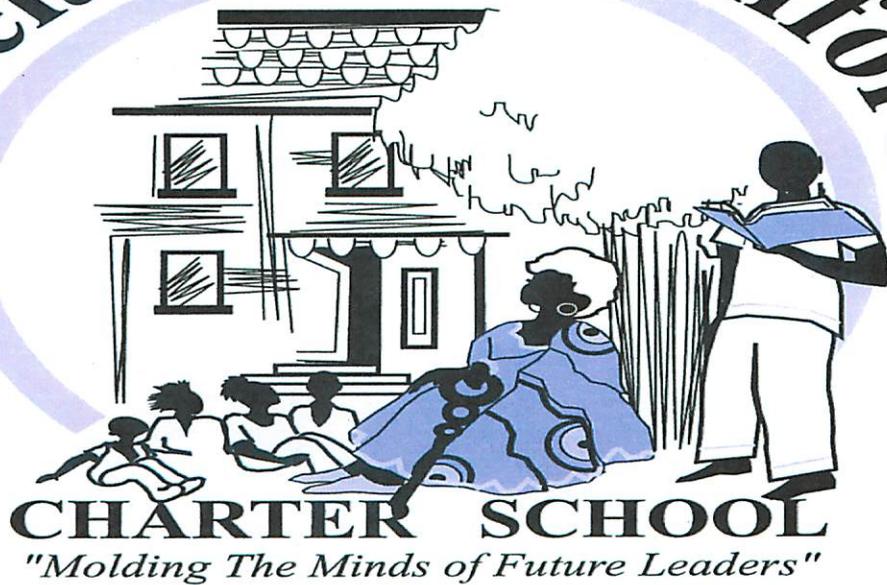


Adelaide L. Sanford



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

PREPARED BY

ADELAIDE L. SANFORD CHARTER SCHOOL

ADELAIDE L. SANFORD CHARTER SCHOOL

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Newark, NJ 07102

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November 21, 2012

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Adelaide L. Sanford Charter School (the “Charter School” for the fiscal year ended June 30, 2012).

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Adelaide L. Sanford Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

1) Reporting Entity and Its Services

Adelaide L. Sanford Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

Adelaide L. Sanford Charter School is open to all Newark students on a space available basis and does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, proficiency in the English language, or any other basis that would be illegal if used by a charter school.

The Charter School has completed its fifth year of service to the children and families of Newark. By the end of 2011-2012 school year, the Charter School had a student enrollment of 332.

2) Economic Condition and Outlook

The City of Newark is the largest city in the State of New Jersey. It serves as the county seat for Essex County, with County, State and Federal Courts as well as governmental offices attracting a large number of law firms to the central business district.

Mayor Cory Booker in his State of the City address stated that "Newark is in its greatest development year since the 1960s. The City is engaged in 25 projects that have generated 2,500 construction jobs and has brought in \$800 million to \$900 million in investment", he said.

Business such as Standard Chartered Bank, Audible.Com and Pitney-Bowes are bringing more than 180 jobs to our city. These businesses are expected to open in Newark's South Ward.

Newark is a transportation hub serviced by the Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

2) Economic Condition and Outlook - continued

It is also the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions, including the prudential Insurance Company, Blue Cross Blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company. Newark is the site of the University of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these five colleges serve a population of approximately 45,000 students and faculty.

The City of Newark is currently undergoing a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of any redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contributions for public school purposes.

The City of Newark has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade, including the construction of a new arena for the professional hockey team, the New Jersey Devils, which opened in October 2007.

3) Charter School Major initiatives and Other Highlights

The Adelaide L. Sanford Charter School made Adequate Yearly Progress for the school year 2010-2011. The Director of Curriculum and Instruction has worked to ensure that the progress made with Grades 3-6 is consistent. The third grade, which is the school's founding cohort, has demonstrated the most consistent progress for the school academically. The 2007-2008 Kindergarten students during the 2010-2011 academic school year's third graders. Their performance on the New Jersey Assessment of Skills and Knowledge clearly demonstrates that they have made significant progress when compared to the other grades. Overall students in grade 3 have gain a 15% growth in Language Arts Literacy and a 36% growth in Mathematics.

Grade four students of the Adelaide L. Sanford Charter School continue to excel in Science earning a 16% gains. This same cohort of students made 18% gains in Language Arts Literacy and 6% gains in Mathematics.

Students in the fifth grade met the school's internal goal of 51% student proficiency in Mathematics; however student performance in Language Arts Literacy 26% proficient, indicates the students of this grade level did not meet the anticipated goals. A rigorous review of individual student performance, the interim assessment data and a revised strategy for improving student performance in this area must be conducted.

Over the summer and during the school year, the School Leadership Team and instructional staff will continue to provide high quality professional learning experiences to the staff which enhances teacher effectiveness, instructional rigor, improved lesson delivery, and data driven instruction.

3) **Charter School Enrollment, Demographics and Other Highlights** - *continued*

During the 2012-2013 Academic School Year, School Leadership efforts are to continuously improve the growth and development of students by providing content area and teacher focused Professional Development and Professional Collaborations, accomplished by implementing the following instructional initiatives:

- The establishment of Professional learning communities, grade levels and content area departments where teachers and administrators work together to analyze student work and develop common assessments. Through lesson studies and tuning protocols, teachers will observe the practices of other team members. English Language Learning and special education teachers participate in subject area professional learning with general education teachers, but professional development specific to their needs will be provided. Best instructional practices will lead the Adelaide L. Sanford Charter School's Professional Development to become a professional learning community.
- Professional Development focused on Language Arts Literacy and Mathematics Common Core State Standards areas and how they apply across the curriculum. However, the needs assessment showed that science and social studies content Professional Development is needed. Technology Core Curriculum Content Standards are embedded across the curriculum. Visual and performing arts, world languages, physical education, and workplace readiness New Jersey Core Curriculum Content Standards are addressed by the school's curriculum, but Professional Development in instructional strategies are provided across the curriculum.
- Resources and additional time for Professional Learning Experiences geared toward promoting and elevating the level of student achievement. Faculty meetings, department meetings, and professional learning community (PLC) common planning time meetings have time dedicated to professional learning. PLCs meet a minimum of two days per week for sixty minutes. Department meetings are held once per month. Faculty meetings are held weekly. Additionally, job-embedded coaching and mentoring is provided by administrators, the instructional coach, peers, and consultants. If an individual need can be serviced only by an outside provider's workshop, then provisions are made for an individual to attend. Leadership training is collaborative with administrators and teacher leaders. Attendees then return from PD and turnkey to their content colleagues during department and/or professional learning community meetings.

4) Internal Accounting Controls

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The system of 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 awards and state financial assistance, the Charter School also is responsible for ensuring that adequate system of internal controls is in place to ensure compliance with applicable laws and regulations related to those programs. This system of 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 the system of internal controls, including that portion related to federal awards 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 the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. 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. During the 2011-2012 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

6) Accounting System and Report

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school. The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statements", Note 1.

7) **Financial Statement Information at Fiscal Year-End**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the fiscal year ended June 30, 2012 fiscal year:

**Summary of the General Fund
and Special Revenue Fund Revenues**

Revenue	2012	2011	Increase/ (decrease)	% Change
Local sources	\$ 636,301	\$ 590,496	\$ 45,805	7.76%
State sources	3,873,161	3,235,936	637,225	19.69%
Federal sources	290,691	488,637	(197,946)	-40.51%
	<u>\$ 4,800,153</u>	<u>\$ 4,315,069</u>	<u>\$ 485,084</u>	<u>11.24%</u>

The Charter School experienced a general increase in revenue of about 11.24% which is consistent with the general increase in state funding during 2012.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2012:

**Summary of the General Fund
and Special Revenue Fund Expenditures**

Expenditures	2012	2011	Increase/ (decrease)	% Change
Instruction	\$ 1,753,962	\$ 1,774,702	\$ (20,740)	-1.17%
Administrative	1,287,868	1,378,764	(90,896)	-6.59%
Support	1,184,820	1,061,166	123,654	11.65%
Capital outlay	-	-	-	
	<u>\$ 4,226,650</u>	<u>\$ 4,214,632</u>	<u>\$ 12,018</u>	<u>0.29%</u>

The Charter School's expenditures increased at a slower rate than the increase in revenue which was partly responsible for the significant current operating surplus generated during the year ended June 30, 2012

8) Cash Management

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

9) Risk Management

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

10) Other Information

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*”

The auditor’s report on the basic financial statements 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.

The Charter School continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

11) Acknowledgments

A note of appreciation is extended to the Finance Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to the Adelaide L. Sanford Charter School Board of Trustees for their selfless dedication to improving student achievement.

11) Acknowledgments - *continued*

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Adelaide L. Sanford Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

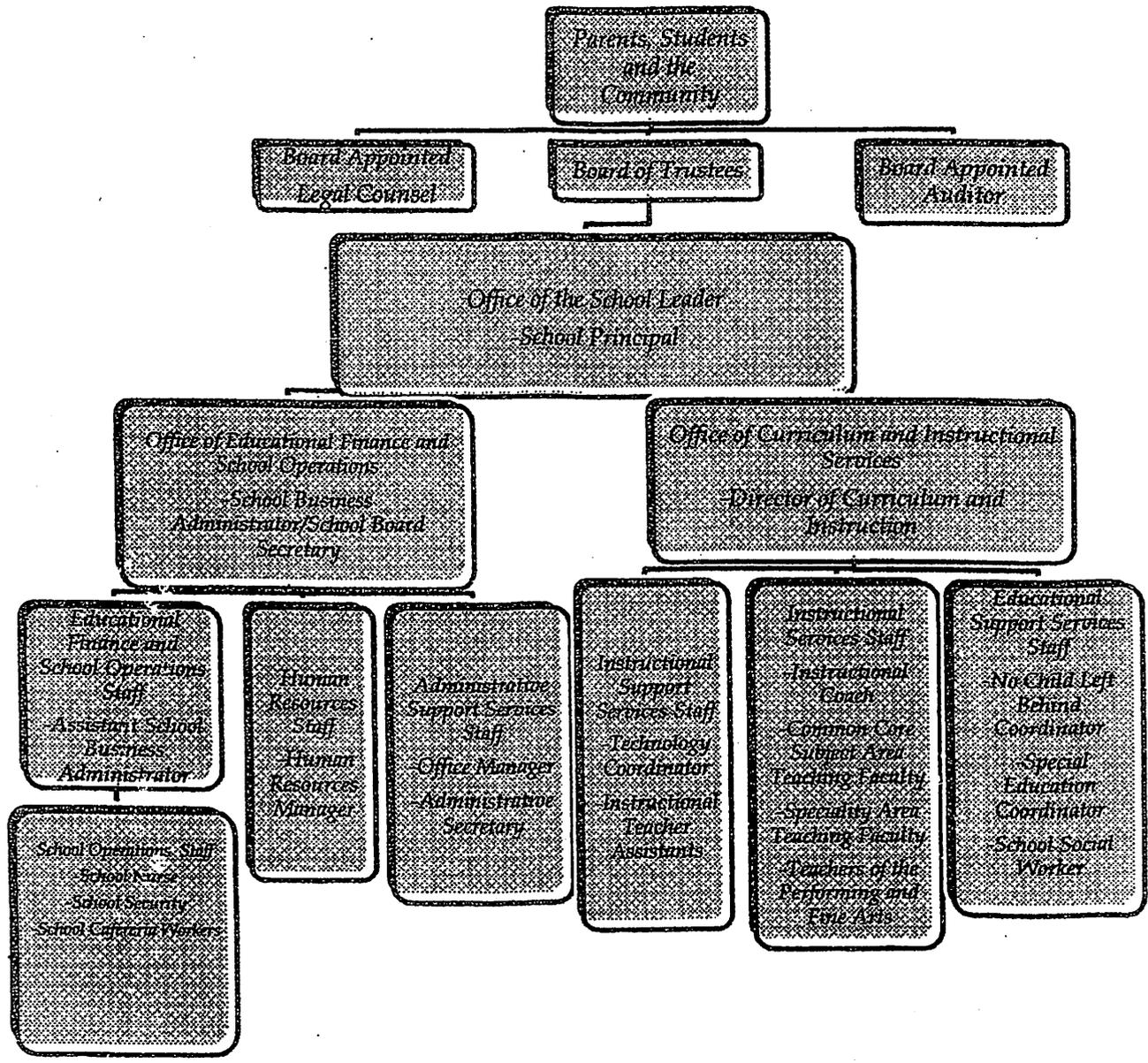
Respectfully submitted,

Karen Milteer

Karen Milteer
School Business Administrator/Board Secretary

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**The Adelaide L. Sanford Charter School
2012-2013 Organizational Chart**



ROSTER OF TRUSTEES AND OFFICERS

JUNE 30, 2012

Members of Board of Trustees

Dr. Akil Khalfani, Board President

Dr. Baseemah Jumuah, Board Member

Nabeelah Abdul-Ghafur, Board Member

Eric Stokes, Board Member

Alfred Bundy, Board Member

Eleanor Register-Greene, Board Member

Jamilah Muhammad, Board Member

Jonell Congleton, Board Member

Jay Hugee, Board Member

Administration

Larry Hazzard, Sr, Principal

Karen Milteer – School Business Administrator/Board Secretary

ADELAIDE L. SANFORD CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

Olugbenga Olabintan
Certified Public Accountant/Consultant
137 Camden Street
Newark, NJ 07103

Attorney

Dwayne D. Warren, Esq.
Attorney At Law
125 Paterson Avenue
Little Falss, New Jersey 07424

Official Depository

Sovereign Bank
745 Broad Street
Newark, NJ 07102

Financial Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Adelaide L. Sanford Charter School
Newark, New Jersey
County of Essex

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Adelaide L. Sanford Charter School, (the "Charter School") in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions 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; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter School of June 30, 2012, and the respective changes in financial position and 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 21, 2012 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

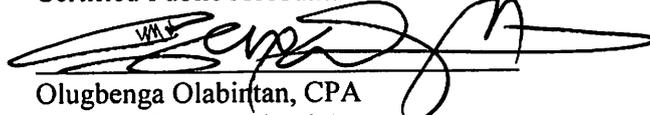
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not required part 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

Olugbenga Olabintan, CPA

November 21, 2012
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Required Supplementary Information

Part I

Management's Discussion and Analysis

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

ADELAIDE L. SANFORD CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Introduction

This section of the Adelaide L. Sanford Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- Net assets of governmental activities ended the fiscal year with \$1,464,654. Net assets of business-type activities, which represent food service operations/after care programs, ended the fiscal year with \$-0-.
- General revenues accounted for \$4,454,904 in revenue or 93.26 percent of total revenues of \$4,776,922. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$322,018 or 6.74 percent of total revenues.
- The Charter School had \$4,203,419 in expenses related to governmental activities; \$322,018 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$4,454,904 helped to provide for the balance of these programs.

The General Fund reported fund surplus at June 30, 2012, of \$1,530,255.

ADELAIDE L. SANFORD CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Adelaide L. Sanford Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Adelaide L. Sanford Charter School, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities, the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Reporting the Charter School as a Whole

Statement of Net Assets and Statements of Activities

While this report contains the fund 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 asks the question, "how did we do financially during fiscal year 2012?" The statements of Net Assets and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

ADELAIDE L. SANFORD CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Statement of Net Assets and Statement of Activities-continued

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care programs 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 major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. 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 statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less 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 the governmental funds are reconciled in the financial statements.

ADELAIDE L. SANFORD CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. Net assets may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$1,464,654 at the close of 2012. The following table provides a summary of net assets relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Acvtivities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current Assets	\$ 1,530,255	\$ 959,961	\$ 748,354	\$ 312,048	\$ 2,278,609	\$ 1,272,009
Total Assets	1,530,255	959,961	748,354	312,048	2,278,609	1,272,009
Liabilities						
Current Liabilities	65,601	68,810	748,354	312,048	813,955	380,858
Total Liabilities	65,601	68,810	748,354	312,048	813,955	380,858
Net Assets						
Unrestricted	1,464,654	891,151	-	-	1,464,654	891,151
Total Net Assets	\$ 1,464,654	\$ 891,151	\$ -	\$ -	\$ 1,464,654	\$ 891,151

ADELAIDE L. SANFORD CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

The largest portion of the Charter School's net assets is its current assets. The Charter School uses these current assets to provide services.

The total net assets of the Charter School increased by \$511,053 during the current fiscal year ended June 30, 2012. The majority of the increase is attributable to a surplus of \$573,503 in the General Fund. Operating grants and contributions decreased by 25.74 percent. This is because the Federal Stimulus – ARRA funds available ended in the prior year 2011.

The table that follows reflects the change in net assets for fiscal year 2012.

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charge for Services			\$59,015	\$61,834	\$59,015	\$61,834
Operating grants and Contributions	\$322,018	\$518,845	154,916	123,380	476,934	642,225
Total Program Revenues	322,018	518,845	213,931	185,214	535,949	704,059
General Revenues:						
Local Aid	604,939	497,287			604,939	497,287
Federal and State Aid	3,873,161	3,285,139			3,873,161	3,285,139
Miscellaneous	35	13,798			35	13,798
Transfers	(23,231)	(25,319)	23,231	25,319	-	-
Total general Revenues	4,454,904	3,770,905	23,231	25,319	4,478,135	3,796,224
Total Revenues	4,776,922	4,289,750	237,162	210,533	5,014,084	4,500,283
Expenses:						
Instructions	1,753,962	1,774,702			1,753,962	1,774,702
Administrative & Support Services	2,449,457	2,414,611			2,449,457	2,414,611
Food Service	-	-	237,162	248,520	237,162	248,520
Total Expenses	4,203,419	4,189,313	237,162	248,520	4,440,581	4,437,833
Change in Net Assets	\$ 573,503	\$ 100,437	\$ -	\$ (37,987)	\$ 573,503	\$ 62,450

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2012.

ADELAIDE L. SANFORD CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Governmental Activities - *continued*

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,753,962	\$ 1,571,031
Administrative & Support Services	2,449,457	2,310,370
Unallocated Depreciation	-	-
Total Expenses	\$ 4,203,419	\$ 3,881,401

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation and the after-school program. These programs had revenues of \$237,162 (including a transfer from the General Fund in the amount of \$23,231) and operating expenses of \$237,162 for fiscal year 2012. The Charter School intended to have food services be self operating without assistance from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$4,776,922 and expenditures of \$4,203,419. The positive change in fund balance for the year enabled the Charter School to meet its current costs.

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.

During the course of fiscal 2012, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$4,410,554, which included a local tax levy of \$604,939. Expenditures and other financing uses were budgeted at \$3,837,086. The Charter School anticipated budgeted fund balance of \$985,689 in its 2011-2012 budget year. General Fund revenues were higher than expenditures by \$573,503. Actual revenues and other financing sources were \$4,478,135 and expenditures were \$3,904,632, respectively.

ADELAIDE L. SANFORD CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

The State of New Jersey reimbursed the Charter School \$67,5461 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members. This unbudgeted amount was included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2012, the Charter School did not have any funds invested in capital assets in its governmental activities.

Long-term debt

At June 30, 2012, the Charter School did not have any long term debt.

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2012-2013. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

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 reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

ADELAIDE L. SANFORD CHARTER SCHOOL
Business Office
53 Lincoln Park
Newark, New Jersey 07102

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2012.

ADELAIDE L. SANFORD CHARTER SCHOOL

A-1

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 253,936	\$ 722,993	\$ 976,929
Accounts receivable	312,940	25,361	338,301
Other current assets	76,060		76,060
Interfund receivables	887,319		887,319
Total assets	<u>\$ 1,530,255</u>	<u>\$ 748,354</u>	<u>\$2,278,609</u>
Liabilities			
Accounts payable	\$ 11,600		\$ 11,600
Intergovernmental payables - state			-
Other liabilities	18,528		18,528
Interfunds payables		\$ 748,354	748,354
Deferred revenue	35,473		35,473
Total liabilities	<u>65,601</u>	<u>748,354</u>	<u>813,955</u>
Net assets			
Unrestricted, undesignated	<u>1,464,654</u>	-	<u>1,464,654</u>
Total net assets	<u>1,464,654</u>	-	<u>1,464,654</u>
Total liabilities & net assets	<u>\$ 1,530,255</u>	<u>\$ 748,354</u>	<u>\$2,278,609</u>

See independent auditor's report and accompanying notes to basic financial statements.

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 1,753,962		\$ 182,931	\$ (1,571,031)		\$ (1,571,031)
Administrative & Support services:						
General administration	1,287,868			(1,287,868)		(1,287,868)
Support services	1,161,589		139,087	(1,022,502)		(1,022,502)
Total governmental activities	<u>4,203,419</u>		<u>322,018</u>	<u>(3,881,401)</u>		<u>(3,881,401)</u>
Business-type activities:						
Food service	237,162	\$ 5,108	154,916		\$ (77,138)	(77,138)
After care program	-	53,907			53,907	53,907
Total business-type activities	<u>237,162</u>	<u>59,015</u>	<u>154,916</u>	<u>-</u>	<u>(23,231)</u>	<u>(23,231)</u>
Total primary government	<u>\$ 4,440,581</u>	<u>\$ 59,015</u>	<u>\$ 476,934</u>	<u>(3,881,401)</u>	<u>(23,231)</u>	<u>(3,904,632)</u>
General revenues, transfers and special items:						
Local sources				604,939	-	604,939
State sources				3,873,161		3,873,161
Miscellaneous				35		35
Transfers				(23,231)	23,231	-
Total general revenues, transfers and special items				<u>4,454,904</u>	<u>23,231</u>	<u>4,478,135</u>
Change in net assets				573,503	-	573,503
Net assets - beginning				891,151		891,151
Net assets - ending				<u>\$ 1,464,654</u>	<u>\$ -</u>	<u>\$ 1,464,654</u>

See independent auditor's report and accompanying notes to basic financial statements.

Funds Financial Statements

Governmental Funds

ADELAIDE L. SANFORD CHARTER SCHOOL
Governmental Funds

B-1

Balance Sheet

June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 253,936		\$ 253,936
Accounts receivable:			
State	6,636		6,636
Federal	-	\$ 109,310	109,310
Other	196,994		196,994
Other Current Assets	76,060	-	76,060
Interfund receivable	961,156	-	961,156
Total assets	<u>\$ 1,494,782</u>	<u>\$ 109,310</u>	<u>\$ 1,604,092</u>
 Liabilities and Fund Balances			
Accounts Payable	\$ 11,600		\$ 11,600
Interfund Accounts Payables		\$ 73,837	73,837
Intergovernmental payables - Other	18,528		18,528
Deferred revenue	-	35,473	35,473
Total liabilities	<u>30,128</u>	<u>109,310</u>	<u>139,438</u>
Fund balances:			
Unreserved:			-
Undesignated	1,464,654	-	1,464,654
Total fund balances	<u>1,464,654</u>	<u>-</u>	<u>1,464,654</u>
Total liabilities and fund balances	<u>\$ 1,494,782</u>	<u>\$ 109,310</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	-
Accumulated depreciation	-
	<u>-</u>

Net assets of governmental activities - A-1

\$ 1,464,654

See independent auditor's report and accompanying notes to basic financial statements.

ADELAIDE L. SANFORD CHARTER SCHOOL
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax levy	\$ 604,939	\$ 31,327	\$ 636,266
Miscellaneous	35		35
Total revenues - local sources	<u>604,974</u>	<u>31,327</u>	<u>636,301</u>
Federal sources	-	290,691	290,691
State sources	3,805,615		3,805,615
TPAF/FICA reimbursements	<u>67,546</u>	<u>-</u>	<u>67,546</u>
Total revenues	<u>4,478,135</u>	<u>322,018</u>	<u>4,800,153</u>
Current expense:			
Instruction	1,571,031	182,931	1,753,962
Administrative	1,287,868		1,287,868
Support services	1,045,733	139,087	1,184,820
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,904,632</u>	<u>322,018</u>	<u>4,226,650</u>
Excess (deficiency) of revenues over (under) expenditures	573,503	-	573,503
Fund balances, beginning of year	<u>891,151</u>	<u>-</u>	<u>891,151</u>
Fund balances, end of year	<u>\$ 1,464,654</u>	<u>\$ -</u>	<u>\$ 1,464,654</u>

See independent auditor's report and accompanying notes to basic financial statements.

ADELAIDE L. SANFORD CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2012

B-3

Total net change in fund balances - governmental funds (B-2) **\$ 573,503**

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

Change in net assets of governmental activities (A-2) \$ 573,503

See independent auditor's report and accompanying notes to basic financial statements.

Proprietary Funds

**ADELAIDE L. SANFORD CHARTER SCHOOL
Proprietary Funds**

B-4

Statement of Net Assets

June 30, 2012

Assets	
Current Assets:	
Cash and cash equivalents	\$ 722,993
Accounts Receivable:	
Federal	24,978
State	383
Total Current Assets	<u>\$ 748,354</u>
Liabilities	
Current Liabilities:	
Interfund Payable - General Fund	748,354
Accounts Payable	-
Total Current Liabilities	<u>\$ 748,354</u>
Net assets	
Unrestricted	-
Total Net Assets	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

**ADELAIDE L. SANFORD CHARTER SCHOOL
Proprietary Funds**

B-5

Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2012

Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ 59,015
Miscellaneous revenue	-
Total Operating revenues	<u>59,015</u>
Operating expenses:	
Cost of sales	147,640
Salaries	84,328
Employee benefits	-
Professional /Technical service	-
Supplies and materials	5,194
Depreciation	-
Miscellaneous	-
Total operating expenses	<u>237,162</u>
Operating income (loss)	<u>(178,147)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	2,396
Federal sources:	
National School Lunch Program	116,261
National School Breakfast Program	36,259
After School Snacks	-
Total nonoperating revenues	<u>154,916</u>
Net income/(loss) before contributions & transfers	(23,231)
Other financing sources:	
Transfer in/(out) - After Care to Food Program	<u>23,231</u>
	<u>23,231</u>
Change in net assets	-
Total net assets-beginning of year	<u>-</u>
Total net assets-end of year	<u>\$ -</u>

See independent auditor's report and accompanying notes to basic financial statements.

ADELAIDE L. SANFORD CHARTER SCHOOL
Proprietary Funds

B-6

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities

Operating loss	\$ (178,147)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	1,075
Increase in due to general fund	436,306
Increase in accounts payable	-
Net cash provided in operating activities	<u>259,234</u>

Cash received from state reimbursements	2,396
Cash received from federal reimbursements	152,520
Operating subsidies and transfers from other funds	23,231
Net cash provided by noncapital financing activities	<u>178,147</u>

Cash flows from investing activities

Net increase in cash and cash equivalents	437,381
Cash and cash equivalents, beginning	285,612
Cash and cash equivalents, ending	<u>\$ 722,993</u>

See independent auditor's report and accompanying notes to basic financial statements.

Fiduciary Funds

ADELAIDE L. SANFORD CHARTER SCHOOL
Fiduciary Funds

B-7

Statement of Fiduciary Net Assets

June 30, 2012

	<u>Agency Fund Payroll</u>	<u>Student Activity Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$178,830	\$ 724	\$179,554
Total assets	<u>\$178,830</u>	<u>\$ 724</u>	<u>\$179,554</u>
Liabilities and fund balances			
Liabilities:			
Payroll deductions and withholdings	\$ 39,865		\$ 39,865
Interfund payables	138,965		138,965
Account payable - due to students group		\$ 724	724
Total liabilities	<u>178,830</u>	<u>724</u>	<u>179,554</u>
Net Assets			
Total liabilities and net assets	<u>-</u>	<u>\$ 724</u>	<u>\$179,554</u>

See independent auditor's report and accompanying notes to basic financial statements.

ADELAIDE L. SANFORD CHARTER SCHOOL
Fiduciary Funds

B-8

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	<u>New Jersey Unemployment Benefits</u>
Revenues:	
General fund appropriation	\$ 19,284
Total revenues	<u>19,284</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	19,284
Total expenditures	<u>19,284</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

Notes to Basic Financial Statements

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

1 Description of the Charter School District and Reporting Entity

Adelaide L. Sanford Charter School (the “Charter School” was incorporated in the State of New Jersey in February 2006 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. An Executive Director is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. 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 of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

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

Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The Adelaide L. Sanford 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.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies

This summary of significant accounting policies of Adelaide L. Sanford Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Adelaide L. Sanford Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

A Basis of Presentation

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

Charter School Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

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

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

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

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - continued

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2012 there was no Capital Projects Fund.

Proprietary Funds

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

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

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

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

Fiduciary Funds

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

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. ***Basis of accounting*** refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

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

Basis of Accounting

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

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

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

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

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

E Cash, Cash Equivalent and Investments

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

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

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

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

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Assets.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. *The Charter School did not have any capital assets during the year ended June 30, 2012.*

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

I Compensated Absences

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2012.

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-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. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

ADELAIDE L. SANFORD CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

2 Summary of Significant Accounting Policies - *continued*

M Net Assets

Net Assets represent the difference between assets and liabilities in the Government-wide financial statements. 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 long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N Management Estimates

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

O On-Behalf Payments

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

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

3 Deposits and Investments

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that 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 (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

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 5% of the average daily balance of collected 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.

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2012, the Charter School's carrying amount of deposits and investments are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Operating A/C	\$ 253,936	\$ -	\$ 722,993	\$ 179,554	\$ 1,156,483

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2012, the Charter School's carrying amount of deposits was \$1,156,483 and the bank balance was \$1,491,825. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2012 were secured by federal deposit insurance and \$1,241,825 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act ("GUDPA").

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Notes to the Basic Financial Statements
Year Ended June 30, 2012

3 Deposits and Investments - continued

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School'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 Charter School's name.

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. 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.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2012, the Charter School did not hold any investments.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

4 Capital Assets

There were no capital assets during the year ended June 30, 2012.

5 Lease Obligation

Facilities Leases

The Charter School leases its facilities under one single operating lease agreement covering the following premises:

- 11-17 James Street, Newark, New Jersey for administrative offices and conference center.
- 53 Lincoln Park and 67-69 Lincoln Park, Newark, New Jersey for classroom and administrative offices.

It is a 60 month lease commencing July 18, 2011 through July 18, 2016 at an annual basic rent of \$624,000. The amount paid under this lease for the year ended June 30, 2012 was \$624,000. The basic rent is increased each year at a rate equal to the lesser of 3% or the year-over-year change in the US Department of Labor Consumer price Index. Subsequent to year end, Management of the Charter School represents that the lease is being renegotiated with the landlord. The renegotiation will substantially change the terms of the lease.

Equipment Leases

The Charter School leases several items of office equipment under various operating lease agreements. For the year ended June 30, 2012, the Charter School incurred \$6,959 in equipment lease expenditures.

Future minimum lease payments required under the operating leases are as follows:

Year ending June 30:	Leased Facilities	Equipment Leases	Total
2013	\$ 642,720	\$ 5,951	\$ 648,671
2014	662,002	3,372	665,374
2015	681,862	1,967	683,829
2016	56,822	-	56,822
2017		-	-
Thereafter		-	-
	<u>\$ 2,043,405</u>	<u>\$ 11,290</u>	<u>\$ 2,054,695</u>

ADELAIDE L. SANFORD CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans

Description of Plans

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

Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

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

ADELAIDE L. SANFORD CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Significant Legislation

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/71th of the required amount, beginning in Fiscal Year 2012.

ADELAIDE L. SANFORD CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Funding Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRSI) is 72.1 percent and \$15.1 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future.

These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

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

Actuarial Methods and Assumptions

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

6 Pension Plans - *continued*

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The Charter School's contribution to PERS for the year ended June 30, 2012 was \$70,962.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$67,546 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

7 Post Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 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 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.

ADELAIDE L. SANFORD CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2012

7 Post Retirement Benefits - *continued*

As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State made post retirement (PRM) contributions of \$1.38 billion for TPAF for fiscal year 2009 and \$3.22 million for fiscal year 2008.

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.

8 Compensated Absences

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2012, Charter School-wide compensated absences amounted to \$-0-.

9 Deferred Compensation

The Charter School is in the process of offering its employees a choice of deferred compensation plans created in accordance with Internal Revenue Section 403(b).

ADELAIDE L. SANFORD CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2012

10 Economic Dependency

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

11 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School's attorney did not respond to the auditor's inquiry, however, Management represented that there are two pending lawsuits against the Charter School the status of which is not known.

Probation

Adelaide L. Sanford Charter School was placed on probationary status by the Commissioner of Education on February 3, 2012. The probation was extended on May 11, 2012, and October 11, 2012. As of November 21, 2012, the date of this report, the probation remained in effect through January 11, 2013. A possible end result of the probation could be a deformation by the Commissioner to revoke the school's charter, which normally would require the school to cease operating within sixty (60) days of the receipt by the school of such determination.

However, there is evidence that the school is making progress towards resolving all of the issues that led to the probationary status, some of which are: conflict of interests among its Board members, renegotiation of its facilities lease agreement to better reflect the spaces occupied by the Charter School and improvements in students' academic performance. It is pertinent to note that the issue of Board members conflict of interest has been satisfactorily addressed as noted by the Commissioner of Education.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

12 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 and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

13 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2012 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 961,156	
Special Revenue Fund	-	\$ 73,837
Enterprise Fund		748,354
Trust and Agency Fund	-	138,965
	\$ 961,156	\$ 961,156

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

14 Receivables

Receivables as of June 30, 2012 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

State aid	\$ 7,019
Federal aid	134,288
Other	196,994
Total receivables	\$ 338,301

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2012

15 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements, except the following:

- The status of the Probationary Status imposed on the Charter School by the New Jersey Commissioner of Education is unknown as fully discussed in Note 11 above.
- Management represented that there are two pending lawsuits against the Charter School. The status of those lawsuits is not known.

Required Supplementary Information

Part II

Budgetary Comparison

ADELAIDE L. SANFORD CHARTER SCHOOL
General Fund

C-1

Budget Comparison Schedule

Year ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Local Sources:					
Local tax levy	\$ 561,845	\$ 43,094	\$ 604,939	\$ 604,939	\$ -
Miscellaneous	-	-	-	35	35
Total revenues -local sources	<u>561,845</u>	<u>43,094</u>	<u>604,939</u>	<u>604,974</u>	<u>35</u>
State sources	3,785,143	20,472	3,805,615	3,805,615	-
TPAF-Social Security				67,546	67,546
Total revenues	<u>4,346,988</u>	<u>63,566</u>	<u>4,410,554</u>	<u>4,478,135</u>	<u>67,581</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	943,945	\$ (60,046)	883,899	883,899	-
Other salaries for instruction	345,864	(39,045)	306,819	306,819	-
Purchased professional technical services	108,000	3,703	111,703	111,703	-
Other purchased services	100,000	(14,818)	85,182	85,182	-
General educational supplies	76,608	38,761	115,369	115,369	-
Textbooks	107,000	(44,813)	62,187	62,187	-
Miscellaneous expenses	16,700	(10,828)	5,872	5,872	-
	<u>1,698,117</u>	<u>(127,086)</u>	<u>1,571,031</u>	<u>1,571,031</u>	<u>-</u>
Administrative cost:					
Salaries	508,298	1,897	510,195	510,195	-
Total benefit costs	503,952	28,004	531,956	531,956	-
Professional /Technical service	58,000	4,959	62,959	62,959	-
Other purchased services	80,000	(7,388)	72,612	72,612	-
Communications and Telephones	23,400	(11,050)	12,350	12,350	-
Supplies and materials	25,000	(3,995)	21,005	21,005	-
Miscellaneous expenses	12,500	(3,255)	9,245	9,245	-
	<u>1,211,150</u>	<u>9,172</u>	<u>1,220,322</u>	<u>1,220,322</u>	<u>-</u>
Support services:					
Salaries	239,890	(34,506)	205,384	205,384	-
Purchased prof/tech service	-	42,628	42,628	42,628	-
Other purchased services	50,000	(24,095)	25,905	25,905	-
Rent on land and buildings	624,000	-	624,000	624,000	-
Insurance-fidelity, liability property	40,095	(33)	40,062	40,062	-
Supplies and materials	26,000	(7,629)	18,371	18,371	-
Energy & Utilities	64,200	(14,608)	49,592	49,592	-
Miscellaneous expenses	5,000	(3,000)	2,000	2,000	-
Transportation other than to/from school	20,000	(5,440)	14,560	14,560	-
Food Services - Transfer to cover deficit	46,654	(23,423)	23,231	23,231	-
Total support services	<u>1,115,839</u>	<u>(70,106)</u>	<u>1,045,733</u>	<u>1,045,733</u>	<u>-</u>
Capital outlay:					
Instructional equipment	114,000	(114,000)	-	-	-
Non-instructional equipment	10,000	(10,000)	-	-	-
Total capital outlay	<u>124,000</u>	<u>(124,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TPAF-Social Security				67,546	(67,546)
Total expenditures	<u>4,149,106</u>	<u>(312,020)</u>	<u>3,837,086</u>	<u>3,904,632</u>	<u>(67,546)</u>
Excess (deficiency) of revenues over (under) expenditures	197,882	375,586	573,503	573,503	-
Fund balances, beginning of year	<u>891,151</u>	<u>(478,965)</u>	<u>412,186</u>	<u>891,151</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,089,033</u>	<u>\$ (103,379)</u>	<u>\$ 985,689</u>	<u>\$ 1,464,654</u>	<u>\$ -</u>

**ADELAIDE L. SANFORD CHARTER SCHOOL
Special Revenue Fund**

C-2

Budget Comparison Schedule

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources	\$ 290,691	\$ -	\$ 290,691	\$ 290,691	\$ -
Local sources	31,327	-	31,327	31,327	-
Total revenues -all sources	322,018	-	322,018	322,018	-
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	108,325	-	108,325	108,325	-
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	74,606	-	74,606	74,606	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	182,931	-	182,931	182,931	-
Support services					
Support services salaries	-	-	-	-	-
Employee benefits	-	-	-	-	-
Purchased professional services	132,391	-	132,391	132,391	-
Other purchased services	-	-	-	-	-
Supplies	6,696	-	6,696	6,696	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	139,087	-	139,087	139,087	-
Capital Outlay:					
Facilities acquisition and construction services	-	-	-	-	-
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	-	-	-	-	-
Total expenditures	\$ 322,018	\$ -	\$ 139,087	\$ 322,018	\$ -

Notes to Required Supplementary Information

ADELAIDE L. SANFORD CHARTER SCHOOL
Note to Required Supplementary Information
Budget to GAAP Reconciliation

C-3

Year ended June 30, 2012

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] [C-2]	\$ 4,478,135	\$ 290,691
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		0	0
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 4,478,135	\$ 290,691
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] [C-2]	\$ 3,904,632	\$ 290,691
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 reporting purposes.			0
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund		0	0
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 3,904,632	\$ 290,691

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

Other Supplementary Information

School Level Schedules

Special Revenue Fund

**ADELAIDE L. SANFORD CHARTER SCHOOL
Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2012

	Title IA C/Year 2011-2012	Title IA ARRA C/Fwd 2009-2011	Title IA C/Fwd 2010-2011	I.D.E.A. C/Year 2011-2012	I.D.E.A. C/Fwd 2010-2011	IDEA ARRA C/Fwd 2009-2011	Newark Charter School Fund 2011-2012	Total
Revenues								
Federal sources	\$ 139,677	\$ 28,316	\$ 54,529	\$ 28,984	\$ 14,341	\$ 24,844		\$ 290,691
Local sources							\$ 31,327	31,327
Total revenues -all sources	<u>\$ 139,677</u>	<u>\$ 28,316</u>	<u>\$ 54,529</u>	<u>\$ 28,984</u>	<u>\$ 14,341</u>	<u>\$ 24,844</u>	<u>\$ 31,327</u>	<u>\$ 290,691</u>
Expenditures								
Instruction								
Salaries of teachers	\$ 108,325							\$ 108,325
Purchased Prof. and technical services								-
Other purchased services								-
General supplies	13,352		\$ 43,400			\$ 17,854		74,606
Miscellaneous expenditures								-
Total instruction	<u>121,677</u>		<u>43,400</u>			<u>17,854</u>		<u>182,931</u>
Support services								
Support services salaries								-
Employee benefits								-
Purchased professional services	18,000	\$ 28,316	11,129	\$ 28,984	\$ 7,645	6,990	\$ 31,327	132,391
Other purchased services								-
Supplies					6,696			6,696
Miscellaneous expenditures								-
Total support services	<u>18,000</u>	<u>28,316</u>	<u>11,129</u>	<u>28,984</u>	<u>14,341</u>	<u>6,990</u>	<u>31,327</u>	<u>139,087</u>
Facilities acquisition and construction services								
Instructional equipment		-	-	-	-	-	-	-
Noninstructional equipment		-	-	-	-	-	-	-
Construction services		-	-	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 139,677</u>	<u>\$ 28,316</u>	<u>\$ 54,529</u>	<u>\$ 28,984</u>	<u>\$ 14,341</u>	<u>\$ 24,844</u>	<u>\$ 31,327</u>	<u>\$ 322,018</u>

Capital Projects Fund

At June 30, 2012, there was no capital project fund.

Enterprise Fund

ADELAIDE L. SANFORD CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Assets

June 30, 2012

	Food Services	After-Care Program	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$722,993	\$ -	\$ 722,993
Accounts Receivable:			
Federal	24,978		24,978
State	383		383
Total Current Assets	\$748,354	\$ -	\$ 748,354
 Liabilities			
Current Liabilities:			
Interfund Payable - General Fund	\$748,354	\$ -	\$ 748,354
Accounts Payable	-		-
Total Current Liabilities	\$748,354	\$ -	\$ 748,354
 Net assets			
Unrestricted	\$ -	\$ -	\$ -
Total Net Assets	\$ -	\$ -	\$ -

ADELAIDE L. SANFORD CHARTER SCHOOL
Enterprise Funds

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2012

	<u>Food Services</u>	<u>After-Care Program</u>	<u>Total</u>
Operating revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ 5,108	\$ 53,907	\$ 59,015
Miscellaneous revenue	-	-	-
Total Operating revenues	<u>5,108</u>	<u>53,907</u>	<u>59,015</u>
Operating expenses:			
Cost of sales	147,640	-	147,640
Salaries	84,328	-	84,328
Employee benefits	-	-	-
Professional /Technical service	-	-	-
Supplies and materials	5,194	-	5,194
Depreciation	-	-	-
Miscellaneous	-	-	-
Total operating expenses	<u>237,162</u>	<u>-</u>	<u>237,162</u>
Operating income (loss)	<u>(232,054)</u>	<u>53,907</u>	<u>(178,147)</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	2,396	-	2,396
Federal sources:			
National School Lunch Program	116,261	-	116,261
National School Breakfast Program	36,259	-	36,259
After School Snacks	-	-	-
Total nonoperating revenues	<u>154,916</u>	<u>-</u>	<u>154,916</u>
Net income/(loss) before contributions & transfers	(77,138)	53,907	(23,231)
Other financing sources:			
Transfer in/(out) - After Care to Food Program	77,138	(53,907)	23,231
	<u>77,138</u>	<u>(53,907)</u>	<u>23,231</u>
Change in net assets	-	-	-
Total net assets-beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets-end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ADELAIDE L. SANFORD CHARTER SCHOOL
Enterprise Funds

G-3

Statement of Cash Flows

Year ended June 30, 2012

Cash flows from operating activities

Operating loss	\$ (178,147)
Adjustment to reconcile operating loss to net cash used in operating activities:	-
Changes in assets and liabilities:	
Decrease in accounts receivable	1,075
Increase in due to general fund	436,306
Increase in accounts payable	-
Net cash provided in operating activities	<u>259,234</u>

Cash received from state reimbursements	2,396
Cash received from federal reimbursements	152,520
Operating subsidies and transfers from other funds	23,231
Net cash provided by noncapital financing activities	<u>178,147</u>

Cash flows from investing activities

Net increase in cash and cash equivalents	437,381
Cash and cash equivalents, beginning	285,612
Cash and cash equivalents, ending	<u>\$ 722,993</u>

Fiduciary Fund

ADELAIDE L. SANFORD CHARTER SCHOOL
Fiduciary Funds

H-1

Combining Statement of Fiduciary Net Assets

June 30, 2012

	<u>Agency Fund Payroll</u>	<u>Student Activity Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 178,830	\$ 724	\$ 179,554
Total assets	<u>\$ 178,830</u>	<u>\$ 724</u>	<u>\$ 179,554</u>
Liabilities and fund balances			
Liabilities:			
Payroll deductions and withholdings	\$ 39,865		\$ 39,865
Interfund payables	138,965		138,965
Account payable - due to students group	-	\$ 724	724
Total liabilities	<u>178,830</u>	<u>724</u>	<u>179,554</u>
Net Assets			
Total liabilities and net assets	<u>\$ 178,830</u>	<u>\$ 724</u>	<u>\$ 179,554</u>

ADELAIDE L. SANFORD CHARTER SCHOOL
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Assets
Unemployment Compensation Insurance Trust Fund

Year ended June 30, 2012

	<u>New Jersey Unemployment Benefits</u>
Revenues:	
General fund appropriation	\$ 19,284
Total revenues	<u>19,284</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>19,284</u>
Total expenditures	<u>19,284</u>
Excess(deficiency) of revenue over(under) expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>

ADELAIDE L. SANFORD CHARTER SCHOOL
Fiduciary Funds
Schedule of Receipts and Disbursements

H-3

Year ended June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Assets				
Parent council fund	\$ 613	\$ 32,117	\$ 32,006	\$ 724
Total assets	<u>\$ 613</u>	<u>\$ 32,117</u>	<u>\$ 32,006</u>	<u>\$ 724</u>

ADELAIDE L. SANFORD CHARTER SCHOOL
Fiduciary Funds
Schedule of Receipts and Disbursements

H-4

Year ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ 34,339	\$ 2,353,238	\$ 2,208,747	\$ 178,830
Total assets	<u>\$ 34,339</u>	<u>\$ 2,353,238</u>	<u>\$ 2,208,747</u>	<u>\$ 178,830</u>
Liabilities				
Payroll deductions and withholdings	\$ 34,339	\$ 2,214,273	\$ 2,208,747	\$ 39,865
Interfund payable	-	138,965		138,965
Total liabilities	<u>\$ 34,339</u>	<u>\$ 2,353,238</u>	<u>\$ 2,208,747</u>	<u>\$ 178,830</u>

Long Term Debt
At June 30, 2012, there was no long term debt.

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey
Schedule of Obligations Under Renovation Loan

I-2

Year ended June 30, 2012

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2011</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2012</u>
		\$ -	\$ -	\$ -	\$ -

NONE

Statistical Section

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-1

NET ASSETS BY COMPONENT
Last Five Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,				
	2012	2011	2010	2009	2008
Governmental activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	1,464,654	891,151	790,714	387,006	50,793
Total governmental activities net assets	<u>\$ 1,464,654</u>	<u>\$ 891,151</u>	<u>\$ 790,714</u>	<u>\$ 387,006</u>	<u>\$ 50,793</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	37,987	27,142	10,742
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,987</u>	<u>\$ 27,142</u>	<u>\$ 10,742</u>
School-wide					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	1,464,654	891,151	828,701	414,148	61,535
Total charter school net assets	<u>\$ 1,464,654</u>	<u>\$ 891,151</u>	<u>\$ 828,701</u>	<u>\$ 414,148</u>	<u>\$ 61,535</u>

Notes

GASB requires that ten year of statistical data be presented. However, only five years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-2

CHANGES IN NET ASSETS

Last Five Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year Ending June 30,				
	2012	2011	2010	2009	2008
Expenses					
Governmental activities					
Instruction					
Regular	\$ 1,753,962	\$ 1,774,702	\$ 1,328,414	\$ 997,965	\$ 388,109
Support Services:					
General administration	1,287,868	1,061,166	834,926	573,063	502,949
School administrative services	1,094,043	1,378,764	1,005,540	664,550	659,846
On-behalf TPAF/FICA Reimbursements	67,546	-	-	-	-
Capital outlay	-	-	-	-	-
Unallocated depreciation	-	-	-	-	-
Total governmental activities expenses	<u>4,203,419</u>	<u>4,214,632</u>	<u>3,168,880</u>	<u>2,235,578</u>	<u>1,550,904</u>
Business-type activities:					
Food service	237,162	248,520	166,200	101,564	81,267
Child Care	-	-	-	-	-
Total business-type activities expense	<u>237,162</u>	<u>248,520</u>	<u>166,200</u>	<u>101,564</u>	<u>81,267</u>
Total charter school expenses	<u>\$ 4,440,581</u>	<u>\$ 4,463,152</u>	<u>\$ 3,335,080</u>	<u>\$ 2,337,142</u>	<u>\$ 1,632,171</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Operating grants and contributions	\$ 322,018	\$ 518,845	\$ 294,781	\$ 127,992	\$ 207,829
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>322,018</u>	<u>518,845</u>	<u>294,781</u>	<u>127,992</u>	<u>207,829</u>
Business-type activities:					
Charges for services:					
Food service	5,108	6,788	10,103	10,004	1,333
Child care	53,907	55,046	52,534	24,562	10,742
Operating grants and contributions	154,916	123,380	114,408	83,398	21,744
Capital grants and contributions	-	25,319	-	-	58,160
Total business type activities program revenues	<u>213,931</u>	<u>210,533</u>	<u>177,045</u>	<u>117,964</u>	<u>91,979</u>
Total charter school program revenues	<u>\$ 535,949</u>	<u>\$ 729,378</u>	<u>\$ 471,826</u>	<u>\$ 245,956</u>	<u>\$ 299,808</u>
Net (Expense)/Revenue					
Governmental activities	\$ (3,881,401)	\$ (3,695,787)	\$ (2,874,099)	\$ (2,107,586)	\$ (1,343,075)
Business-type activities	(23,231)	(37,987)	10,845	16,400	10,712
Total charter school-wide net expense	<u>\$ (3,904,632)</u>	<u>\$ (3,733,774)</u>	<u>\$ (2,863,254)</u>	<u>\$ (2,091,186)</u>	<u>\$ (1,332,363)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 604,939	\$ 497,287	\$ 422,110	\$ 321,878	\$ 247,730
Grants and contributions	3,873,161	3,285,139	2,809,834	2,022,932	1,143,626
Miscellaneous income	35	13,798	45,863	98,989	2,512
Transfers	(23,231)	(25,319)	-	-	(58,160)
Total governmental activities	<u>4,454,904</u>	<u>3,770,905</u>	<u>3,277,807</u>	<u>2,443,799</u>	<u>1,335,708</u>
Business-type activities:					
Transfers	23,231	25,319	-	-	58,160
Total business-type activities	<u>23,231</u>	<u>25,319</u>	<u>-</u>	<u>-</u>	<u>58,160</u>
Total charter school-wide	<u>\$ 4,478,135</u>	<u>\$ 3,796,224</u>	<u>\$ 3,277,807</u>	<u>\$ 2,443,799</u>	<u>\$ 1,393,868</u>
Change in Net Assets					
Governmental activities	\$ 596,734	\$ 100,437	\$ 403,708	\$ 336,213	\$ (7,367)
Business-type activities	(23,231)	(37,987)	10,845	16,400	68,872
Total charter school	<u>\$ 573,503</u>	<u>\$ 62,450</u>	<u>\$ 414,553</u>	<u>\$ 352,613</u>	<u>\$ 61,505</u>

Notes

GASB requires that ten year of statistical data be presented. However, only five years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-3

Fund Balances - Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund					
Unreserved	\$ 1,464,654	\$ 891,151	\$ 790,714	\$ 387,006	\$ 50,793
Total general fund	<u>\$ 1,464,654</u>	<u>\$ 891,151</u>	<u>\$ 790,714</u>	<u>\$ 387,006</u>	<u>\$ 50,793</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes

GASB requires that ten year of statistical data be presented. However, only five years of data is available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-4

Changes in Fund Balances - Governmental Funds
Last Five Fiscal Years
(Unaudited)

Function	2012	2011	2010	2009	2008
Revenues					
Local tax levy	\$ 636,266	\$ 497,287	\$ 422,110	\$ 321,878	\$ 247,730
Miscellaneous	35	93,209	106,951	113,214	2,512
State sources	3,873,161	3,290,894	2,809,834	2,022,932	1,237,980
Federal sources	290,691	433,679	233,693	113,767	113,475
Total revenue	<u>4,800,153</u>	<u>4,315,069</u>	<u>3,572,588</u>	<u>2,571,791</u>	<u>1,601,697</u>
Expenditures					
Instruction	1,753,962	1,774,702	1,328,414	997,965	388,109
Administration	1,287,868	1,378,764	1,005,540	664,550	659,846
Support Services	1,184,820	1,061,166	834,926	573,063	502,949
Capital Outlay	0	-	-	-	-
Total expenditures	<u>4,226,650</u>	<u>4,214,632</u>	<u>3,168,880</u>	<u>2,235,578</u>	<u>1,550,904</u>
Net change in fund balances	<u>\$ 573,503</u>	<u>\$ 100,437</u>	<u>\$ 403,708</u>	<u>\$ 336,213</u>	<u>\$ 50,793</u>

Source: Charter School's Records

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-5

General Fund Other Local Revenue by Source
Last Five Fiscal Years
(Unaudited)

<u>Function</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Other local revenues					
Miscellaneous	\$ 35	\$ 13,798	\$ 45,863	\$ 98,989	\$ 2,512
Total other local revenue	<u>\$ 35</u>	<u>\$ 13,798</u>	<u>\$ 45,863</u>	<u>\$ 98,989</u>	<u>\$ 2,512</u>

Source: Charter School's Records

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Five Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participatio n	Capital Leases	Bond Anticipatio n Notes (BANs)	Capital Leases			
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2010	-	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	-	0.00%	-
2012	-	-	-	-	-	-	0.00%	-

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

Note: Details regarding the Charter School's outstanding debt can be found in the notes to the financial statements.

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-14

Demographic and Economic Statistics
Last Five Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	272,434	\$ 3,544,093,906	\$ 13,009	9.50%
2008	272,434	3,544,093,906	13,009	9.50%
2009	272,434	3,544,093,906	13,009	14.10%
2010	277,140	3,605,314,260	13,009	15.00%
2011	277,140	3,605,314,260	13,009	15.00%
2012	277,140	3,605,314,260	13,009	15.00%

Source:

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

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

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

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-15

Principal Employers
Current Year
(Unaudited)

<u>Employer</u>	2012		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u> <u>[Optional]</u>	<u>of Total</u> <u>Municipal</u> <u>Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airline	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	103,126		73.67%

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Newark-Economy.html>

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-16

Full-Time Equivalent Charter School Employees by Function/Program
Last Five Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction					
Regular	30	30	21	12	12
Special education	1	1	1	1	1
Vocational					
Other instruction					
Support Services:					
Student & instruction related services					
General administration	6	6	6	6	6
School administrative services					
Other administrative services	2	2	1	2	2
Central services					
Administrative Information Technology					
Plant operations and maintenance					
Pupil transportation					
Other support services	6	6	6	4	4
Special Schools					
Food Service					
Total	<u>45</u>	<u>45</u>	<u>35</u>	<u>25</u>	<u>25</u>

Source: Charter School Personnel Records

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-17

Operating Statistics

Last Five Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2008	135	\$ 1,550,904	\$ 11,488	N/A	13	1:09	1:09	135.0	135	N/A	100.00%
2009	135	1,550,904	11,488	0.00%	22	1:09	1:09	135.0	135	0.00%	95.00%
2010	236	3,168,880	13,427	104.32%	22	1:09	1:09	236.0	224	74.81%	95.00%
2011	285	4,214,632	14,788	33.00%	31	1:09	1:09	285.0	271	20.76%	95.00%
2012	332	4,226,650	12,731	0.29%	31	1:09	1:09	332.0	325	16.49%	98.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-18

School Building Information
Last Five Fiscal Years
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>2009</u>
Square Feet	45,000	45,000	38,100	38,100	31,750
Capacity (students)	500	500	240	222	222
Enrollment	332	285	236	188	135

Source: School Records

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-19

Schedule of Required Maintenance Expenditures
By School Facility
Last Five Fiscal Years
(Unaudited)

2008	\$ 39,679
2009	27,006
2010	33,291
2011	25,978
2012	32,473
	-
Total	<u>\$ 158,427</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

ADELAIDE L. SANFORD CHARTER SCHOOL
County of Essex, New Jersey

J-20

Insurance Schedule

June 30, 2012
(Unaudited)

	Coverage		
Property:			
Business Personal Property	\$ 3,000,000		
Computer Coverage	750,000		
Crime			
Employee Dishonesty with \$5,000 Deductible	117,000		
Money & Securities - Premises/In Transit with \$5,000 Deductible	25,000		
Computer Fraud with \$5,000 Deductible	117,000		
Funds Transfer Fraud with \$5,000 Deductible	117,000		
Educators Errors & Omissions			
Educators Errors & Omissions Liability with \$2,500 Deductible	1,000,000		
Supplemental Payments - Defence Expense with \$2,500 Deductible each	50,000	Each	
Supplemental Payments - Defence Expense with \$2,500 Deductible each	100,000	Aggregate	
Commercial General Liability			
General Aggregate	2,000,000		
Products - Completed Operations Aggregate Limit	1,000,000		
Personal & Advertising Injury Limit	1,000,000	Each Occurrence	
Damage to Premises Rented by Insured	50,000		
Medical Expenses - Limits	1,000		
Sexual Molestation	300,000	Each Occurrence	
Flexi-Plus Five:			
Directors & Officers Liability with \$10,000 Deductible	1,000,000		
Employment Practices Liability with \$10,000 Deductible	1,000,000		
Workplace Violence with \$10,000 Deductible	1,000,000		

Single Audit Section

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K-1

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

The Honorable Chairperson and
Members of the Board of Trustees
Adelaide L. Sanford Charter School
County of Essex
Newark, New Jersey

We have audited the financial statements of the Board of Trustees of the Adelaide L. Sanford Charter School ("the Charter School"), in the County of Essex, State of New Jersey as of and for the fiscal year ended June 30, 2012, and have issued our report thereon, dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Adelaide L. Sanford Charter School Board of Trustees 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 Adelaide L. Sanford Charter School Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adelaide L. Sanford Charter School Board of Trustees' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Adelaide L. Sanford Charter School Board of Trustees' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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, Department of Education, State of New Jersey.

We noted certain matters that we reported to the Board of Trustees of the Adelaide L. Sanford Charter School in the separate *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated November 21, 2012.

This report is intended for the information of the management, the Adelaide L. Sanford 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.

Olugbenga Olabintan, CPA

November 21, 2012
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

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K-2

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with New Jersey OMB Circular 04-04

The Honorable Chairperson and
Members of the Board of Trustees
Adelaide L. Sanford Charter School
County of Essex,
Newark, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the of Adelaide L. Sanford Charter School ("the Charter School") in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2012. Adelaide L. Sanford Charter School Board of Trustees' 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 Board of Trustee's management. Our responsibility is to express an opinion on the Charter School Board of Trustee'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 audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School Board of Trustee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School Board of Trustees' compliance with those requirements.

In our opinion, Board of Trustees of the Adelaide L. Sanford Charter School, in the County of Essex, State of New Jersey, complied in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board of Trustees of 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 the Charter School Board of Trustees internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Adelaide L. Sanford Charter School Board of Trustees' internal control over compliance.

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

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

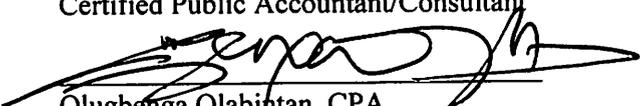
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. we did not identify any deficiencies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

This report is intended for the information and use of the management, the Charter School Board of Trustees, the New Jersey State Department of Education, and other 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.

Olugbenga Olabintan, CPA

November 21, 2012
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

ADELAIDE L. SANFORD CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011	Adjustments	Carryover (Walkover Amount)	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
Special Revenue Fund:														
U.S. Department of Education:														
Passed-Through State Department of Education														
Title I Part A - FY 2011-2012	84.010A	9/1/11-8/31/12	\$ 218,678						\$ 68,183	\$ (139,677)	\$ (71,494)			
IDEA Part B - FY 2011-2012	84.027	9/1/11-8/31/12	51,964						-	(28,984)	(28,984)			
Title II A - FY 2011-2012	84.367	9/1/11-8/31/12	547											
Title I Part A - FY 2010-2011	84.010A	9/1/10-8/31/11	230,377	\$ (70,045)					143,931	(54,529)	-	\$ 19,357		
Title I ARRA - FY 2009-2011	84.389	7/1/09-8/31/11	130,310		\$ 415				25,679	(28,316)	(2,222)			
Title II A - FY 2010-2011	84.367	9/1/10-8/31/11	4,141						77	-			77	
Title II D - FY 2010-2011	84.367	9/1/10-8/31/11	504						504				504	
Title IV - FY 2010-2011	84.186	9/1/10-8/31/11	2,143							-				
IDEA Basic - FY 2010-2011	84.027	9/1/10-8/31/11	51,964	(32,760)					47,464	(14,341)			363	
IDEA ARRA - FY 2009-2011	84.391	7/1/09-8/31/11	57,053	(31,073)					57,053	(24,844)			1,136	
				-						-				
Title I Part A - FY 2009-2010	84.010A	9/1/09-8/31/10	197,953	(4,843)						-	(4,843)			
Title II A - FY 2009-2010	84.367	9/1/09-8/31/10	5,611	(1,059)						-	(1,059)			
Title II D - FY 2009-2010	84.367	9/1/09-8/31/10	1,956	-	1,958					-			1,958	
Title IV - FY 2009-2010	84.186	9/1/09-8/31/10	2,638		3,405					-			3,405	
IDEA Basic - FY 2009-2010	84.027	9/1/09-8/31/10	37,943	(708)						-	(708)			
Total Special Revenue/U.S. Department of Education				<u>(140,488)</u>	<u>5,778</u>				<u>342,891</u>	<u>(290,691)</u>	<u>(109,310)</u>		<u>26,800</u>	
Enterprise Fund:														
U.S. Department of Agriculture														
Passed-Through New Jersey Dept of Agriculture														
National School lunch program	10.555	7/1/11-6/30/12	116,261						97,436	(116,261)	(18,825)			
National School lunch program	10.555	7/1/10-6/30/11	93,819	(20,068)					20,068	-	-			
National School breakfast program	10.553	7/1/11-6/30/12	36,259						30,137	(36,259)	(6,122)			
National School breakfast program	10.553	7/1/10-6/30/11	27,636	(5,927)					5,927	-	-			
Total Enterprise Fund/Total U.S. Department of Agriculture				<u>(25,995)</u>					<u>153,568</u>	<u>(152,520)</u>	<u>(24,947)</u>			
Total Expenditures of Federal Awards				<u>\$ (166,483)</u>	<u>\$ 5,778</u>				<u>\$ 496,459</u>	<u>\$ (443,211)</u>	<u>\$ (134,257)</u>		<u>\$ 26,800</u>	

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

ADELAIDE L. SANFORD CHARTER SCHOOL

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
State Department of Education														
General Fund:														
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$4,249,162			\$ 63,032			\$ 4,213,171	\$ (3,997,649)		\$ (196,994)		\$ 18,528
Equalization Aid	11-495-034-5120-022	7/1/10-6/30/11	3,582,844	\$ (7,027)				7,027			\$ (63,032)			
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	26,182					26,182		(26,182)				
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	126,026					126,026		(126,026)				
Non-Public Aid	12-100-034-5120-060	7/1/11-6/30/12	9,184					9,184		(9,184)				
TPAF/FICA Reimbursements	12-495-034-5095-002	7/1/11-6/30/12	67,546					60,910		(67,546)		(6,636)		
TPAF/FICA Reimbursements	11-495-034-5095-002	7/1/10-6/30/11	54,958	(5,768)				5,768						
								-						
Total General Fund				<u>(12,795)</u>		<u>63,032</u>		<u>4,448,268</u>		<u>(4,226,587)</u>		<u>(63,032)</u>		<u>18,528</u>
								-						
State Department of Agriculture														
Enterprise Fund:														
State School lunch program	12-100-010-3350-023	7/1/11-6/30/12	2,396					2,013		(2,396)		(383)		
State School lunch program	12-100-010-3350-023	7/1/10-6/30/11	1,925	(441)				441				0		
Total Enterprise Fund				<u>(441)</u>				<u>2,454</u>		<u>(2,396)</u>		<u>(383)</u>		
Total State Financial Assistance				<u>\$ (13,236)</u>		<u>\$ 63,032</u>		<u>\$ 4,450,722</u>		<u>\$ (4,228,983)</u>		<u>\$ (63,032)</u>		<u>\$ 18,528</u>

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

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2012

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. 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.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules 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 the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal 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 net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- 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 funds (C-3).

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2012

3. Relationship to Basic Financial Statements - *continued*

Federal awards and state financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,226,587	\$ 4,226,587
Special Revenue Fund	\$ 290,691	-	290,691
Enterprise Fund	152,520	2,396	154,916
Total	<u>\$ 443,211</u>	<u>\$ 4,228,983</u>	<u>\$ 4,672,194</u>

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.

5. Other

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, 2012.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(cies) identified Yes ✓ None reported

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards:

On June 27, 2003, US Office of Management & Budget (OMB) amended OMB Circular A-133 to raise the audit threshold from \$300,000 to \$500,000. Thus, for fiscal years ending after December 31, 2003, organizations that expend less than \$500,000 in federal awards during a year are exempt from the single audit requirement for that year.

For the fiscal year ended June 30, 2012, Adelaide L. Sanford Charter School was determined to expend less than \$500,000 in federal awards and is therefore exempt from the federal single audit requirements for 2012.

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part I Summary of Auditors' Results

State Financial Assistance Section

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualifies as low-risk auditee? Yes No

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

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified? Yes None reported

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB Circular 04-04? Yes No

Identification of Major Programs:

<u>State Grant/Program Number(s)</u>	<u>Name of State Program or Cluster</u>
12-495-034-5120-078	Equalization Aid - Cluster
12-495-034-5120-089	Special Education Aid - Cluster
12-495-034-5120-084	Security Aid - Cluster

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part II – Schedule of Financial Statement Findings

NONE

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part III – Schedule of Federal Awards and State Financial Assistance

NONE

ADELAIDE L. SANFORD CHARTER SCHOOL
(County of Essex)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2012

There were no prior year's audit findings.

ADELAIDE L. SANFORD CHARTER SCHOOL

Schedule of Expenditures of Local Financial Assistance

Year ended June 30, 2012

Local Grantor/Program Title	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2011	Due to Grantor at June 30, 2011	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
Special Revenue Fund:													
Newark Charter School Fund	7/1/11-6/30/12	\$ 40,000						\$ 40,000	\$ (31,327)			\$ 8,673	
								-				-	
Total Special Revenue Fund								<u>40,000</u>	<u>(31,327)</u>			<u>8,673</u>	
								-				-	
Total Local Financial Assistance								<u>\$ 40,000</u>	<u>\$ (31,327)</u>			<u>\$ 8,673</u>	