

DR. LENA EDWARDS
ACADEMIC CHARTER SCHOOL
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

DR. LENA EDWARDS ACADEMIC

CHARTER SCHOOL

**Dr. Lena Edwards Academic Charter School
Board of Trustees
Jersey City, New Jersey**

**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Prepared by

*Dr Lena Edwards Charter School
Finance Department*

And

SOBEL & CO., LLC

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DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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Introductory Section

November 27, 2012

Honorable President and
Members of the Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Dr. Lena Edwards Academic Charter School (the "Charter School") for the fiscal year ended June 30, 2012. This CAFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section - The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the independent auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

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

1. REPORTING ENTITY AND ITS SERVICES: The Dr. Lena Edwards Academic Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. Dr. Lena Edwards Academic Charter School and Board of Trustees, constitutes the Charter School's reporting entity.

The focus of education at Dr. Lena Edwards Academic Charter School has always been what is best for the success of the children. With this in mind, the school provides a full range of educational services appropriate to meeting the needs of all students in grades K through 8 during the 2011-2012 school year. Such instructional services include regular education, special education and basic skills program.

Dr. Lena Edwards Academic Charter School ended the 2011-2012 school year with an enrollment of 370 students. The following details the student enrollment of the Charter School over the last year:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Average Daily Enrollment</u>
2011-2012	349.1	326

2. ECONOMIC CONDITION AND OUTLOOK:

Dr. Lena Edwards Academic Charter School offers a safe learning environment for students, causing them to look forward to coming to school each day to learn. Staff continues to build relationships with students and parents consistent with the Charter School's ongoing theme of community. In turn, parents believe in the Charter School and trust that its staff is committed to developing their children to be productive citizens in the 21ST century.

In fiscal performance, the Charter School continues to maintain a healthy surplus while expanding educational programs, extracurricular activities for students, providing various professional development training for staff and making improvements to the school building.

It is the goal of the Board and staff to move Dr. Lena Edwards Academic Charter School to an even higher level, understanding that this move will be a continuing process. They are confident that the Dr. Lena Edwards Academic Charter School will soon be recognized by the state as a star school.

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

4. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2012.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements" Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

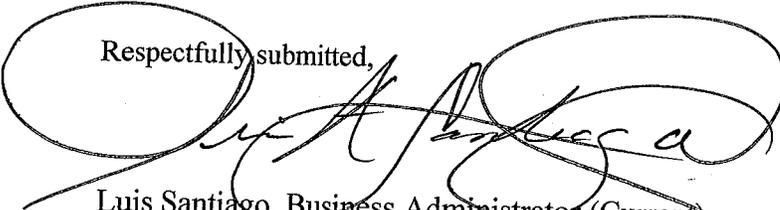
7. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors' and officers' insurance and workmen's compensation.

8. OTHER INFORMATION:

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

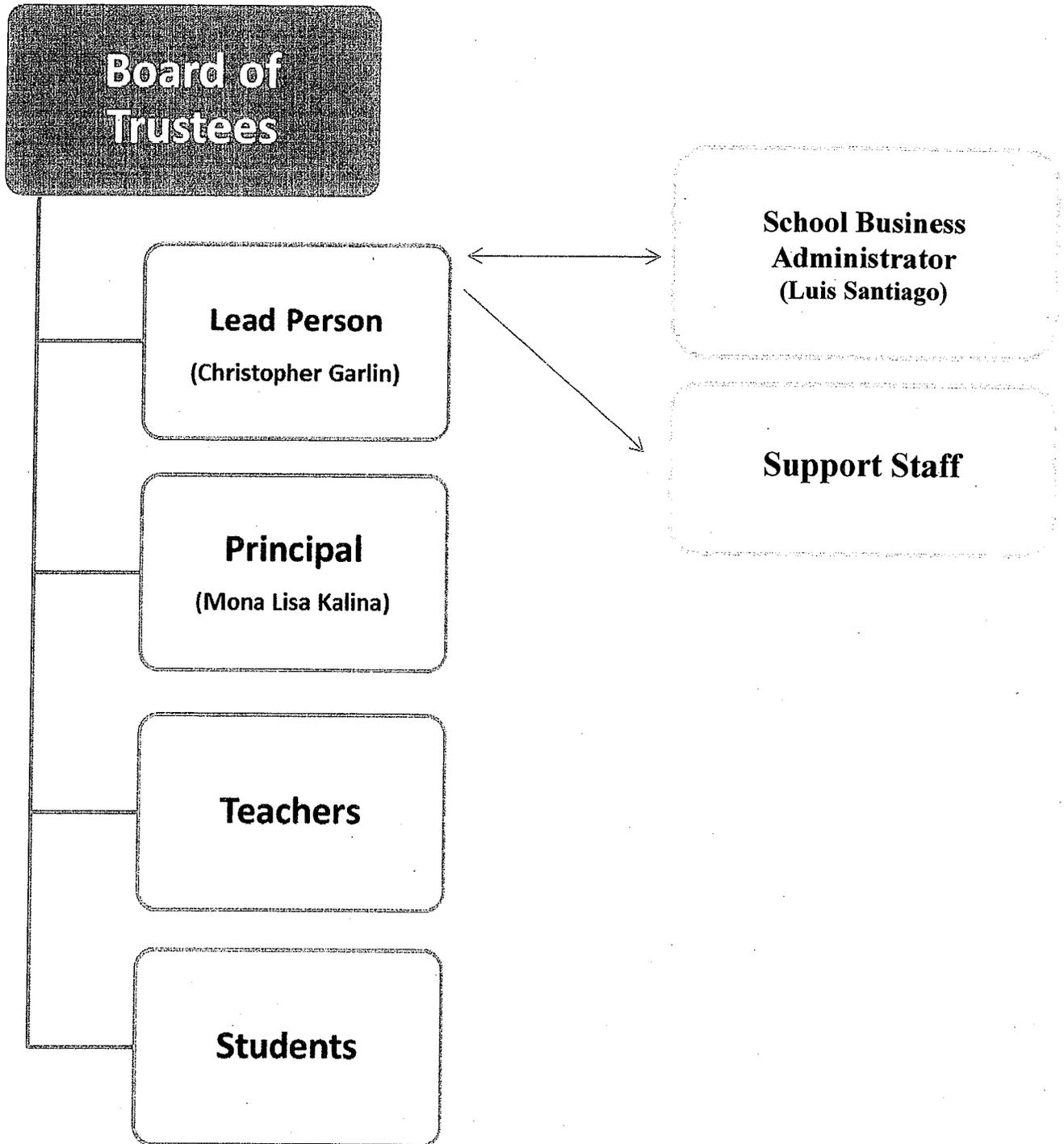
9. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Dr. Lena Edwards Academic Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development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

Respectfully submitted,



Luis Santiago, Business Administrator (Current)

Dr. Lena Edwards Academic Charter School **Organizational Chart**



DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

**Roster of Officials
June 30, 2012**

MEMBERS OF THE BOARD OF TRUSTEES

Andrew Nyaboga	Board President
Joseph DiFeo	Vice President
Phyllis Fasone	Treasurer
W. Nevins McCann	Member
Alice Nyaboga	Member
John Seazholtz	Member
Ellen Zadroga	Member

SCHOOL OFFICIALS

Christopher Garlin	Chief Executive Officer
Luis Santiago	SBA (Current)
Albert Barre	SBA (Former)

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

JERSEY CITY, NEW JERSEY

CONSULTANTS AND ADVISORS

Audit Firm

Sobel & Co., LLC
Certified Public Accountants and Consultants
293 Eisenhower Parkway, Suite 290
Livingston, NJ 07039

Attorney

Connell Foley
Harborside Financial Center
Jersey City, NJ 07311-4029

Official Depository

Provident Financial Services, Inc.
239 Washington Street
Jersey City, NJ 07302

Financial Section



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining funding information of the Board of Trustees of Dr. Lena Edwards Academic Charter School (the "Charter School"), in the County of Hudson, State of New Jersey, as of June 30, 2012, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dr. Lena Edwards Academic Charter School (the "Charter School"), in the County of Hudson, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, November 27, 2012, on our consideration of the 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 internal control over financial reporting or on compliance. That 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.

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America

An association of legally independent firms

The Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 13 through 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and statistical tables are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory section, financial schedules and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audit of States, Local Governments, and Non-Profit School; and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, and are not 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.

Bridget Hartnett

Bridget Hartnett
Public School Accountant
License No. 20CS00243300

Sobel & Co., LLC

SOBEL & CO., LLC
Certified Public Accountants

Livingston, New Jersey
November 27, 2012

Required Supplementary Information Part I

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of Dr. Lena Edwards Academic Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A. However, since this is the first year of the Charter School, no prior year information is available.

Financial Highlights

Key financial highlights for 2011-2012 are as follows:

- General revenues accounted for \$4,192,823 or 93% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$301,516 or 7% of total revenues of \$4,494,339.
- The Charter School had \$3,780,761 in expenses; \$301,516 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,192,823 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$4,192,823 in revenues and \$3,376,429 in expenditures. The General Fund's fund balance totaled \$816,394.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2011-2012?"

The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

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

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

- Governmental activities - All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- Business-Type Activity - This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund and the Aftercare program is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Enterprise Fund

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

Notes to the Financial Statements

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

The Charter School as a Whole

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

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

The Charter School's combined Net Assets were \$713,578 on June 30, 2012.

Governmental Activities

The Charter School's total revenues generated from Governmental Activities were \$4,339,222 for the year ended June 30, 2012.

The total cost of all program and services were \$3,522,828 for 2012. Instruction comprises 49% of Charter School expenses.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Business-Type Activities

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

- Food service expenses were \$247,620 for 2012.
- Charges for food services represent \$3,538 for 2012 of revenue. This represents amounts paid by patrons for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$128,140 for 2012.
- Aftercare revenues exceeded expenses by \$4,155

Governmental Activities

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

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

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

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

Capital Outlay represent instructional and non-instructional equipment purchases.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund, presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$4,339,222 and expenditures were \$3,522,828 for 2012. There was no net change in fund balance as this was the Charter's Schools first year of operation.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
 JERSEY CITY, NEW JERSEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR FISCAL YEAR ENDED JUNE 30, 2012
 UNAUDITED
 (CONTINUED)**

The Charter School's Funds (Continued)

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management.

The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2012.

<u>REVENUE</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Local Sources	\$ 1,798,251	41.4%
State Sources	\$ 2,394,572	55.2%
Federal Sources	\$ 146,399	3.4%
Total	\$ 4,339,222	100%

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

<u>EXPENDITURES</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
Instruction	\$ 1,737,184	49.3%
Administration	\$ 844,903	24.0%
Support Services	\$ 915,826	26.0%
Capital Outlay	\$ 24,915	.7%
Total	\$ 3,522,828	100%

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
JERSEY CITY, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

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

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

For the Future

The Dr. Lena Edwards Academic Charter School is in stable financial condition.

As we work to strengthen our community ties, the Charter School will continue its mission of assuring educational excellence and character development for all students in Grades K through 8, cultivating both learning and empathy by providing them with a stable, rigorous, unbroken continuum of classical academic instruction and formal character education, resulting in the highest levels of student achievement, ethical behavior, and cultural literacy, and delivered within a productive, consistent, and supportive school environment.

In conclusion, Dr. Lena Edwards Academic Charter School has committed itself to continued financial stability and educational excellence.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Luis Santiago, School Business Administrator, at Dr. Lena Edwards Academic Charter School, 509 Bramhall Avenue, Jersey City, New Jersey 07304.

Financial Statements

Section A – Charter School Wide Financial Statements

The statement of net assets and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF NET ASSETS (DEFICIT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

A-1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents:			
Unrestricted	\$ 824,725	\$ 23,439	\$ 848,164
Interfunds Receivables	226,772	-	226,772
Receivables, Net	177,140	13,297	190,437
Capital assets, Net	8,971	-	8,971
Total Assets	<u>1,237,608</u>	<u>36,736</u>	<u>1,274,344</u>
LIABILITIES			
Accounts Payable	237,710	71,471	309,181
Interfund Payable	115,956	77,053	193,009
Payable to state government	58,578	-	58,578
Total Liabilities	<u>412,244</u>	<u>148,524</u>	<u>560,768</u>
NET ASSETS (DEFICIT):			
Unrestricted	825,365	(111,788)	713,577
Total Net Assets (Deficit)	<u>\$ 825,365</u>	<u>\$ (111,788)</u>	<u>\$ 713,577</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

A-2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
Instruction	\$ 1,532,215	\$ 204,969	\$ -	\$ 146,399	\$ -	\$ (1,590,785)	\$ -	\$ (1,590,785)
Administration	776,576	70,121	-	-	-	(846,697)	-	(846,697)
Support Services	885,864	29,962	-	-	-	(915,826)	-	(915,826)
Capital Outlay	14,150	-	-	-	-	(14,150)	-	(14,150)
	<u>3,208,805</u>	<u>305,052</u>	<u>-</u>	<u>146,399</u>	<u>-</u>	<u>(3,367,458)</u>	<u>-</u>	<u>(3,367,458)</u>
Business-type Activities:								
Food Service	247,620	-	3,538	128,140	-	-	(115,942)	(115,942)
Aftercare	19,284	-	23,439	-	-	-	4,155	4,155
Total Business-type Activities	<u>266,904</u>	<u>-</u>	<u>26,977</u>	<u>128,140</u>	<u>-</u>	<u>-</u>	<u>(111,787)</u>	<u>(111,787)</u>
Total Primary Government	<u>\$ 3,475,709</u>	<u>\$ 305,052</u>	<u>\$ 26,977</u>	<u>\$ 274,539</u>	<u>\$ -</u>	<u>(3,367,458)</u>	<u>(111,787)</u>	<u>(3,479,245)</u>
General Revenues:								
Federal and State Aid Not Restricted						4,192,823	-	4,192,823
Total General Revenues and Transfers						<u>4,192,823</u>	<u>-</u>	<u>4,192,823</u>
Change in Net Assets						825,365	(111,787)	713,578
Net Assets (Deficit) - beginning						-	-	-
Net Assets (Deficit) - ending						<u>\$ 825,365</u>	<u>\$ (111,787)</u>	<u>\$ 713,578</u>

The accompanying notes are an integral part of these financial statements.

Section B – Fund Financial Statements

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

Governmental Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
BALANCE SHEET
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-1

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 824,725	\$ -	\$ 824,725
Due from other funds	226,772	-	226,772
Receivables from other governments	52,100	125,040	177,140
Total Assets	<u>\$ 1,103,597</u>	<u>\$ 125,040</u>	<u>\$ 1,228,637</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:

Interfund Payable	\$ -	\$ 115,954	\$ 115,954
Accounts payable	228,624	9,086	237,710
Payable to state government	58,578	-	58,578
Total Liabilities	<u>287,202</u>	<u>125,040</u>	<u>412,242</u>

FUND BALANCES:

Unassigned:			
General fund	816,395	-	816,395
Special revenue fund	-	-	-
Total Fund balances	<u>816,395</u>	<u>-</u>	<u>816,395</u>

Total Liabilities and Fund Balances	<u>\$ 1,103,597</u>	<u>\$ 125,040</u>	<u>\$ 1,228,637</u>
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DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-2

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Tax Levy	\$ 1,682,709	\$ -	\$ 1,682,709
Miscellaneous	115,542	-	115,542
Total Local Sources	1,798,251	-	1,798,251
State Sources	2,394,572	-	2,394,572
Federal Sources	-	146,399	146,399
Total Revenues	4,192,823	146,399	4,339,222
EXPENDITURES			
Instruction	1,590,785	146,399	1,737,184
Administration	844,903	-	844,903
Support services	915,826	-	915,826
Capital outlay	24,915	-	24,915
Total Expenditures	3,376,429	146,399	3,522,828
NET CHANGE IN FUND BALANCES	816,394	-	816,394
Fund Balance - July 1	-	-	-
Fund Balance - June 30	\$ 816,394	\$ -	\$ 816,394

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-3

Total Net Change in Fund Balances - Governmental Funds (from B-2) **\$ 816,394**

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

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

	Depreciation Expense	\$	(1,795)	
	Capital Outlays		10,765	8,970

Change in Net Assets of Governmental Activities **\$ 825,365**

Proprietary Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF NET ASSETS (DEFICIT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-4

	Business-type Activities - Enterprise Funds		
	Food Service	Aftercare Program	Totals
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ 23,439	\$ 23,439
Intergovernmental Accounts Receivable:			
Federal	13,106	-	13,106
State	191	-	191
Total Current Assets	<u>13,297</u>	<u>23,439</u>	<u>36,736</u>
Total Assets	<u>13,297</u>	<u>23,439</u>	<u>36,736</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	71,471	-	71,471
Interfund payable	57,769	19,284	77,053
Total Current Liabilities	<u>129,240</u>	<u>19,284</u>	<u>148,524</u>
Total Liabilities	<u>129,240</u>	<u>19,284</u>	<u>148,524</u>
NET ASSETS (DEFICIT):			
Unrestricted	<u>(115,943)</u>	<u>4,155</u>	<u>(111,788)</u>
Total Net Assets (Deficit)	<u>\$ (115,943)</u>	<u>\$ 4,155</u>	<u>\$ (111,788)</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

B-5

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-type Activities - Enterprise Fund		
	Food Service	Aftercare Program	Total
Operating revenues:			
Charges for services	\$ 3,538	\$ 23,439	\$ 26,977
Total Operating Revenues	<u>3,538</u>	<u>23,439</u>	<u>26,977</u>
Operating expenses:			
Cost of sales	196,129	-	196,129
Salaries	48,391	18,930	67,321
Other purchased professional services	310	-	310
General supplies	2,790	354	3,144
Total Operating Expenses	<u>247,620</u>	<u>19,284</u>	<u>266,904</u>
Operating income (loss)	<u>(244,082)</u>	<u>4,155</u>	<u>(239,927)</u>
Nonoperating revenues (expenses):			
State sources:			
State school breakfast/lunch program	2,664	-	2,664
Federal sources:			
National school breakfast/lunch program	125,476	-	125,476
Total nonoperating revenues	<u>128,140</u>	<u>-</u>	<u>128,140</u>
Change in net assets	(115,943)	4,155	(111,788)
Total Net Assets (Deficit) - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Asset s (Deficit) - ending	<u>\$ (115,943)</u>	<u>\$ 4,155</u>	<u>\$ (111,788)</u>

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-6

	Business-type Activities - Enterprise Funds		
	Food Service	Aftercare Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to employees	\$ (48,391)	\$ -	\$ (48,391)
Receipts from customers	3,537	23,439	26,976
Payments to suppliers	(69,989)	-	(69,988)
Net Cash (Used for) Provided by Operating Activities	<u>(114,843)</u>	<u>23,439</u>	<u>(91,403)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State sources	2,473	-	2,473
Federal sources	112,370	-	112,370
Net Cash Provided by Non-capital Financing Activities	<u>114,843</u>	<u>-</u>	<u>114,843</u>
Net Increase in Cash and Cash Equivalents	-	23,439	23,440
Balances - beginning of year	-	-	-
Balances - end of year	<u>\$ -</u>	<u>\$ 23,439</u>	<u>\$ 23,440</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (244,082)	\$ 4,155	\$ (239,927)
Change in assets and liabilities			
Increase in accounts payable	71,471	354	71,825
Increase in interfund payable	57,769	18,930	76,699
Net Cash Provided by (Used for) Operating Activities	<u>\$ (114,842)</u>	<u>\$ 23,439</u>	<u>\$ (91,403)</u>

Fiduciary Funds

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

B-7

ASSETS

Cash and cash equivalents	\$ 7,230
Interfund Receivables	<u>478</u>
Total Assets	<u>\$ 7,708</u>

LIABILITIES

Payable to student groups	\$ 5,660
Payroll deductions and withholdings	<u>2,048</u>
Total Liabilities	<u>\$ 7,708</u>

Notes to Basic Financial Statements

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - REPORTING ENTITY:

Dr. Lena Edwards Academic Charter School (the "Charter School") is a non-profit corporation organized under the laws of the State of New Jersey, established in 2010, to function as an educational institution. The Charter School operates as a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Section 2100 of the GASB Codification of Government Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the School include a Kindergarten through Grade 8 school located in the City of Jersey City.

There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Presentation:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Charter School-wide Statements:

The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

Fund Financial Statements:

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary- are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Charter School reports the following *governmental* funds:

General Fund:

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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 grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by School Board resolution.

Special Revenue Fund:

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

Capital Projects Fund:

Not Applicable.

Debt Service Fund:

Not Applicable.

Proprietary Fund Types:

These funds account for operations that are organized to be self-supporting through user charges and are similar to those often found in private business enterprises.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Charter School reports the following *proprietary* funds:

Enterprise Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Charter School's Food Service operations, as well as, the Aftercare program. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Funds: The funds are used to account for assets held by the Charter School on behalf of others.

The Charter School reports the following *fiduciary* funds:

Agency Funds: The agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments, or on behalf of other funds within the Charter School. The agency funds included are as follows:

Payroll and Student Activities Fund: These are agency funds 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 involve measurement of results of operations.

Basis of Accounting - Measurement Focus:

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

Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

"Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. They are submitted to the county office. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgets/Budgetary Control: (Continued)

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 146,399
Adjustments:	
Less Encumbrances at June 30, 2012	-
Plus Encumbrances at June 30, 2011	-
Total Revenues and Expenditure (GAAP Basis)	<u>\$ 146,399</u>

Encumbrances Accounting:

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

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

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

Assets, Liabilities, and Equity

Interfund Transactions:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Interfund Transactions: (Continued)

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

Prepaid Expenses:

Prepaid expenses which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures in the year of purchase.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000. All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office and Computer Equipment	5-10

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

Deferred Revenue:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accrued Liabilities and Long-term Obligations:

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

Net Assets:

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

Fund Balance Reserves:

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

Revenues- Exchange and Nonexchange Transactions:

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

Assets, Liabilities and Equity:

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Assets, Liabilities and Equity: (Continued)

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

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

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Management Estimates:

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

Accrued Salaries and Wages:

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

Income Taxes:

The Charter School follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the School's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The School's policy is to recognize interest and penalties on unrecorded tax benefits in income tax expense. No interest and penalties were recorded during years ended June 30, 2012.

This was the initial year which the Charter School was required to file federal and state tax returns, therefore, there are no years subject to audit by federal and state jurisdiction. At June 30, 2012, there are no significant income tax uncertainties.

Subsequent Events:

The Charter School has evaluated its subsequent events and transactions occurring after June 30, 2012 through November 27, 2012, the date that the financial statements were available to be issued. The Project is not aware of any subsequent events which would require recognition or disclosure in the financial statements

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS:

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less. GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Deposits:

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

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

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

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

Investments:

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

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

As of June 30, 2012, cash and cash equivalents and investments of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	\$ 824,725	\$ -	\$ 23,439	\$ 7,230	\$ 855,394

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2012 was \$846,115 and the bank balance was \$846,115. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category:

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

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

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

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

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

As of June 30, 2012, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

New Jersey Cash Management Fund:

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

As of June 30, 2012, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Software	\$ -	\$ 10,765	\$ -	\$10,765
Totals at Historical Cost:	-	10,765	-	10,765
Less Accumulated Depreciation For:				
Software	-	1,794	-	1,794
Total Accumulated Depreciation	-	1,794	-	1,794
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation				
Governmental Activity Capital Assets, Net	\$ -	\$ 8,971	\$ -	\$ 8,971

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - RENTAL LEASE:

The school entered into a Lease Agreement dated July 1, 2011 with Saint Patrick and Assumption/ All Saints Parish, for a period of four (4) years and expiring on June 30, 2015, with an option to renew for (4) four years, from July 1, 2015 to June 30, 2019 at a 5% increase or CPI whichever is greater for the option period. The base rent is in the amount \$33,333 per month. The rent is triple net with the tenant responsible for heat, light, taxes, water and sewerage, insurance and service contracts for all machinery, boiler, elevator, etc. Rent expense amounted to \$400,000 for the year ended June 30, 2012.

NOTE 6 - PENSION PLANS:

Description of Plans:

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

Teachers' Pension and Annuity Fund (TPAF):

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS):

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 SA to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 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 43.38, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the system.

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

Significant Legislation:

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Charter Schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements:

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - PENSION PLANS: (Continued)

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	None	100%	None

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

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/12	None	100%	None

NOTE 7 - ACCOUNTS RECEIVABLE:

Receivables at June 30, 2012 consisted of intergovernmental, grants, and miscellaneous.

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

	<u>Governmental Fund Statements</u>	<u>Governmental Wide Financial Statements</u>
State Aid	\$ 52,100	\$ 65,206
Federal Aid	125,040	125,231
Other	-	-
Gross Receivables	177,140	190,437
Less: Allowance for Uncollectible	-	-
Total Receivables; Net	\$177,140	\$190,437

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Routine Litigation Matters:

On November 27, 2012, the School was informed of a potential lawsuit by a former employee. In the opinion of management, after consultation with legal counsel, the lawsuit is without merit and is not expected to have a material adverse effect on the Company's financial position or results of operations as of June 30, 2012.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 - POST RETIREMENT BENEFITS:

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, the most recent actuarial valuation report, there were 86,332 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c. 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits.

NOTE 10 - RISK MANAGEMENT:

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

NOTE 11 - FUND BALANCE:

General Fund:

Of the \$837,828 General Fund balance in the fund financial statements at June 30, 2012, \$-0- is reserved for capital reserve and \$837,828 is unreserved and undesignated.

Required Supplementary Information Part II

Section C- Budgetary Comparison Schedule

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
GENERAL FUND
BUDGETARY CAMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

C-1

	<u>Original Budget</u>	<u>New Appropriations/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 667,441	\$ 931,591	\$ 1,599,032	\$ 1,596,724	\$ (2,308)
Total - Local Sources	<u>667,441</u>	<u>931,591</u>	<u>1,599,032</u>	<u>1,596,724</u>	<u>(2,308)</u>
State Sources:					
Equalization Aid	2,141,702	156,830	2,298,532	2,250,212	(48,320)
Special Education Categorical Aid	183,603	(103,513)	80,090	76,128	(3,962)
Security Aid	133,147	25,058	158,205	154,216	(3,989)
Miscellaneous	-	835	835	115,543	114,708
Total State Sources	<u>2,458,452</u>	<u>79,210</u>	<u>2,537,662</u>	<u>2,596,099</u>	<u>58,437</u>
Total Revenues	<u>3,125,893</u>	<u>1,010,801</u>	<u>4,136,694</u>	<u>4,192,823</u>	<u>56,129</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,102,373	52,548	1,154,921	1,154,921	-
Purchased Professional-Educational Services	73,620	117,380	191,000	188,766	2,234
Purchased Technical Services	12,000	535	12,535	12,535	-
General Supplies	71,200	14,883	86,083	82,611	3,472
Textbooks	106,957	18,663	125,620	125,620	-
Other Objects	30,000	-	30,000	26,332	3,668
Total Instruction	<u>1,396,150</u>	<u>204,009</u>	<u>1,600,159</u>	<u>1,590,785</u>	<u>9,374</u>
Administration:					
Salaries - General Administration	324,945	120,055	445,000	341,645	103,355
Salaries of Secretarial/Clerical					
Assessments	64,305	2,195	66,500	64,090	
Total Benefit Costs	351,293	43,030	394,323	302,113	92,210
Purchased Professional-Educational Services	48,000	35,000	83,000	33,151	49,849
Purchased Technical Services	12,000	400	12,400	12,400	-
Other Purchased Services (400-500 series)	27,000	10,000	37,000	31,752	5,248
General Supplies	21,000	22,591	43,591	28,580	15,011
Interest on Current Loans	10,000	4,656	14,656	11,659	2,997
Miscellaneous	2,400	17,113	19,513	19,513	-
Total Administration	<u>860,943</u>	<u>255,040</u>	<u>1,115,983</u>	<u>844,903</u>	<u>268,670</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

C-1

Continued

	Original Budget	New Appropriations/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Support Services:					
Salaries	204,755	146,745	351,500	203,598	147,902
Purchased Professional/Technical Services	30,000	55,000	85,000	81,321	3,679
Rental of Land and Buildings	430,045	6,589	436,634	436,635	(1)
Other Purchased Services (400-500 series)	15,000	35,000	50,000	48,214	1,786
Insurance for Property, Liability and Fidelity	36,000	3,365	39,365	39,365	-
Supplies and Materials	15,000	27,000	42,000	37,480	4,520
Energy Costs (Heat and Electricity)	84,000	-	84,000	68,873	15,127
Transportation Other than to and from School	-	340	340	340	-
Total Support Services	<u>814,800</u>	<u>274,039</u>	<u>1,088,839</u>	<u>915,826</u>	<u>173,013</u>
Capital Outlay:					
Instructional Equipment	32,000	50,969	82,969	8,097	74,872
Non-Instructional Equipment	12,000	4,818	16,818	16,818	-
Total Capital Outlay	<u>44,000</u>	<u>55,787</u>	<u>99,787</u>	<u>24,915</u>	<u>74,872</u>
TOTAL EXPENDITURES	<u>3,115,893</u>	<u>788,875</u>	<u>3,904,768</u>	<u>3,376,429</u>	<u>525,929</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,000</u>	<u>221,926</u>	<u>231,926</u>	<u>816,394</u>	<u>(469,800)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>10,000</u>	<u>221,926</u>	<u>231,926</u>	<u>816,394</u>	<u>(469,800)</u>
	<u>\$ 10,000</u>	<u>\$ 221,926</u>	<u>\$ 231,926</u>	<u>\$ 816,394</u>	<u>\$ (469,800)</u>
FUND BALANCE JULY 1	-	-	-	-	-
FUND BALANCE JUNE 30	<u>\$ 10,000</u>	<u>\$ 221,926</u>	<u>\$ 231,926</u>	<u>\$ 816,394</u>	<u>\$ (469,800)</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	<u>\$ 10,000</u>	<u>\$ 221,926</u>	<u>\$ 231,926</u>	<u>\$ 816,394</u>	<u>\$ (469,800)</u>
Total	<u>\$ 10,000</u>	<u>\$ 221,926</u>	<u>\$ 231,926</u>	<u>\$ 816,394</u>	<u>\$ (469,800)</u>

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SPECIAL REVENUE FUND
BUDGETARY CAMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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	<u>Original Budget</u>	<u>New Appropriations/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Federal	\$ -	\$ 171,912	\$ 171,912	\$ 146,399	\$ 25,513
Total - Federal Sources	-	171,912	171,912	146,399	25,513
 Total Revenues	 -	 171,912	 171,912	 146,399	 25,513
EXPENDITURES:					
Instruction:					
Salaries	-	137,600	137,600	135,359	2,241
Other Purchased Services (400-500 series)	-	1,701	1,701	-	1,701
General Supplies	-	117	117	117	-
Total Instruction	-	139,418	139,418	135,476	3,942
Support Services:					
Personal Services - Employee Benefits	-	27,014	27,014	10,514	16,500
Supplies and Materials	-	409	409	409	-
Total Support Services	-	27,423	27,423	10,923	16,500
Capital Outlay:					
Instructional Equipment	-	5,071	5,071	-	5,071
Total Capital Outlay	-	5,071	5,071	-	5,071
 TOTAL EXPENDITURES	 -	 171,912	 171,912	 146,399	 25,513
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -

Notes to Required Supplementary Schedule

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

C-3

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 4,192,823	[C-2] \$ 146,399
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment(s) recognized for budgetary purposes, not recognized for GAAP statements		
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	 [B-2] <u>\$ 4,192,823</u>	 [B-2] <u>\$ 146,399</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 3,376,429	[C-2] \$ 146,399
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfers (outflows) to general fund		
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 [B-2] <u>\$ 3,376,429</u>	 [B-2] <u>\$ 146,399</u>

Other Supplementary Information

Section E- Special Revenue Fund

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

E-1

	NCLB Title I Part A	IDEA Basic	Grand Total
REVENUES			
Federal Sources	\$ 80,259	\$ 66,140	\$ 146,399
Total Revenues	<u>80,259</u>	<u>66,140</u>	<u>146,399</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	80,259	55,217	135,476
Total instruction	<u>80,259</u>	<u>55,217</u>	<u>135,476</u>
Support Services			
Employee Benefits	-	10,514	10,514
Supplies and Materials	-	409	409
Total Support Services	<u>-</u>	<u>10,923</u>	<u>10,923</u>
Total Expenditures	80,259	66,140	146,399
Total Outflows	<u>80,259</u>	<u>66,140</u>	<u>146,399</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Section F- Capital Projects Fund

Section G - Proprietary Fund

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

Food Services Fund - This fund provides for the operation of food service in the Charter School.

Aftercare Fund - This fund provides the operation of the after school program in the Charter School.

This section has already been included in schedules B-4, B-5, and B-6.

Section H - Fiduciary Fund

Fiduciary Funds are used to account for funds received by the Charter School for a specific purpose.

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

Payroll Agency Fund - This agency fund is used to account for payroll deductions and with holdings of the Charter School.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

H-1

	Agency Fund		Total Agency Fund
	Payroll Agency	Student Activities	
Assets			
Cash and cash equivalents	\$ 1,570	\$ 5,660	\$ 7,230
Interfund Receivables	478	-	478
Total Assets	<u>\$ 2,048</u>	<u>\$ 5,660</u>	<u>\$ 7,708</u>
Liabilities			
Payable to student groups	\$ -	\$ 5,660	\$ 5,660
Payroll deductions and withholdings	2,048	-	2,048
Total Liabilities	<u>\$ 2,048</u>	<u>\$ 5,660</u>	<u>\$ 7,708</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

H-3

	<u>Balance 30-Jun-11</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance 30-Jun-12</u>
Candy Sale	\$ -	\$ 15,080	\$ 9,420	\$ 5,660
Totals	<u>\$ -</u>	<u>\$ 15,080</u>	<u>\$ 9,420</u>	<u>\$ 5,660</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

H-4

	<u>Balance</u> <u>July 1, 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	\$ -	\$ 1,570	\$ -	\$ 1,570
Interfund Receivables	-	-	-	478
Total Assets	<u>\$ -</u>	<u>\$ 1,570</u>	<u>\$ -</u>	<u>\$ 2,048</u>
Liabilities				
Payroll deductions and withholdings	\$ -	\$ 1,570	\$ -	\$ 1,570
Total Liabilities	<u>\$ -</u>	<u>\$ 1,570</u>	<u>\$ -</u>	<u>\$ 1,570</u>

Statistical Section (Unaudited)

Dr. Lena Edwards Academic Charter School has been in operation for one (1) year. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for one (1) year is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.

Introduction to Statistical Section

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity (Not Applicable)

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

Demographic and Economic Information (Not Applicable)

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The Charter School implemented GASB Statement 34 in the fiscal year ending June 30, 2012; schedules presenting Charter School-wide information include information beginning in that year.*

Financial Trends

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NET ASSETS BY COMPONENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

J-1

Governmental Activities:

Unrestricted	\$ 825,365
Total Governmental Activities Net Assets	<u>\$ 825,365</u>

Business-type Activities:

Unrestricted	\$ (111,788)
Total Business-type Activities Net Assets (Deficit)	<u>\$ (111,788)</u>

Charter School-Wide:

Unrestricted	\$ 713,577
Total Charter School Wide Net Assets	<u>\$ 713,577</u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
CHANGE IN NET ASSETS (DEFICIT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

J-2

Expenses

Governmental Activities:

Instruction	\$ 1,737,184
Administration	846,697
Support services	915,826
Capital outlay	14,150
Total Governmental Activities Expenses	<u>3,513,857</u>

Business-Type Activities:

Food service	247,620
Aftercare	19,284
Total Business-Type Activities Expense	<u>266,904</u>

Total Charter School Expenses

\$ 3,780,761

Program Revenues

Governmental Activities:

Operating grants and contributions	\$ 146,399
Total Governmental Activities Program Revenues	<u>\$ 146,399</u>

Business-type Activities:

Charges for services	\$ 26,977
Operating grants and contributions	128,140
Total Business type Activities Program Revenues	<u>155,117</u>

Total Charter School Program Revenue

\$ 155,117

Net (Expense) Revenue

Governmental activities	\$ (3,367,458)
Business-type activities	(111,787)
Total District-Wide Net Expense	<u>\$ (3,479,245)</u>

General Revenues and Other Changes in Net Assets (Deficit)

Governmental Activities:

Federal and State Aid Not Restricted	\$ 4,192,823
Total Charter School Net Expense	<u>4,192,823</u>

Total Charter School-Wide

\$ 4,192,823

Change in Net Assets (Deficit)

Governmental activities	\$ 825,365
Business-type activities	(111,787)
Total District	<u>\$ 713,578</u>

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

J-3

General Fund:	
Unreserved	<u>\$ 825,365</u>
Total General Fund	<u><u>\$ 825,365</u></u>

Source: Charter School's Records

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

J-4

Revenues

Local Source	\$ 1,798,251
State sources	2,394,572
Federal sources	146,399
Total Revenues	<u>4,339,222</u>

Expenditures

Instruction	1,737,184
Administration	844,903
Support Services	915,826
Capital outlay	24,915
Total Expenditures	<u>3,522,828</u>

Excess (Deficiency) of Revenues

Over (Under) Expenditures 816,394

Net Change in Fund Balance

\$ 816,394

Source: Charter School Records

Operating Information

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
FULL TIME EQUIVALENT

J-16

CHARTER SCHOOL EMPLOYEES BY FUNCTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Function/Program</u>	<u>2012</u>
Instruction	35
Support Services	8
Administrative	7
Total	<u>50</u>

Source: Charter School Personnel Records

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
OPERATING STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

J-17

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
2012	370	\$ 3,497,913	\$ 9,454	N/A	35	N/A	349.1	326	N/A	93.38%

Sources: Charter School Records

Note: Enrollment based on annual final Charter School count.

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

J-18

	<u>2012</u>
<u>Charter School Building</u>	
<u>All Grades - (K-8)</u>	
St Patrick School	
Square Feet	33,450
Capacity (students)	390
Enrollment	349.1
<u>Other</u>	
Gymnasium	
Square Feet	8,050

Source: Charter Schools Facilities Office

Note: Enrollment is based on the annual October Charter School count.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

J-20

INSURANCE SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy Declaration		
New Jersey School Boards Association Insurance Group		
Article I - Property		
Blanket Real and Personal Property	\$5,000,000 per occurrence	\$1,000 per occurrence
Blanket Extra Expense	\$50,000,000	\$1,000 per occurrence
Blanket Valuable Papers and Records	\$10,000,000	\$1,000 per occurrence
Demolition and Increased Cost of Construction	\$10,000,000 per occurrence	
Loss of Rents	Not Covered	
Loss of Business Income/Tuition	\$3,000,000	
Builders' Risk	Not Covered	
Fire Department Service Charge	\$10,000	
Arson Reward	\$10,000	
Pollutant Cleanup and Removal	\$250,000	
Fine Arts	Not Covered	
Sublimits: Flood Zones (SFHA)	\$10,000,000 per occurrence	\$500,000 per building
	\$10,000,000 NJSBAIG annual aggregate	\$500,000 per building contents
Accounts Receivable	\$250,000 per occurrence	
All Other Flood Zones	\$50,000,000 per occurrence/NJSBAIG annual aggregate	\$10,000 per member/per occurrence subject to max retained deductible of \$1,000,000 to NJSBAIG
Earthquake	\$50,000,000 per occurrence	
	\$50,000,000 NJSBAIG annual aggregate	
Terrorism	occurrence	
	\$1,000,000 NJSBAIG annual aggregate	\$1,000 per occurrence
Article II - Electronic Data Processing		
Blanket Hardware/Software	\$100,000 per occurrence	
Blanket Extra Expense	Included	
Coverage Extension	Transit \$25,000	
	Loss of Income \$10,000	
	Terrorism Included in Property	
Flood	\$1,000,000 per occurrence	
Flood Deductibles	Zones A & V	\$500,000 per building contents
	All Other Flood Zones	\$10,000 per member/per occurrence subject to max retained deductible of \$1,000,000 to NJSBAIG

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
Unaudited

J-20
(Continued)

Combined Single Limit per Accident per Property Damage	\$100,000	\$1,000 per Accident for Property Damage
And Business Income		12 Hours per Accident for Business
		Interruption/Expense
		New Acquired Locations
		Waiting Period 60 Days
Sublimits Property Damage	Included	
Off Premises Property Damage	\$100,000	
Business Income	Included	
Extra Expense	\$10,000,000	
Service Interruption	\$10,000,000	
Perishable Goods	\$500,000	
Data Restoration	\$100,000	
Contingent Business Income	\$100,000	
Demolition	\$1,000,000	
Ordinance or Law	\$1,000,000	
Expediting Expenses	\$500,000	
Hazardous Substances	\$500,000	
Newly Acquired Locations (60 Days Notice)	\$250,000	
Terrorism	Included	
Interruption of Service Waiting Period 24 Hours		
Article IV- Crime		
Public Employee Dishonesty with Faithful Performance	\$25,000	\$500
Theft, Disappearance and Destruction, - Loss of Money & Securities on or off Premises	\$25,000	\$500
Theft, Disappearance and Destruction, - Loss of Money Orders & counterfeit Paper Currency	\$25,000	\$500
Forgery or Alteration	\$25,000	\$500
Computer Fraud	\$25,000	\$500
Public Office Officials Bond	Not Covered	
Article V- Comprehensive General Liability		
Bodily Injury and Property Damage	\$10,000,000 Combined Single Limit for Bodily Injury & Property Damage	
Bodily Injury from Products and Completed Operations	\$10,000,000 annual aggregate	
Sexual Abuse	\$10,000,000 per occurrence	
	\$17,000,000 annual pool aggregate	
Personal Injury and Advertising Injury	\$10,000,000 per occurrence	
	\$10,000,000 annual aggregate	
Employee Benefits Liability	\$10,000,000 per occurrence/annual aggregate	\$1,000 each claim
Premises Medical Payments	\$10,000 each accident	\$5,000 limit per person
Terrorism	\$1,000,000 per occurrence/annual NJSBAIG aggregate	

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
Unaudited

J-20
(Continued)

Article VI- Automobile

Liability

Hired/Non-owned

Combined Single Limit for Bodily Injury and Property Damage	\$10,000,000 per accident
Uninsured/Underinsured Motorists - Private Passenger Auto	Not Covered Combined Single Limit

Uninsured/Underinsured Motorists - All Other Vehicles	Not Covered Bodily Injury Per Person
---	--------------------------------------

Not Covered Bodily Injury Per Accident
Not Covered Property Damage Per Accident
Not Covered

Personal Injury Protection (including pedestrians)

Medical Payments

Not Covered private passenger vehicles
Not Covered all other vehicles

Terrorism

\$1,000,000 per occurrence/annual
NJSBAIG aggregate

Deductible

N/A

Physical Damage

Comprehensive

Not Covered

Collision

Not Covered

Hired Car Physical Damage

Not Covered

Replacement Cost

Not Covered

Garage Keepers

Not Covered

Worker's Compensation and Employers' Liability Declarations

New Jersey School Boards Association Insurance Group

Limit of Liability under Part II, Employer's Liability Agreement

Bodily Injury by Accident	\$2,000,000 each accident
Bodily Injury by Disease	\$2,000,000 each employee
Bodily Injury by Disease	\$2,000,000 each aggregate limit

School Leaders Errors & Omissions Liability Policy Declarations

New Jersey School Boards Association Insurance Group

Coverage A

Limit of Liability	\$10,000,000 each policy period	\$5,000 each claim
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Coverage B

Limit of Liability	\$100,000 each claim	\$5,000 each claim
	\$300,000 each policy period	

Single Audit Section

**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**

Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

We have audited the financial statements of Dr. Lena Edwards Academic Charter School (the "School"), in the County of Hudson, State of New Jersey, as of June 30, 2012 and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and audit requirements as prescribed by Office of School Finance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, Management, the Federal and State awarding agencies, and the New Jersey Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
November 27, 2012



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

Board of Trustees
Dr. Lena Edwards Academic Charter School
Jersey City, New Jersey

Compliance

We have audited Dr. Lena Edwards Academic Charter School (the "School"), in the County of Hudson, State of New Jersey in compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the New Jersey Office of Management and Budget ("NJOMB") *Circular 04-04 Compliance Supplement* that could have a direct and material effect on each of the School's major federal and state programs for the year ended June 30, 2012. The School's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the School's management. Our responsibility is to express an opinion on Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Schools*; and NJOMB Circular Letter 04-04. Those standards and OMB Circular A-133 and NJOMB 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

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Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on major federal and state programs to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a major federal or state program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, Management and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
November 27, 2012

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR THEN ENDED JUNE 30, 2012**

**K-3
Schedule A**

										Balance at June 30, 2012	
Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	Cash Received	Budgetary Expenditure	(Accounts Receivable)	Deferred Revenue	Due to Grantor		
U.S. Department of Education											
Passed through State											
Department of Education											
Special Revenue Fund:											
Title I											
I.D.E.A Part B Basic	84.010	NCLB752011	\$ 100,701	9/1/2011 - 8/31/2012	\$ 21,360	\$ 80,259	\$ (58,899)	\$ -	\$ -		
	84.367A	IDEA752011	66,140	9/1/2011 - 8/31/2012	-	66,140	(66,140)	-	-		
Total Special Revenue Fund					21,360	146,399	(125,039)	-	-		
U.S. Department of Agriculture											
Passed through State											
Department of Education											
Enterprise Fund:											
School Breakfast Program	10.553	N/A	29,680	7/1/2011 - 6/30/2012	25,322	29,680	(4,358)	-	-		
National School Lunch Program	10.555	N/A	95,796	7/1/2011 - 6/30/2012	87,048	95,796	(8,748)	-	-		
Total Enterprise Fund					\$ 112,370	\$ 125,476	\$ (13,106)	\$ -	\$ -		
Total Federal Financial Awards					\$ 133,730	\$ 271,875	\$ (138,145)	\$ -	\$ -		

The accompanying notes are an integral part of these financial statements.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR THEN ENDED JUNE 30, 2012**

**K-4
Schedule B**

Federal Grantor/ Pass-Through Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2012				MEMO	
				Cash Received	Budgetary Expenditure	(Accounts Receivable)	Deferred Revenue		Due to Grantor
State Department of Education General Fund:									
"Local Levy" State Share - Charter School Aid	12-495-034-5120-078	\$ 3,846,937	7/1/2011 - 6/30/2012	\$ 3,897,564	\$ 3,846,937	\$ -	\$ (50,627)	\$ -	\$ 3,846,937 *
Security Aid	12-495-034-5120-084	76,128	7/1/2011 - 6/30/2012	80,090	76,128	-	(3,962)	-	76,128
Special Education Aid	12-495-034-5120-089	154,216	7/1/2011 - 6/30/2012	158,205	154,216	-	(3,989)	-	154,216
Reimbursed TPAF - Social Security	12-495-034-5095-002	80,807	7/1/2011 - 6/30/2012	28,708	80,807	(52,099)	-	-	80,807
Total General Fund				4,164,567	4,158,088	(52,099)	(58,578)	-	4,158,088
State Department of Agriculture Enterprise Fund:									
National School Lunch Program (State Share)	12-100-010-3350-023	2,664	7/1/2011 - 6/30/2012	2,473	2,664	(191)	-	-	2,664
Total Enterprise Fund				2,473	2,664	(191)	-	-	2,664
Total State Financial Assistance				\$ 4,167,040	\$ 4,160,752	\$ (52,290)	\$ (58,578)	\$ -	\$ 4,160,752

* - Major Program

The accompanying notes are an integral part of these financial statements.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1 - GENERAL:

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

NOTE 2 - BASIS OF ACCOUNTING:

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

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS:

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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS: (Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 4,158,088	\$ 4,158,088
Special Revenue Fund	146,399	-	146,399
Proprietary Fund	125,476	2,664	128,140
Total Awards & Financial Assistance	<u>\$ 271,875</u>	<u>\$ 4,160,752</u>	<u>\$ 4,432,627</u>

NOTE 4 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS:

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

NOTE 5 - FEDERAL AND STATE LOAN OUTSTANDING:

Dr. Lena Edwards Academic School has no loan balances outstanding at June 30, 2012.

NOTE 6 - OTHER:

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. 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.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the basic consolidated financial statements of Dr. Lena Edwards Academic Charter School was an unqualified opinion.

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards and State Financial Assistance

Internal control over major programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

The auditors' report issued on compliance for major programs was an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 and NJ OMB Circular 04-04

 Yes X No

The following federal and state programs were designated as major programs:

11-495-034-5120-022 Local Levy – State Share

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Awards and State Financial Assistance (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

_____ Yes X No

II. Financial Statement Findings

NONE

III. Compliance Findings

NONE

IV. Follow-up of Prior Year Audit Findings

NONE