocated Benefits	183,265	
	<hr/>	<hr/>
Total Expenditures	3,168,743	3,409,860
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	411,505	(534,722)
	<hr/>	<hr/>
Net Change in Fund Balances	\$411,505	(534,722)
	<hr/>	<hr/>

Source: District Records

EXHIBITS J-5 THROUGH J-13

NOT APPLICABLE

EXHIBIT J-14

**FREEDOM ACADEMY CHARTER SCHOOL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST SEVEN FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME(b)	PER CAPITA		UNEMPLOYMENT RATE (d)
			PERSONAL INCOME (c)		
2011	77,344	N/A	N/A		N/A
2010	* 77,344	3,248,826,860	N/A		18.6%
2009	79,519	3,282,703,358	41,282		16.3%
2008	79,263	3,276,415,368	41,336		10.1%
2007	79,201	3,172,158,452	40,052		10.1%
2006	79,611	3,063,749,724	38,484		10.1%
2005	79,498	2,872,103,744	36,128		10.1%

*2010 Census

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income is estimated - population times estimated per capita personal income.

^c Per Capita Per County from US Bureau of Economic Analysis

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

EXHIBIT J-15 NOT APPLICABLE

**FREEDOM ACADEMY CHARTER SCHOOL
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS**

Function/Program	2011	2010	2009	2008	2007	2006	2005
Number of Classes:							
Special Education:							
Grade 5	2	2	3	3	2	3	3
Grade 6	2	2	2	2	3	3	
Grade 7	2	2	2	2	3		
Grade 8	2	2	2	2			
Total Number of Classes	8	8	9	9	8	6	3
Full-Time Employees:							
School Director	1	1	1	1	1	1	1
Director of Operations	1	1	1	1	1	1	
Deans		1	3				
Teachers	18	19	17	17	15	9	4
Special Education Teacher	3	1	1	1	2	1	
Teacher Aides	2	1					
Social Worker	1	1	1	1	1	1	
School Nurse	1	1	1	1	1	1	
Office Manager	1	1	1	1	1	1	
Food Services Manager	1	1	1	1	1	1	
Custodian	1	1	1				
Security Officers	1	1					
Administrative Assistant	2	2	2	2	2	1	1
Total Employees	33	32	30	26	25	17	6
Teacher/Student Ratio	1:11	1:10	1:14	1:17	1:18	1:18	1:24
Student Count at June 30	234	192	243	292	280	163	97

Source: Charter School's Personnel Records

**FREEDOM ACADEMY CHARTER SCHOOL
OPERATING STATISTICS
LAST SEVEN FISCAL YEARS**

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FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2011	234	\$2,879,061	12,304	-9.19%	21	1:11	207.0	204	8%	87.18%
2010	227	3,049,530	13,434	0.01%	19		192.2	174	-18%	90.53%
2009	239	3,210,492	13,433	29.12%	17		234.2	213	-6%	90.99%
2008	292	2,780,183	9,521	27.10%	17		249.6	245	14%	98.16%
2007	280	1,943,595	6,941	-71.78%	15		218.9	217	59%	99.13%
2006	163	1,943,595	11,924	51.60%	9		137.9	135	100%	97.90%
2005	97	559,842	5,772	0.00%	4		68.9	63	0%	91.87%

Sources: District records

Note: Enrollment based on annual October Charter School count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**FREEDOM ACADEMY CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS**

DISTRICT BUILDING	2011	2010	2009	2008	2007	2006	2005
School Building:							
Square Feet	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Capacity (Students)	255	255	255	320	240	160	76
Enrollment	234.0	227.0	243.0	292.0	226.0	217.0	68.9

Number of Schools at June 30, 2011 - 1

Source: District Facilities Office

Note: Enrollment is based on the annual October District count.

**EXHIBIT J-19
NOT APPLICABLE**

**FREEDOM ACADEMY CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2011**

	COVERAGE	DEDUCTIBLE
Property Insurance:		
Blanket Real & Personal Property	300,000,000	1,000 Per Occurrence
Blanket Extra Expense	50,000,000	1,000 Per Occurrence
Blanket Valuable Papers & Records	10,000,000	1,000 Per Occurrence
Demolition & Increased Cost of Construction	10,000,000	
Fire Department Service Charge	10,000	
Arson Reward	10,000	
Pollutant Clean-up and Removal	250,000	
Flood Deductibles:		
Per Building		500,000
Per Building Contents		500,000
Per Member/Per Occurrence Subject to a Maximum Retained		10,000
Deductible of \$1,000,000 to NJSBAIG		
Electronic Data Processing:		
Blanket Hardware/Software	75,000	Per Occurrence
Coverage Extensions:		
Transit	25,000	
Loss of Income	10,000	
Deductible	1,000	
Flood Deductible A & V	500,000	
Flood Deductible Other Zones	10,000	
Boiler & Machinery:		
Combined Single Limit Per Accident for PD & Business Income	100,000,000	1,000 Per Accident for PD 12 hours per accident for Business Interruption/Extra Expense. Interruption of Service Waiting Period 24 Hours
Crime:		
Public Employee Dishonest with Faithful Performance	50,000	
Theft, Disappearance & Destruction - Loss of Money & Securities On or Off Premises	10,000	
Theft, Disappearance & Destruction - Loss of Money & Counterfeit Paper Currency	25,000	
Forgery or Alteration	50,000	
Computer Fraud	250,000	
Public Officials Bond:		
Board Secretary/Business Administrator	160,000	

Source: District Records

SINGLE AUDIT SECTION



Certified Public Accountants & Consultants

EXHIBIT K-1

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

Honorable President and Members
of the Board of Trustees
Freedom Academy Charter School
County of Camden
Camden, New Jersey 08104

We have audited the financial statements of the Board of Trustees of the Freedom Academy Charter School, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. 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 the Freedom Academy Charter School'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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 & Questioned Costs*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses 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. 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. We consider the deficiencies described in the accompanying *Schedule of Findings & Questioned Costs* as Findings No's: 2011-05 and 2011-06 to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings & Questioned Costs as Finding No: 2011-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Freedom Academy Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed six instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey as described in the accompanying *Schedule of Findings & Questioned Costs* as Finding No's: 2011-01, 2011-02, 2011-03, 2011-04, 2011-05 and 2011-06.

We noted certain matters that we reported to management in a separate *Independent Auditor's Management Report on Administrative Findings – Financial Compliance and Performance* dated September 30, 2011.

This report is intended solely for the information of the audit committee, management, the Freedom Academy 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.

Respectfully submitted,

HOLMAN & FRENIA, P. C.



Kevin P. Frenia
Certified Public Accountant
Public School Accountant
No. 1011

Medford, New Jersey
September 30, 2011



Certified Public Accountants & Consultants

EXHIBIT K-2
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Trustees
Freedom Academy Charter School
County of Camden
Camden, New Jersey 08104

Compliance

We have audited the compliance of Board of Trustees of the Freedom Academy Charter School, in the County of Camden, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey Grants Compliance Supplement* that are could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The Freedom Academy Charter School’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Freedom Academy Charter School’s management. Our responsibility is to express an opinion on the Freedom Academy 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; OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*; and New Jersey OMB’s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB’s Circular 04-04, requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Freedom Academy Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Freedom Academy Charter School’s compliance with those requirements.

In our opinion, the Freedom Academy Charter School, County of Camden, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Freedom Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants

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applicable to state programs. In planning and performing our audit, we considered Freedom Academy Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Freedom Academy Charter School's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding No: 2011-05 to be a material weakness.

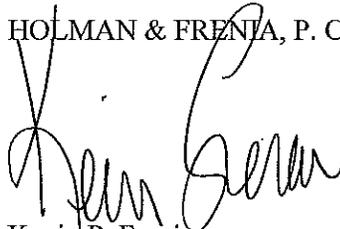
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding No: 2011-02 to be a significant deficiency.

Freedom Academy Charter School's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Freedom Academy Charter School's responses and, accordingly, we express no opinion to the responses.

This report is intended for the information of the management of the Freedom Academy Charter School, the New Jersey State Department of Education, 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.

Respectfully submitted,

HOLMAN & FRENIA, P. C.



Kevin P. Frenia
Certified Public Accountant
Public School Accountant
No. 1011

Medford, New Jersey
September 30, 2011

FREEDOM ACADEMY CHARTER SCHOOL
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

STATE GRANTOR/ PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT 6/30/2010		CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS BALANCE	ADJUSTMENT	(ACCOUNTS RECEIVABLE) 2011	DUE TO GRANTOR 2011	MEMO		
				(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR							BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
State Department of Education: General Fund:														
Equalization Aid	11-495-034-5120-078	\$2,795,867	7/1/10-6/30/11	(\$13,100)	187,145	2,694,172	(2,795,867)	(187,145)		(114,795)			2,795,867	
Special Education Categorical Aid	11-495-034-5120-089	53,311	7/1/10-6/30/11		3,908	53,176	(53,311)	(3,908)		(135)			53,311	
Security Aid	11-495-034-5120-084	79,816	7/1/10-6/30/11		3,019	84,406	(79,816)	(3,019)			4,590		79,816	
TPAF Pension Contribution	11-495-034-5095-001	78,358	7/1/10-6/30/11			78,358	(78,358)						78,358	
On-Behalf TPAF Social Security Reimbursement	10-495-034-5095-002	109,851	7/1/09-6/30/10	(4,312)	32,700	4,312				(32,700)				
On-Behalf TPAF Social Security Reimbursement	11-495-034-5095-002	104,907	7/1/10-6/30/11			100,427	(104,907)			(4,480)			104,907	
Total General Fund				(17,412)	226,772	3,014,851	(3,112,259)	(194,072)	(32,700)	(119,410)	4,590		3,112,259	
State Department of Agriculture:														
Breakfast Program (State Share)	10-100-10-3360-096	2,486	7/1/09-6/30/10	(110)		110								
National School Lunch Program	10-100-10-3360-067	2,791	7/1/09-6/30/10	(147)		147								
National School Lunch Program	11-100-10-3360-067	1,962	7/1/10-6/30/11			1,771	(1,962)			(191)			1,962	
Total Enterprise Fund				(257)		2,028	(1,962)			(191)			1,962	
Total State Financial Assistance				(\$17,669)	226,772	3,016,879	(3,114,221)	(194,072)	(32,700)	(119,601)	4,590	-	3,114,221	

**FREEDOM ACADEMY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2011**

Note 1. General

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

Note 2. Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Board's basic financial statements.

Note 3. Relationship to Basic Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A.18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A.18A:22-4.2*.

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

**FREEDOM ACADEMY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2011**

Note 3. Relationship to Basic Financial Statements (continued):

	State
General Fund	\$3,112,259
Food Service Fund	<u>1,962</u>
Total Financial Assistance	<u>\$3,114,221</u>

Note 4. Relationship to State Financial Reports

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

Note 5. Other

TPAF social security contributions represent 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. Federal and State Loans Outstanding

The Freedom Academy Charter School had no loan balances outstanding at June 30, 2011.

**FREEDOM ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS & 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:	<u>Qualified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	Yes
2) Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to basic financial Statements noted?	No

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor’s report issued on compliance for major programs	<u>Unqualified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	Yes
2) Significant deficiencies identified that are not considered To be material weaknesses?	Yes
Any audit findings disclosed that are required to be reported in accordance With New Jersey OMB Circular 04-04	Yes

Identification of major programs:

GMIS Number(s)	Name of State Program
11-495-034-5120-078	Equalization Aid

**FREEDOM ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit (see paragraphs 13.15 and 13.35, also see AICPA Audit Guide *Government Auditing Standards and Circular a-133 Audits* for further guidance).

Finding 2011-02:

Criteria or Specific Requirement:

Employee time sheets and overtime should be reviewed and approved for each pay period by someone in a supervisory position.

Condition:

It was noted during our audit that employee time sheets and overtime are not being properly approved.

Context:

Appropriate internal controls should be in place and followed in order to ensure that all employee time sheets and overtime are reviewed and approved for each payroll period.

Effect:

The Charter School risks not accurately paying employees for their time worked.

Cause:

Lack of internal controls around the review and approval of employee time.

Recommendation:

That the employee time sheets and overtime be properly reviewed and approved.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

**FREEDOM ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section II – Financial Statement Findings (continued):

Finding 2011-05:

Criteria or Specific Requirement:

The Charter School should maintain an accurate listing of their capital assets including yearly additions, deletions and accumulated depreciation.

Condition:

It was noted during our audit the Charter School does not maintain a record of the school's fixed assets.

Context:

The Charter School was unable to provide support for the fixed asset balances that were reported in the prior year audit.

Effect:

The Charter School risks misstating its investment in capital assets.

Cause:

Lack of understanding by the Charter School as to the importance of maintaining an accurate listing of fixed assets.

Recommendation:

That a fixed asset appraisal be obtained from an outside appraisal company to ensure that the Charter School's fixed assets are properly tracked and reported.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

Finding 2011-06:

Criteria or Specific Requirement:

The Charter School should have proper internal controls in place around the process of collecting money for the food service fund.

**FREEDOM ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section II – Financial Statement Findings (continued):

Finding 2011-06 (continued):

Condition:

It was noted during our audit that there is a lack of internal control surrounding the receipt and deposit of school lunch funds. There is no cash register in place and deposits are not being made in a timely manner. The auditor was unable to verify lunch sales to a register tape and then to a deposit slip showing a timely deposit into the bank. Additionally, students are not being charged for lunches. Over 4,000 claims were made by the Charter School for paid and reduce lunch reimbursements, however, only \$250 in cash was collected throughout the school year.

Context:

Food service collections are not being properly documented and deposited in a timely manner. Also, the amount of claims for paid and reduced lunches does not coincide to the amount of cash collections as students are not being charged for lunches.

Effect:

The Charter School risks the misappropriation of food service collections.

Cause:

Lack on internal controls surrounding the food service fund.

Recommendation:

That internal controls around food service be improved to ensure that funds collected for breakfast and lunch are not misappropriated and deposited into the school's bank account in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

The Charter School agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

Section III – Federal Awards & State Financial Assistance Finding & Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and New Jersey OMB's Circular Letter 04-04.

No Current Year Findings

**FREEDOM ACADEMY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
For the Fiscal Year Ended June 30, 2011**

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

Finding 2009-01:

Finding

During our review of the cash disbursements, we noted the following conditions:

- a. A petty cash disbursement of \$2,000 was made in August 2008. The School's petty cash policy requires that the maximum single amount that can be paid out of the petty cash fund is only \$100.
- b. The disbursement from the petty cash fund was recorded as "Supplies and Materials" (Code no. 230-600) instead of the appropriate expense account.
- c. Monthly requests for reimbursements for the petty cash fund do not correspond to the monthly summary of petty cash expenses.
- d. Two (2) of 25 purchase orders sampled had no indication of review and approval.

Current Year Status:

This condition has been corrected.

Finding 2009-02:

Finding:

During the early stages of the audit, we noted that the School's accounting records, general ledger, and trial balance were not updated and ready for the start of the audit. In addition, the School had not prepared the draft financial statements.

Current Year Status:

This condition has been corrected.

**FREEDOM ACADEMY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT (continued):
For the Fiscal Year Ended June 30, 2011**

Finding 2010-01:

Condition:

In a review of 60 purchase orders sampled, 3 had no indication of review and approval.

Current Status:

This condition has been corrected.

Finding 2010-02:

Condition:

An examination of the payroll records showed that three (3) payrolls were not approved by the designees and that the President of the Board did not certify the payrolls as required.

Current Status:

This condition has been corrected.

Finding 2010-03:

Condition:

During examination of the payroll withholding remittances there was an exception noted that Teachers' Pension and Annuity Fund ("TPAF"), Public Employees' Retirement System and 403(B), were not timely remitted

Current Status:

This condition has been corrected.

Finding 2010-04:

Condition:

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (lead person, principals, and business administrator) to the NJ Department of Treasury was not completed or was not filed by the March 15 due date.

**FREEDOM ACADEMY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT (continued):
For the Fiscal Year Ended June 30, 2011**

Finding 2010-04 (continued):

Current Status:

This condition has been corrected.

Finding 2010-05:

Condition:

The required reimbursement to the state for the employer share of pensions, group life insurance, FICA and other benefits of TP AF for members carrying out and paid from federally funded programs was not completed or was not filed by the October 1 due date.

Current Status:

This condition has been corrected.

Finding 2010-06:

Condition:

Review of the financial and accounting records maintained by the business office disclosed that bids received were not summarized in the minutes (N.J.S.A 18A:18A-21).

Current Status

This condition has been corrected.

Finding 2010-07:

Condition:

The School did not maintain capital assets records during the year.

Current Status:

This condition has not been corrected.

**FREEDOM ACADEMY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT (continued):
For the Fiscal Year Ended June 30, 2011**

Finding 2010-08:

Condition:

The October 15, 2009 enrollment count showed a difference of 4 students between the School's enrollment count worksheet and the DOEnet list. The school's records show 227 enrolled students while the DOEnet list showed 223 students.

The June 21, 2010 enrollment count showed a difference of 28 students between the School's enrollment count worksheet and the DOEnet list. The school's records show 197 enrolled students while the DOEnet list showed 225 students. Failure to meet the requirements may result in overpayment received from the School District.

Current Status:

This condition has been corrected.