THE GRAY CHARTER SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

THE GRAY CHARTER SCHOOL

The Gray Charter School
Board of Trustees
Newark, New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

OF

THE GRAY CHARTER SCHOOL

NEWARK, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by

The Gray Charter School
Finance Department

And

Barre & Company, CPAs

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Christopher D. Cerf, Acting Commissioner
Secretary, State Board of Education

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Verna A. Gray, Executive Director
Member of National Register's
Who's Who in Executives & Professionals
2003 - 2004 Edition

November 30, 2011

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

Dear Board Members:

We are pleased to announce that The Gray Charter School was awarded the National Blue Ribbon of School Excellence, as one of 304 Schools nationwide recognize for its achievements and only one of 14 charter schools out of 4573 in America.

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of The Gray Charter School (Charter School) for the fiscal year ended June 30, 2011. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;

- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

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

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

Charter School Organization

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

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

1) <u>REPORTING ENTITY AND ITS SERVICES</u>: The Gray Charter School is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the charter school are included in this report.

The Gray Charter School provides a full range of educational services appropriate to grades K-8. These services include regular, as well as special instruction in basic skills. The students are afforded educational opportunities through the implementation of various instructional ideologies that are aligned with the New Jersey Core Curriculum Content Standards. In addition, the comprehensive curriculum is complemented with the teaching of music and violin. Tutorial opportunities are provided on a daily basis for individuals and small groups.

Clear, student-centered goals focused on staff professional development has resulted in significant gains in achievement during the 2010-2011 school academic year. Communications to parents are offered through regular parent-teacher conferences; the Parent Academy Program and monthly meetings.

REPORTING ENTITY AND ITS SERVICES (CONTINUED):

The Charter School completed the 2010-2011 school year with an enrollment of 266 students. The following details the student enrollment over the last four years:

Average Daily Enrollment

Fiscal Year	Student Enrollment	Attendance Change
2010-2011	266	100.00%
2009-2010	280	100.00%
2008-2009	290	100.00%
2007-2008	300	100.00%

2. ECONOMIC CONDITION AND OUTLOOK: The Gray Charter School is located in Newark, New Jersey. The Charter School has completed its tenth year of implementation. During the 2010-2011 school year, the school serviced 40 kindergarten students, 40 first grade students, 35 second grade students, 35 third grade students, 38 fourth grade students, 26 fifth grade students, 24 sixth grade students, 22 seventh grade students and 16 eighth grade students.

The school is located in one of the major urban areas of the state. Newark continues to experience a period of development and expansion which is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Newark will continue to prosper.

Growth

The Gray Charter School began its inception with Grades K, 1, 2, 3, 4, 6 & 7. The school currently services a student population of students comprised of: Kindergarten (2 sections) –40 students; Grade 1 (2 sections) – 40 students; Grade 2 (2 sections) – 35 students; Grade 3 (2 sections) – 35 students; Grade 4 (1 section) – 38 students; Grade 5 (2 sections) – 26 students; Grade 6 (2 sections) – 24 students; Grade 7 (2 section) – 22 students; and Grade 8 (1 section) – 16 students. The school currently has a waiting list of 1,315 students.

The Gray Charter School is located at 55 Liberty Street, Newark, NJ. The building consists of four floors, 37,500 sq. ft. The new building provides adequate space for the students for classroom instruction as well as space for Title I, music, physical education and library.

ECONOMIC CONDITION AND OUTLOOK (CONTINUED:

3. MAJOR INITIATIVES: The Charter School has developed a comprehensive strategic plan to support its mission and vision and serves as a blueprint for the achievement of its goals. The plan includes objectives, such as pupil achievement as measured by standardized tests and teacher assessment instruments; formal professional development for the certified and non-certified staff; and the implementation of a technology plan in all classrooms.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 2. The Board 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 Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the ACT.

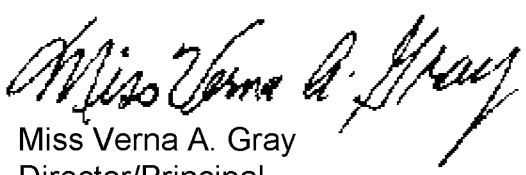
7. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in J-20.

8. OTHER INFORMATION:

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

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

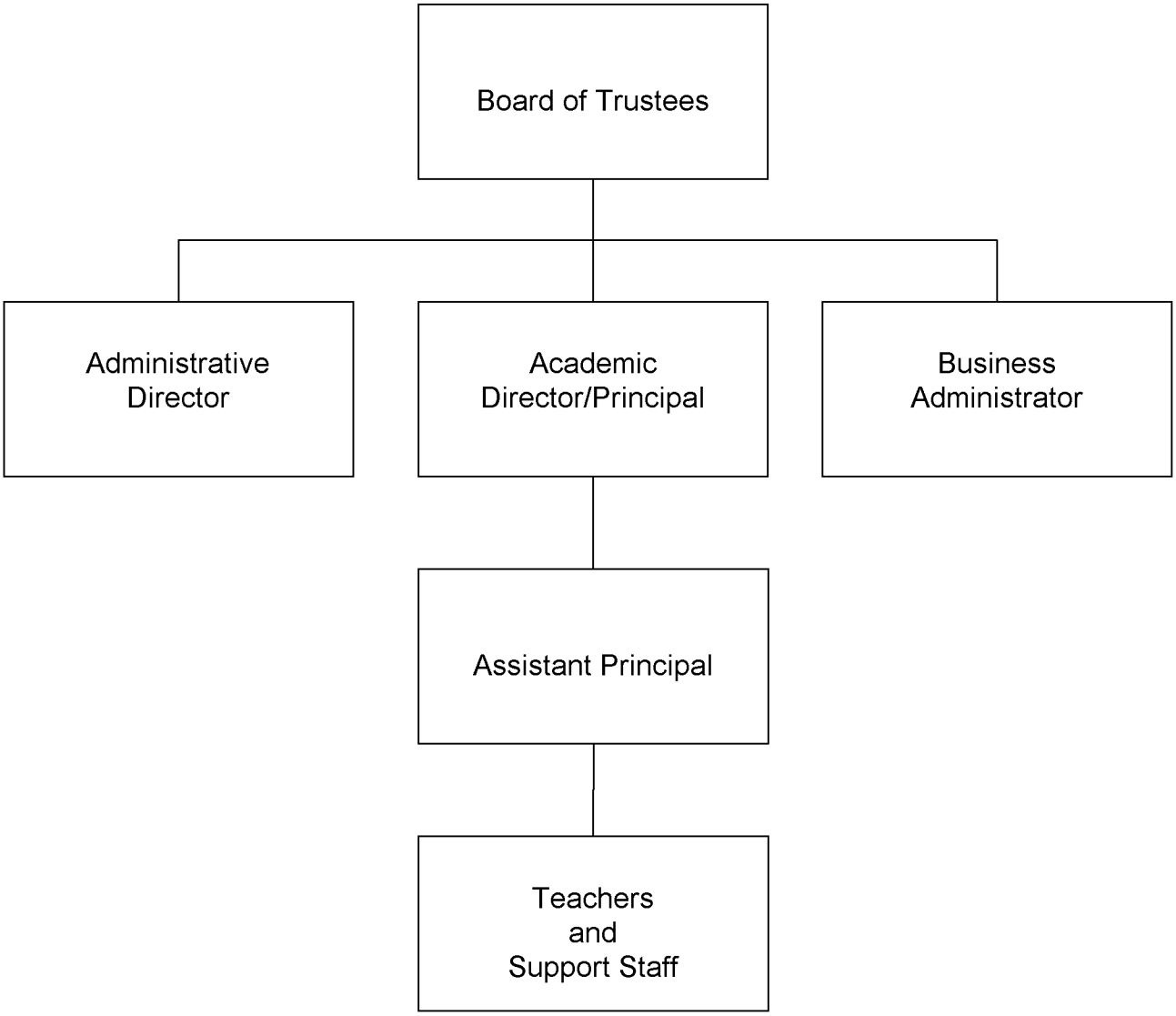
Respectfully submitted,



Miss Verna A. Gray
Director/Principal

THE GRAY CHARTER SCHOOL

Organizational Chart



THE GRAY CHARTER SCHOOL
NEWARK, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2011

MEMBERS OF THE BOARD OF TRUSTEES	POSITION
Mr. Joel Taylor	President
Mrs. Minnie Ruth Ramsey	Vice President
Mrs. Leslie Charles	Secretary
Mr. Michael Hodges	Member
Mr. Elroy Cartwright	Member
Miss Verna Gray (ex-officio)	Executive Director
Mr. Richard Salles (ex-officio)	Assistant Director

THE GRAY CHARTER SCHOOL
NEWARK, NEW JERSEY

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Cherie Adams, Esq.
Adams, Stern, Gutierrez & Lattiboudere
1057 Raymond Boulevard
Suite 710
Newark, NJ 07102

Official Depository

Wells Fargo Bank
550 Broad Street
Newark, NJ 07102

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 206
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Trustees of The Gray Charter School (Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Gray Charter School Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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.

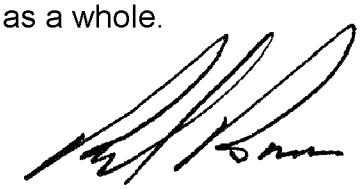
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of The Gray Charter School (Charter School), in the County of Essex, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2011 on our consideration of the 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 *Government Auditing Standards* and should be in considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information starting on pages 14 and 56, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 tables 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.

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



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

November 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION – PART I

THE GRAY CHARTER SCHOOL
NEWARK, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The discussion and analysis of The Gray Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General revenues accounted for $4,274,965 or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $98,517 or 2% of total revenues of $4,373,482.

- The Charter School had 4,537,117 in expenses; only $98,517 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $4,274,965 were not adequate to provide for these programs.

- Among governmental funds, the General Fund had $3,783,074 in revenues and $3,926,808 in expenditures. The General Fund's fund balance decreased $143,734 over 2010. This decrease was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

- Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services and capital outlay.

- Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 35 of this report.

The Charter School as a Whole

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

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

The Charter School's combined Net Assets were $411,429 on June 30, 2011 and $575,064 on June 30, 2010.

Governmental Activities

The Charter School's total revenues were $4,248,605 for 2011 and $4,280,209 for 2010, this includes $204,543 for 2011 and $178,548 for 2010 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services were 4,418,029 for 2011 and $4,384,200 for 2010. Instruction comprises 54% for 2011 and 57% for 2010 of Charter School expenses.

Business-Type Activities

Revenues for the Charter School's business-type activities (Food service program) were comprised of charges for services and federal and state reimbursements.

- Food service revenues exceeded expenses by $5,789 for 2011 and expenses exceeded revenues by $5,831 in 2010.

- Charges for services represent $4,200 for 2011 and $5,186 for 2010 of revenue. This represents amounts paid by patrons for daily food.

- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were $94,317 for 2011 and $93,826 for 2010.

Governmental Activities

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

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

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

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

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund, presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to $4,248,605 for 2011 and $4,280,209 for 2010 and expenditures were $4,392,339 for 2011 and $4,358,510 for 2010. The net change in fund balance for the year was an decrease of $143,734.

The Charter School's Funds (Continued)

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent of Increase/ (Decrease)
Local Sources	$ 467,626	11.01%	$ (31,980)	-6.40%
State Sources	3,315,448	78.03%	(138,691)	-4.02%
Federal Sources	465,531	10.96%	139,067	42.60%
Total	$ 4,248,605	100.00%	$ (31,604)	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2011, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase From 2010	Percent of Increase
Instruction	$ 1,832,581	41.72%	$ (217,624)	-10.61%
Administration	1,314,754	29.93%	126,606	10.66%
Support Services	1,245,004	28.34%	124,847	11.15%
Total	$ 4,392,339	99.99%	$ 33,829	

Changes in expenditures were the results of varying factors.

General Fund Budgeting Highlights

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

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

Capital Assets

The Charter School had $77,070 (net of depreciation) invested in leasehold improvements and equipment for 2011 and $102,760 for 2010.

For the Future

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

In conclusion, The Gray Charter School has committed itself to becoming financially stable for many years by increasing enrollment. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Miss Verna A. Gray, Executive Director at The Gray Charter School, 55 Liberty Street, Newark, New Jersey 07102.

SECTION A - BASIC FINANCIAL STATEMENTS

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

THE GRAY CHARTER SCHOOL
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 515,148	$ 19,606	$ 534,754
Interfund Receivables	178,663		178,663
Receivables	78,468		78,468
Capital Assets, Net	77,070		77,070
Total Assets	849,349	19,606	868,955
LIABILITIES:			
Interfund Payable	79,239	19,606	98,845
Payable to State Government	325,719		325,719
Accounts Payable	32,962		32,962
Total Liabilities	437,920	19,606	457,526
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	77,070		77,070
Unrestricted	334,359		334,359
Total Net Assets	$ 411,429	$ -	$ 411,429

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

THE GRAY CHARTER SCHOOL
Statement of Activities
For The Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets: Governmental Activities	Net (Expense) Revenue and Changes In Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes In Net Assets: Total
GOVERNMENTAL ACTIVITIES:								
Instruction	$ 1,832,581	$ 546,493	$ -	$ -	$ -	$ (2,379,074)	$ -	$ (2,379,074)
Administration	534,899	136,984				(671,883)		(671,883)
Support Services	1,245,004	96,378				(1,341,382)		(1,341,382)
Unallocated Depreciation	25,690					(25,690)		(25,690)
Total Governmental Activities	3,638,174	$ 779,855	-	-	-	(4,418,029)	-	(4,418,029)
BUSINESS-TYPE ACTIVITIES:								
Food Service	119,088		4,200	94,317			(20,571)	(20,571)
Total Business-Type Activities	119,088		4,200	94,317	-	-	(20,571)	(20,571)
Total Primary Government	$ 3,757,262		$ 4,200	$ 94,317	$ -	$ (4,418,029)	$ (20,571)	$ (4,438,600)
GENERAL REVENUES								
General Purposes						$ 455,191	$ -	$ 455,191
Federal and State Aid Not Restricted						3,780,979		3,780,979
Miscellaneous Income						12,435	26,360	38,795
Total General Revenues						4,248,605	26,360	4,274,965
Change in Net Assets						(169,424)	5,789	(163,635)
Net Assets - Beginning						580,853	(5,789)	575,064
Net Assets - Ending						$ 411,429	$ -	$ 411,429

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

THE GRAY CHARTER SCHOOL
Governmental Funds
Combining Balance Sheet
June 30, 2011

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 491,874	$ 23,274	$ 515,148
Receivables:			
Interfund Receivables	178,663		178,663
Receivables From Other Governments		55,965	55,965
Other Receivables	22,503		22,503
Total Assets	$ 693,040	$ 79,239	$ 772,279
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	$ -	$ 79,239	$ 79,239
Payable to Other Governments	325,719		325,719
Accounts Payable	32,962		32,962
Total Liabilities	358,681	79,239	437,920
Fund Balances:			
Unreserved:			
General Fund	334,359		334,359
Total Fund Balances	334,359	-	334,359
Total Liabilities and Fund Balances	$ 693,040	$ 79,239	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is $256,900 and the accumulated depreciation is $179,830.	77,070
Net Assets of Governmental Activities	$ 411,429

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

THE GRAY CHARTER SCHOOL
Governmental Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	$ 455,191	$ -	$ 455,191
Miscellaneous Revenues	12,435		12,435
Total Local Sources	467,626	-	467,626
State Sources	3,315,448		3,315,448
Federal Sources		465,531	465,531
Total Revenues	3,783,074	465,531	4,248,605
EXPENDITURES:			
Instruction	1,547,787	284,794	1,832,581
Administration	1,314,754		1,314,754
Support Services	1,064,267	180,737	1,245,004
Total Expenditures	3,926,808	465,531	4,392,339
NET CHANGE IN FUND BALANCES	(143,734)	-	(143,734)
FUND BALANCES, JULY 1	478,093	-	478,093
FUND BALANCES, JUNE 30	$ 334,359	$ -	$ 334,359

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

THE GRAY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2011

Total net change in fund balances - governmental funds (B-2)	$ (143,734)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Capital outlays are reported in governmental funds as expenditures expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense in the current fiscal year.	
Depreciation Expense	(25,690)
Change in net assets of governmental activities	$ (169,424)

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

PROPRIETARY FUNDS

THE GRAY CHARTER SCHOOL
Proprietary Funds
Statement of Fund Net Assets
June 30, 2011

	Business-Type Activities Food Service
ASSETS:	
Cash and Cash Equivalents	$ 19,606
Total Assets	19,606
LIABILITIES:	
Interfund Accounts Payable	19,606
Total Liabilities	19,606
NET ASSETS (DEFICIT):	
Unrestricted	-
Total Net Assets (Deficit)	$ -

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

THE GRAY CHARTER SCHOOL
Proprietary Funds
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities Enterprise Fund
OPERATING REVENUE:	
Daily Sales Reimbursable Program:	
School Lunch Program	$ 4,200
Total Operating Revenue	4,200
OPERATING EXPENSES:	
Salaries	-
Cost of Sales	119,088
Total Operating Expenses	119,088
OPERATING LOSS	(114,888)
NONOPERATING REVENUES:	
State Source:	
State School Breakfast Program	-
State School Lunch Program	1,872
Federal Source:	
National School Breakfast Program	5,829
National School Lunch Program	86,616
Total Nonoperating Revenues	94,317
NET LOSS BEFORE OTHER FINANCING SOURCE	(20,571)
OTHER FINANCING SOURCE:	
Board Contribution	26,360
Total Other Financing Source	26,360
CHANGE IN NET ASSETS	5,789
NET ASSETS, JULY 1	(5,789)
NET ASSETS (DEFICIT), JUNE 30	$ -

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

THE GRAY CHARTER SCHOOL
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ 9,021
Cash Payments to Suppliers and Employees	(113,587)
Net Cash Used in Operating Activities	(104,566)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	94,317
Board Contribution	26,360
Net Cash Provided by Non-Capital Financing Activities	120,677
Net Decrease in Cash and Cash Equivalents	16,111
Cash and Cash Equivalents, July 1	3,495
Cash and Cash Equivalents, June 30	$ 19,606
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss Used for Operating Activities	$ (114,888)
Change in Assets and Liabilities:	
Decrease in Intergovernmental Accounts Receivable	4,821
Increase in Interfund Accounts Payable	5,501
Net Cash Used by Operating Activities	$ (104,566)

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

FIDUCIARY FUNDS

THE GRAY CHARTER SCHOOL
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2011

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	$ 88,441
Total Assets	$ 88,441
LIABILITIES:	
Interfund Accounts Payable	$ 79,817
Payroll Deductions and Withholdings	8,624
Total Liabilities	$ 88,441

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Gray Charter School (Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a public school to serve as a neighborhood resource and as a model for other similar schools. The Gray Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation. Basis of Accounting (Continued)

Basis of Presentation

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 nonexchange 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 activity 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 activity 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, 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation. Basis of Accounting (Continued)

governmental fund as a major fund in accordance with the option noted in 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:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, Charter School aid, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: Not Applicable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation. Basis of Accounting (Continued)

The Charter School reports the following proprietary fund:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Board's 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.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and include the Net Payroll and Payroll Agency Fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements: The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation. Basis of Accounting (Continued)

recognized when 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting to the GAAP basis of accounting

Total Revenues & Expenditures (Budgetary Basis)	$ 465,531
Adjustments:	
Less Encumbrances at June 30, 2011	-
Plus Encumbrances at June 30, 2010	-
Total Revenues and Expenditures (GAAP Basis)	$ 465,531

D. Encumbrances Accounting

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 revenues 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter school-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is $2,000.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Office & Computer Equipment	5-10

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Compensated Absences:

The Charter School employees do not accumulate sick leave, therefore, no liability is reflected in the basic financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-term Obligations:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Net Assets:

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

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues — Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

> The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
c. Bonds or other obligations of the Charter School.

As of June 30, 2011, cash and cash equivalents and investments of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	$ 491,874	$ 23,274	$ 19,606	$ 88,441	$ 623,195

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2011 was $623,195 and the bank balance was $732,318. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

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

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

Category 3 — Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

As of June 30, 2011, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2011, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2011, consisted of accounts (tuition), intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	$ 22,503	$ 22,503
Federal Aid	55,965	55,965
Gross Receivables	78,468	78,468
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	$ 78,468	$ 78,468

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

The following interfund balances remained on the fund financial statements at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 178,663	$ -
Special Revenue Fund		79,239
Proprietary Fund		19,607
Fiduciary Fund		79,817
Total	$ 178,663	$ 178,663

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	$ 256,900	$ -	$ -	$ 256,900
Totals at Historical Cost	256,900	-	-	256,900
Less Accumulated Depreciation For:				
Machinery and Equipment	(154,140)	(25,690)	-	(179,830)
Government Activity Capital Assets, Net	$ 102,760	$ (25,690)	$ -	$ 77,070

In January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by Charter Schools in the State of New Jersey is increased to $2,000. The previous threshold was $500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than $500 but not greater than $2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense of $25,690 was charged to an unallocated function.

NOTE 6: RENTAL LEASE

The school is currently leasing classroom and office space at 49-55 Liberty Street, Newark, New Jersey which expired June 30, 2009. Rental expense for the year ended June 30, 2011 amounted to $556,452. The school is currently on a verbal yearly lease.

NOTE 7: PENSION PLANS

Description of Plans

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 as of January 1, 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 undercurrent 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 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 was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A 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.

NOTE 7: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 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 60 and are generally determined to be 1/60 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 two percent 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

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 1/2 of one percent to 4.5 percent 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 Schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

NOTE 7: PENSION PLANS (Continued)

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 five percent 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 cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	$52,970	100%	$52,970
06/30/10	$53,619	100%	$53,619
06/30/09	$37,690	80%	$30,152

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

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	None	100%	None
06/30/10	None	100%	None
06/30/09	None	100%	None

NOTE 8: 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-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

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

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 pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve by one half of one percent of the active State payroll.

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 9: 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.

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

The General Fund fund balance of $334,359, in the fund financial statements at June 30, 2011 is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

THE GRAY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Local Sources:					
"Local Levy" Local Share - Charter School Aid	$ 455,191	$ -	$ 455,191	$ 455,191	$ -
Total Local Sources	455,191	-	455,191	455,191	-
Categorical Aid:					
"Local Levy" State Share - Charter School Aid	2,996,622		2,996,622	2,996,622	-
Security Aid	114,283		114,283	114,283	
Total Categorical Aid	3,110,905	-	3,110,905	3,110,905	-
Revenues From Other Sources:					
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	106,483	106,483
Reimbursed TPAF Pension Contributions (Non-Budgeted)	-	-	-	98,060	98,060
Donations and Contributions	-	-	-	5,030	5,030
Fund Raising, Net Proceeds	-	-	-	7,405	7,405
Total Revenues From Other Sources	-	-	-	216,978	216,978
Total Revenues	3,566,096	-	3,566,096	3,783,074	216,978
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,372,000	(28,500)	1,343,500	1,270,544	72,956
Other Salaries for Instruction	194,000	5,000	199,000	198,485	515
Purchased Prof/Tech Services	96,500	(75,000)	21,500	-	21,500
Other Purchased Services	20,000		20,000	12,998	7,002
General Supplies	22,500		22,500	8,875	13,625
Textbooks	30,000		30,000	29,730	270
Miscellaneous	60,000		60,000	27,155	32,845
Total Instruction	1,795,000	(98,500)	1,696,500	1,547,787	148,713
Administration:					
Salaries - General Administration	365,000		365,000	344,401	20,599
Salaries of Secretarial/Clerical Assistants	57,000		57,000	44,273	12,727
Total Benefits Cost	481,750	94,000	575,750	557,724	18,026
Purchases Prof/Tech Services	147,500		147,500	84,579	62,921
Other Purchased Services	48,000		48,000	28,193	19,807
Communications/Telephone	12,000		12,000	10,602	1,398
Supplies and Materials	21,000		21,000	3,599	17,401
Miscellaneous Expenses	62,000		62,000	36,840	25,160
Total Administration	1,194,250	94,000	1,288,250	1,110,211	178,039

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

THE GRAY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	$ 270,000	$ 4,500	$ 274,500	$ 273,461	$ 1,039
Purchased Prof/Tech Services	20,000		20,000	17,946	2,054
Rental of Land and Buildings	556,452		556,452	556,452	-
Other Support Services	58,000		58,000	56,232	1,768
Transportation-Other Than To/From School	15,000		15,000	14,957	43
Insurance for Property, Liability and Fidelity	60,067		60,067	60,067	-
Supplies and Materials	6,000		6,000	-	6,000
Energy Costs (Heat and Electricity)	60,000		60,000	58,667	1,333
Miscellaneous Expenses	10,000		10,000	125	9,875
Total Support Services	1,055,519	4,500	1,060,019	1,037,907	22,112
Reimbursed TPAF Pension Contributions (Non-Budgeted)			-	98,060	(98,060)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	106,483	(106,483)
Total Expenditures	4,044,769	-	4,044,769	3,900,448	242,381
Excess (Deficiency) of Revenues Over (Under) Expenditures	(478,673)	-	(478,673)	(117,374)	361,299
OTHER FINANCING SOURCE:					
Transfers To Cover Deficit (Food Service)			-	(26,360)	(26,360)
Total Other Financing Sources	-	-	-	(26,360)	(26,360)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(478,673)	-	(478,673)	(143,734)	334,939
FUND BALANCE, JULY 1	478,093	-	478,093	478,093	-
FUND BALANCE, JUNE 30	$ (580)	$ -	$ (580)	$ 334,359	$ 334,939
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures					
Budgeted Fund Balance	$ (580)	$ -	$ (580)	$ 334,359	$ 334,939
Total	$ (580)	$ -	$ (580)	$ 334,359	$ 334,939

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

THE GRAY CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	$ 465,531	$ -	$ 465,531	$ 465,531	$ -
Total Revenues	465,531	-	465,531	465,531	-
EXPENDITURES:					
Instruction:					
Salaries					
Salaries of Teachers	183,000		183,000	183,000	-
Purchased Prof/Tech Services	55,325		55,325	55,325	-
General Supplies	109,802		109,802	109,802	-
Total Instruction	348,127	-	348,127	348,127	-
Support Services:					
Personal Services - Employee Benefits	36,600		36,600	36,600	-
Purchased Prof/Ed Services	60,804		60,804	60,804	-
Supplies and Materials	20,000		20,000	20,000	-
Total Support Services	117,404	-	117,404	117,404	-
Total Expenditures	465,531	-	465,531	465,531	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

THE GRAY CHARTER SCHOOL
Budgetary Comparison Schedule
Budget To GAAP Reconciliation
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) "revenues" from the budgetary comparison schedules	**[C-1]**	$ 3,783,074	**[C-2]**	$ 465,531
Difference - Budget to GAAP				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	**[B-2]**	$ 3,783,074	**[B-2]**	$ 465,531
Uses/Outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	**[C-1]**	3,926,808	**[C-2]**	$ 465,531
Differences - Budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	**[B-2]**	$ 3,926,808	**[B-2]**	$ 465,531

OTHER SUPPLEMENTAL INFORMATION

SECTION E – SPECIAL REVENUE FUND DETAIL STATEMENTS

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

THE GRAY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2011

	Title I	Title II Part A	Title II Part D	Title I Part A ARRA Carryover	IDEA Part A Basic	Total
REVENUES:						
Federal Sources	$ 276,283	$ 20,350	$ 640	$ 112,933	$ 55,325	$ 465,531
Total Revenues	$ 276,283	$ 20,350	$ 640	$ 112,933	$ 55,325	$ 465,531
EXPENDITURES:						
Instruction:						
Salaries of Teachers	$ 155,000	$ -	$ -	$ 28,000	$ -	$ 183,000
General Supplies	46,469				55,325	101,794
Total Instruction	201,469	-	-	28,000	55,325	284,794
Support Services:						
Personal Services - Employee Benefits	31,000			5,600		36,600
Purchased Prof/Ed Services	24,832	19,332	640	16,000		60,804
Supplies and Materials				63,333		63,333
Indirect Costs	18,982	1,018				20,000
Total Support Services	74,814	20,350	640	84,933	-	180,737
Total Expenditures	$ 276,283	$ 20,350	$ 640	$ 112,933	$ 55,325	$ 465,531

SECTION G – PROPRIETARY FUND DETAIL STATEMENTS

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

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

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

SECTION H – FIDUCIARY FUNDS DETAIL STATEMENT

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

Unemployment Insurance Compensation Trust Fund – this expendable trust fund is used to account for deductions from employees' salaries which are utilize to pay unemployment compensation claims as they arise.

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

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

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

THE GRAY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2011

	Agency Fund		
	Payroll Agency	Net Payroll	Total Agency
ASSETS:			
Cash and Cash Equivalents	$ 62,016	$ 26,425	$ 88,441
Total Assets	$ 62,016	$ 26,425	$ 88,441
LIABILITIES:			
Interfund Accounts Payable	$ 53,392	$ 26,425	$ 79,817
Payroll Deductions and Withholdings	8,624	-	8,624
Total Liabilities	$ 62,016	$ 26,425	$ 88,441

THE GRAY CHARTER SCHOOL
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
ASSETS:				
Cash and Cash Equivalents	$ 29,381	$ 1,214,781	$ 1,182,146	$ 62,016
Total Assets	$ 29,381	$ 1,214,781	$ 1,182,146	$ 62,016
LIABILITIES:				
Interfund Accounts Payable	$ 16,282	$ 1,206,156	$ 1,169,047	$ 53,391
Payroll Deductions and Withholdings Payable	13,099	8,625	13,099	8,625
Total	$ 29,381	$ 1,214,781	$ 1,182,146	$ 62,016

STATISTICAL SECTION
(UNAUDITED)

GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable to Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning that year.

FINANCIAL TRENDS

THE GRAY CHARTER SCHOOL
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities								
Invested in capital assets, net of related debt	$ 77,070	$ 102,760	$ 128,450	$ 154,140	$ 179,830	$ 205,520	$ 231,210	$ 56,288
Restricted	-	-	-	-	-	-	351	-
Unrestricted	334,359	503,783	556,394	379,705	287,160	37,125	(44,547)	11,278
Total Governmental Activities Net Assets	$ 411,429	$ 606,543	$ 684,844	$ 533,845	$ 466,990	$ 242,645	$ 187,014	$ 67,566
Business-Type Activities								
Invested in capital assets, net of related debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	-	-	-	-	-	-	-	-
Unrestricted	-	(5,789)	42	675	34,571	43,428	29,423	31,387
Total Business-Type Activities Net Assets	$ -	$ (5,789)	$ 42	$ 675	$ 34,571	$ 43,428	$ 29,423	$ 31,387
Charter School-wide								
Invested in capital assets, net of related debt	$ 77,070	$ 102,760	$ 128,450	$ 154,140	$ 179,830	$ 205,520	$ 231,210	$ 56,288
Restricted	-	-	-	-	-	-	351	-
Unrestricted	334,359	497,994	556,436	380,380	321,731	80,553	(15,124)	42,665
Total Charter School-wide Net Assets	$ 411,429	$ 600,754	$ 684,886	$ 534,520	$ 501,561	$ 286,073	$ 216,437	$ 98,953

Source: Charter School's Records

THE GRAY CHARTER SCHOOL
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental Activities:								
Instruction	$ 2,379,074	$ 2,477,130	$ 2,211,792	$ 1,983,740	$ 1,724,218	$ 1,512,017	$ 1,586,627	$ 1,591,226
Administration	671,883	690,983	641,455	483,591	542,075	518,518	483,915	413,938
Support Services	1,341,382	1,190,397	1,074,191	1,000,323	843,275	839,446	823,629	661,762
Capital Outlay	-	-	-	-	8,000	60	-	-
Unallocated Depreciation	25,690	25,690	25,690	25,690	25,690	25,690	25,690	-
Total Governmental Activites Expenses	4,418,029	4,384,200	3,953,128	3,493,344	3,143,258	2,895,731	2,919,861	2,666,926
Business-Type Activities:								
Food Service	119,088	138,300	136,138	136,555	87,449	78,293	67,375	61,271
Total Business-Type Activites Expenses	119,088	138,300	136,138	136,555	87,449	78,293	67,375	61,271
Total Charter School Expenses	$ 4,537,117	$ 4,522,500	$ 4,089,266	$ 3,629,899	$ 3,230,707	$ 2,974,024	$ 2,987,236	$ 2,728,197
Program Revenues								
Business-Type Activities:								
Charges for Services	$ 4,200	$ 5,186	$ 6,537	$ 7,882	$ 14,570	$ 12,537	$ 12,172	$ 7,057
Operating Grants and Contributions	94,317	93,826	87,518	90,469	91,626	75,606	61,155	59,753
Total Business-Type Activites Expenses	98,517	99,012	94,055	98,351	106,196	88,143	73,327	66,810
Total Charter School Prgram Revenue	$ 98,517	$ 102,885	$ 97,789	$ 98,351	$ 106,196	$ 88,143	$ 73,327	$ 66,810
Net (Expense)/Revenue								
Governmental Activities	$ (4,418,029)	$ (4,380,327)	$ (3,949,394)	$ (3,493,344)	$ (3,143,258)	$ (2,895,731)	$ (2,919,861)	$ (2,666,926)
Business-Type Activities	(20,571)	(39,288)	(42,083)	(38,204)	18,747	9,850	5,952	5,539
Total Charter School Net Expense	$ (4,438,600)	$ (4,419,615)	$ (3,991,477)	$ (3,531,548)	$ (3,124,511)	$ (2,885,881)	$ (2,913,909)	$ (2,661,387)
General Revenues								
Governmental Activities:								
General Purposes	$ 455,191	$ 481,529	$ 484,069	$ 699,676	$ 511,896	$ 461,566	$ 383,489	$ 390,670
Capital Projects	-	-	-	-	-	120,016	176,237	56,288
Federal and State Aid Not Restricted	3,780,979	3,776,730	3,528,226	2,841,842	2,787,441	2,360,580	2,409,118	2,066,015
Miscellaneous Income	12,435	18,077	88,098	18,680	68,266	9,200	70,465	32,067
Total Governmental Activities	4,248,605	4,276,336	4,100,393	3,560,198	3,367,603	2,951,362	3,039,309	2,545,040
Business-Type Activities:								
Miscellaneous Income	26,360	33,457	41,450	37,308	14,500	32,050	21,084	23,038
Total Business-Type Activites Expenses	26,360	33,457	41,450	37,308	14,500	32,050	21,084	23,038
Total Charter School Wide	$ 4,274,965	$ 4,309,793	$ 4,141,843	$ 3,597,506	$ 3,382,103	$ 2,983,412	$ 3,060,393	$ 2,568,078
Change in Net Assets								
Governmental Activities	$ (169,424)	$ (103,991)	$ 150,999	$ 66,854	$ 224,345	$ 55,631	$ 119,448	$ (121,886)
Business-Type Activities	5,789	(5,831)	(633)	(896)	33,247	41,900	27,036	28,577
Total Charter School	$ (163,635)	$ (109,822)	$ 150,366	$ 65,958	$ 257,592	$ 97,531	$ 146,484	$ (93,309)

Source: Charter School's Records

THE GRAY CHARTER SCHOOL
Fund Balances - Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004
General Fund								
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	334,359	478,093	556,394	379,705	287,160	(44,547)	11,278	422,060
Total General Fund	$ 334,359	$ 503,783	$ 556,394	$ 379,705	$ 287,160	$ (44,547)	$ 11,278	$ 422,060

Source: Charter School's Records

THE GRAY CHARTER SCHOOL
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local Sources:	$ 467,626	$ 499,606	$ 572,167	$ 718,356	$ 580,162	$ 590,782	$ 453,954	$ 494,237		
State Sources	3,315,448	3,454,139	3,207,378	2,550,845	2,522,293	2,262,966	2,097,459	1,800,050	1,683,316	1,616,455
Federal Sources	465,531	326,464	324,582	290,997	265,148	97,614	487,896	250,753	168,571	246,018
Total Revenues	4,248,605	4,280,209	4,104,127	3,560,198	3,367,603	2,951,362	3,039,309	2,545,040	1,851,887	1,862,473
Expenditures:										
Instruction	1,832,581	2,050,205	1,922,528	1,670,563	1,418,098	1,243,265	1,336,822	1,308,485	1,105,519	1,094,250
Administration	1,314,754	1,188,148	965,072	829,850	847,087	821,853	754,975	693,445	315,003	251,211
Support Services	1,245,004	1,120,157	1,039,838	967,241	844,383	804,863	802,374	664,996	520,501	522,990
Capital Outlay	-	-	-	-	8,000	60	200,612	56,288	56,067	33,374
Total Expenditures	4,392,339	4,358,510	3,927,438	3,467,654	3,117,568	2,870,041	3,094,783	2,723,214	1,997,090	1,901,825
Excess (Deficiency) of Revenues Over (Under) Expenditures	(143,734)	(78,301)	176,689	92,544	250,035	81,321	(55,474)	(178,174)	(145,203)	(39,352)
Other Financing Uses:										
Transfers In	-	291	-	-	-	-	-	-	-	-
Transfers Out	-	(291)	-	-	-	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balance	$ (143,734)	$ (78,301)	$ 176,689	$ 92,544	$ 250,035	$ 81,321	$ (55,474)	$ (178,174)	$ (145,203)	$ (39,352)

Source: Charter School's Records

THE GRAY CHARTER SCHOOL
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Fundraising (Net)	Donations	Miscellaneous Revenue	Total
2011	$ 7,405	$ 5,030	$ -	$ 12,435
2010	-	17,847	230	18,077
2009	26,373	60,415	1,310	88,098
2008	18,680	-	-	18,680
2007	6,531	61,735	-	68,266
2006	19,362	100,654	9,200	129,216
2005	10,972	55,055	4,438	70,465
2004	13,222	12,000	6,845	32,067
2003	20,895	-	1,674	22,569
2002	-	-	-	-

Source: Charter School's Records

OPERATING INFORMATION

THE GRAY CHARTER SCHOOL
Full-Time Equivalent Charter School Employees by Function
Last Eight Fiscal Years

Function	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	24	22	22	21	20	19	18	17
Administrative	2	2	2	2	2	2	2	2
Support Services	5	5	5	5	5	5	5	4
Food Service	1	1	1	1	1	1	1	1
Total	32	30	30	29	28	27	26	24

Source: Charter School's Records

THE GRAY CHARTER SCHOOL
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2011	266.2	$ 4,392,339	$ 16,500	14.58%	24	11.0:1	266.2	266.2	-4.93%	100.00%
2010	280.0	4,032,046	14,400	15.91%	22	15.3:1	280.0	280.0	-3.45%	100.00%
2009	290.0	3,602,856	12,424	17.33%	22	15.3:1	290.0	290.0	-3.33%	100.00%
2008	300.0	3,176,657	10,589	14.07%	21	15.3:1	300.0	300.0	-2.02%	100.00%
2007	306.0	2,840,420	9,282	-6.12%	20	15.3:1	306.2	305.0	9.36%	99.61%
2006	280.0	2,768,367	9,887	2.39%	19	14.7:1	280.0	279.0	8.11%	99.64%
2005	259.0	2,500,924	9,656	11.99%	18	14.3:1	259.0	248.0	8.50%	95.75%
2004	238.7	2,058,214	8,623	10.02%	17	14:1	238.7	227.6	5.62%	95.35%
2003	226.0	1,771,217	7,837	9.05%	16	N/A	226.0	226.0	0.31%	100.00%
2002	225.3	1,619,133	7,187	-20.12%	15	N/A	225.3	225.0	0.00%	99.87%
2001	126.7	1,139,910	8,997	0.00%	14	N/A	126.7	126.0	0.00%	99.45%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

Source: Charter School's Records

THE GRAY CHARTER SCHOOL
School Building Information
Last Seven Fiscal Years

Charter School Building	2011	2010	2009	2008	2007	2006	2005
Square Feet	37500	37500	37500	37500	37,500		
Capacity (students)	399	394	394	394	394		
Enrollment	266	280	290	300	306	Not Available	

Source: Charter School's Records

THE GRAY CHARTER SCHOOL
Insurance Schedule
June 30, 2011
(Unaudited)

COMMERCIAL PACKAGE	Coverage	Deductible
Comprehensive General Liability		
Premises Operation Liability		
Aggregate Limit	$1,000,000	
Personal and Advertising		
Aggregate Limit	$1,000,000	
Child Molestation/Sexual Abuse		
Aggregate Limit	$4,000,000	
Products/Completed Operations		
Aggregate Limit	$1,000,000	
Premises Medical Per Person	$1,000 each accident	$100
Premises Medical Payments Per Accident	$10,000	
Employee Benefits	$1,000,000	
Hired Car/Non Owned Liability	$1,000,000 per accident	
Property		
Blanket Real and Personal Property	$200,000	$1,000
Electronic Data Processing (Computers)	$128,500	
Crime		
Faithful Performance	$25,000	$500
Public Official - Board Secretary	$126,000	$500
- Treasurer	$126,000	
COMMERCIAL UMBRELLA		
	$1,000,000 each occurrence $10,000 self insured retention	
ERRORS AND OMISSIONS POLICY		
Coverage A	$1,000,000	$1,000
Coverage B	$100,000 each claim	$2,500
Coverage B Annual Aggregate	$300,000 policy period	
Catastrophic Umbrella	$50,000,000 per occurrence	
Worker's Compensation	$5,000,000 each accident $5,000,000 each employee $5,000,000 policy limit	

Source: Charter School's Records

SINGLE AUDIT SECTION

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

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

We have audited the financial statements of The Gray Charter School (Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

Management of the school is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

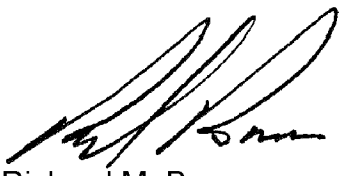
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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

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

Compliance and Other Matters

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

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



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

November 30, 2011

BARRE & COMPANY
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFEC ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited the compliance of the The Gray Charter School (Charter School), in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2011. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the 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 and Regulatory Compliance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit obtain reasonable assurance about whether noncompliance with 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 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 legal determination of Charter School's compliance with those requirements.

In our opinion, The Gray Charter School, in the County of Essex, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

Internal Control over Compliance

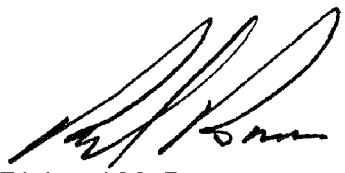
Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Charter School's internal control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

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 a deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses,* as defined above. The Charter School's responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. We did not audit Charter School's responses and, accordingly, we express no opinion on the responses

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



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

November 30, 2011

THE GRAY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June, 30, 2011

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2010	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2011 Accounts Receivable	Balance at June 30, 2011 Deferred Revenue	Balance at June 30, 2011 Due to Grantor
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
Title I	84.010	NCLB 2011	$ 276,283	9/1/10	8/31/11	$ -	$ -	$ 276,283	$ (276,283)	$ -	$ -	$ -	$ -	$ -
Title II Part A	84.367	NCLB 2011	20,350	9/1/10	8/31/11			20,350	(20,350)					
Title II Part D	84.318	NCLB 2011	640	9/1/10	8/31/11				(640)			(640)		
I.D.E.A. Part B Basic	84.027	IDEA 2011	55,965	9/1/10	8/31/11				(55,965)			(55,325)		
ARRA - Title I Part A	84.389	ARRA 2011	112,933	7/1/09	8/31/11			112,933	(112,933)					
Total Special Revenue Fund						-	-	409,566	(466,171)	-	-	(55,965)	-	-
U.S. Department of Agriculture														
Passed-through State Department of Education														
Enterprise Fund:														
School Breakfast Program	10.553	N/A	5,829	7/1/10	6/30/11			5,829	(5,829)					
School Breakfast Program	10.553	N/A	7,600	7/1/09	6/30/10	(391)		391						
National School Lunch Program	10.555	N/A	86,616	7/1/10	6/30/11			86,616	(86,616)					
National School Lunch Program	10.555	N/A	76,197	7/1/09	6/30/10	(4,217)		4,217						
Total Enterprise Fund						(4,608)	-	97,053	(92,445)	-	-	-	-	-
Total Federal Financial Awards						$ (4,608)	$ -	$ 506,619	$ (558,616)	$ -	$ -	$ (55,965)	$ -	$ -

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

THE GRAY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June, 30, 2011

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period From	Grant Period To	Balance at June 30, 2010 Deferred Revenue (Accounts Receivable)	Balance at June 30, 2010 Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2011 (Accounts Receivable)	Balance at June 30, 2011 Interfund Payable/ Deferred Revenue	Balance at June 30, 2011 Due to Grantor		MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
State Department of Education:																
General Fund:																
"Local Levy" State Share - Charter School Aic	11-495-034-5120-071	$2,996,622	7/1/10	6/30/11	$ -	$ -	$ -	$3,156,770	$ (2,996,622)	$ -	$ -	$ -	$ -	*	$ (160,148)	$ 2,996,622
Security Aid	11-495-034-5120-084	114,283	7/1/10	6/30/11				114,948	(114,283)					*	(665)	114,283
Reimbursed TPAF - Pension	11-495-034-5095-006	98,060	7/1/10	6/30/11				98,090	(98,060)					*	(30)	98,060
Reimbursed TPAF - Social Security	11-495-034-5095-002	106,483	7/1/10	6/30/11				106,483	(106,483)					*		106,483
														*		
Total General Fund								3,476,291	(3,315,448)					*	(160,843)	3,315,448
														*		
														*		
State Department of Agriculture														*		
Enterprise Fund:														*		
School Breakfast Program	11-100-010-3350-021	444	7/1/10	6/30/11										*	444	
School Breakfast Program	10-100-010-3350-021	-	7/1/09	6/30/10	(41)			41						*		
National School Lunch Program (State Share)	11-100-010-3350-023	3,374	7/1/10	6/30/11				1,872	(1,872)					*	1,502	1,872
National School Lunch Program (State Share)	10-100-010-3350-023	-	7/1/09	6/30/10	(172)			172						*		
														*		
Total Enterprise Fund					(213)			2,085	(1,872)					*	1,946	1,872
														*		
Total State Financial Assistance					$ (213)	$ -	$ -	$3,478,376	$ (3,317,320)	$ -	$ -	$ -	$ -	*	$ (158,897)	$ 3,317,320

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

THE GRAY CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2011

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO 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 expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

THE GRAY CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2011

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The net adjustment to reconcile from the budgetary basis to GAAP basis is none for the general fund and none for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	$ -	$ 3,315,448	$ 3,315,448
Special Revenue Fund	465,531	-	465,531
Food Service Fund	92,445	1,872	94,317
Total Awards & Financial Assistance	$ 557,976	$ 3,317,320	$ 3,875,296

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

The Gray Charter School has no loan balances outstanding at June 30, 2011.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

THE GRAY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor's Results

Financial Statements

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

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:		$300,000
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No
Type of auditors' report issued on compliance for major programs		Unqualified
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Reportable condition(s) identified that are not considered to be material weaknesses?	_____ Yes	None __X__ Reported
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	_____ Yes	__X__ No

Identification of major state programs:

GMIS Number(s)	Name of State Program
11-495-034-5120-071	Local Levy - State Share

THE GRAY CHARTER SCHOOL
Schedule of Findings and 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.

Finding

There were no matters reported.

THE GRAY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section III – Federal Awards and State Financial Assistance
Findings and Questioned Costs

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

STATE AWARDS

Findings

There were no matters reported.

THE GRAY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2011

STATUS OF PRIOR-YEAR FINDINGS

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

Findings

There were no matters report.