

# **Lady Liberty Academy Charter School**

**Lady Liberty Academy Charter School  
Harrison, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**Lady Liberty Academy Charter School**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by**

**Lady Liberty Academy Charter School  
Finance Department**

LADY LIBERTY ACADEMY CHARTER SCHOOL  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal .....	1-7
Organizational Chart.....	8
Roster of Officials.....	9
Consultants and Advisors .....	10

FINANCIAL SECTION ..... 11

Independent Auditors' Report.....	12-13
Required Supplementary Information.....	14
Management's Discussion and Analysis (Unaudited).....	15-22

Basic Financial Statements (Sections A. and B.)..... 23

A. Charter School-Wide Financial Statements.....	24
A-1 Statement of Net Assets.....	25
A-2 Statement of Activities .....	26
B. Fund Financial Statements .....	27
B-1 Balance Sheet – Governmental Funds.....	28
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds .....	29
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
B-4 Statement of Net Assets – Proprietary Funds .....	31
B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	32
B-6 Statement of Cash Flows – Proprietary Funds .....	33
B-7 Statement of Fiduciary Net Assets – Fiduciary Funds .....	34
B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	35

Notes to the Basic Financial Statements..... 36-51

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules (Unaudited) .....	52
C-1 Budgetary Comparison Schedule – General Fund.....	53-56
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	57
C-3 Budget-to-GAAP Reconciliation – Notes to Required Supplementary Information.....	58
D. School Level Schedules (Not Applicable) .....	59

LADY LIBERTY ACADEMY CHARTER SCHOOL  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012  
 (Continued)

FINANCIAL SECTION (Cont'd)

E.	Special Revenue Fund .....	60
E-1	Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis .....	61-62
E-2	Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable) .....	63
F.	Capital Projects Fund (Not Applicable) .....	64
G.	Proprietary Funds .....	65
G-1	Combining Statement of Net Assets.....	66
G-2	Combining Statement of Revenue, Expenses and Changes in Net Assets .....	67
G-3	Combining Statement of Cash Flows .....	68
H.	Fiduciary Funds.....	69
H-1	Combining Statement of Fiduciary Net Assets .....	70
H-2	Statement of Changes in Fiduciary Net Assets .....	71
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements (Not Applicable) ....	72
H-4	Student Activity Agency Fund Statement of Activity (Not Applicable) .....	73
H-5	Payroll Agency Fund Schedule of Receipts and Disbursements.....	74
I.	Long-Term Debt (Not Applicable).....	75
J.	Statistical Section (Unaudited) .....	76-77
J-1	Net Assets by Component .....	78
J-2	Changes in Net Assets .....	79-80
J-3	Fund Balances – Governmental Funds.....	81
J-4	Changes in Fund Balance, Governmental Funds.....	82
J-5	General Fund Other Local Revenue by Source .....	83
J-6	Assessed Value and Estimated Actual Value of Taxable Property (Not Applicable)	
J-7	Direct and Overlapping Property Tax Rates (Not Applicable)	
J-8	Principal Property Taxpayers (Current Year and Nine Years Ago) (Not Applicable)	
J-9	Property Tax Levies and Collections (Not Applicable)	
J-10	Ratios of Outstanding Debt by Type (Not Applicable)	
J-11	Ratios of Net General Bonded Debt Outstanding (Not Applicable)	
J-12	Ratios of Direct and Overlapping Governmental Activities Debt (Not Applicable)	
J-13	Legal Debt Margin Information (Not Applicable)	
J-14	Demographic and Economic Statistics (Not Applicable)	
J-15	Principal Employers, Current and Nine Years Ago (Not Applicable)	
J-16	Full-time Equivalent Charter School Employees by Function/Program .....	84
J-17	Operating Statistics.....	85
J-18	School Building Information .....	86
J-19	Schedule of Allowable Maintenance Expenditures by School Facility (Not Applicable)	
J-20	Insurance Schedule .....	87

LADY LIBERTY ACADEMY CHARTER SCHOOL  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

FINANCIAL SECTION (Cont'd)

K. Single Audit Section.....	88
K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	89-90
K-2 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's Circular 04-04.....	91-92
K-3 Schedule of Expenditures of Federal Awards .....	93
K-4 Schedule of Expenditures of State Awards .....	94
K-5 Notes to the Schedules of Expenditures of Federal and State Awards.....	95-96
K-6 Schedule of Findings and Questioned Costs .....	97-98
K-7 Summary Schedule of Prior Audit Findings.....	99

INTRODUCTORY SECTION

## Lady Liberty Academy Charter School

*Mr. Glen T. Pinder, Executive Director*

*Mr. K. Anthony Thomas, Board of Trustees President*

*15 Frank E. Rodgers Boulevard South, Harrison, NJ 07029*

Structure | Peace | Accountability | Results | Community

---

*S.P.A.R.C. ignites the academic flame of empowerment that lights our path to a better future.*

November 28, 2012

The Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Harrison, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Lady Liberty Academy Charter School (the "Charter School") for the fiscal year ended June 30, 2012, is hereby submitted. 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 (the "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 basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational Chart, a roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, 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 supplementary schedules providing detailed budgetary information. The statistical section includes selected financial trends and the fiscal capacity of the Charter School, generally presented on a multi- year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports 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.

### 1) REPORTING ENTITY AND ITS SERVICES:

Lady Liberty Academy Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. Lady Liberty Academy Charter School constitutes the Charter School's reporting entity.

Lady Liberty Academy is a ten month/190 day school and our school day is 8am – 4pm. Our students are dismissed at 3pm on Tuesdays and our teachers participate in 1 hour of Professional Development. We have an average of 18 students per classroom in grades K-3 and we average 27 students per class in grades 4-8. Lady Liberty provides a comprehensive education program in order to meet the needs of all learners. In order to serve students with IEPs, Lady Liberty provides inclusion special education support in grades K-8,

The Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 2  
November 28, 2012

### 1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

as well as a self-contained special education classroom serving students in grades 5-8. An I&RS team is in place to manage the referral process and provide intervention to students who do not have IEPs, but who are struggling to meet grade level goals.

Lady Liberty Academy teachers provide support to all levels of learners each day through our three-tiered instructional model. Tier one provides all learners with grade level instruction, while tier two provides guided practice targeted to the current skill level of the students. Tier three then provides a specific intervention in small groups of no more than three students to students who continue to struggle with the given topic.

In addition to the daily differentiated instruction and support in the classroom, Lady Liberty provides Saturday academy to students below grade level and small group tutoring to students approaching grade level during the school day.

In addition to support for our struggling learners, Lady Liberty has begun piloting advanced and enrichment programs for our top performing students, in order to address their needs and increase the academic capacity of our student body. Programs that we have initiated this year include advanced pre-algebra and algebra classes, an enrichment book study group and the implementation of the National Junior Honor Society in our Middle School.

The following table details the changes in the student enrollment of the Charter School over the last 3 years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-12	460.5	1.43%
2010-11	454.0	4.85%
2009-10	433.0	0.00%

### 2) ENROLLMENT OUTLOOK:

The Charter School's charter authorized a maximum enrollment of 474 students in 2011-2012 in grades K-8. The enrollment at the beginning of the school year was 451 students. The enrollment at the end of the school year was 457 students. There are three classes of grades K, 1, and 2. There are two classes of grades 3, 4, 5, 6, 7, and 8. One 3rd grade class will be added for the 2012-2013 school year.

### 3) MAJOR INITIATIVES:

The staff of LLACS will continue to be provided with professional development that provides long-term support to transform their practice, define problems with teaching and learning, analyze student performance and integrate theory into practice. We will provide follow up, enhancement, and extension to the existing PD that was introduced to ensure teacher and administrator efficacy that result in significant academic growth. Teachers will consistently remain involved in collaborative planning for grade levels and subjects. The school will continue to develop its curricular goals that are aligned to the NJ core curriculum content standards. Teachers will revise the mastery objectives for English Language Arts and mathematics for a The

Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 3  
November 28, 2012

### 3) MAJOR INITIATIVES: (Cont'd)

thorough understanding of the standards, and strands that will guide their instructional planning. On-site professional development activities will be evaluated at the onset, during and upon completion of activities.

The following are specific innovations that were introduced this school year:

#### On line Lesson Planning

Teachers received extensive training in creating Lesson plans on line that reflect LLACS's philosophy for the understanding and implementation of learning objectives, anticipatory set, teacher model, guided practice, independent work, check for understanding, and close of lesson. All lesson plans were electronically set to the administrative team bi-weekly and critiqued. The on line program allows teachers to quickly align their lessons to standards and student needs but using a drop down box linked to NJCCCS or LLACS's data collection.

#### Common Planning

Weekly collaborative meetings were scheduled for grades K-4 and content level meetings were held for grades 5-8 for opportunities to exchange ideas and plan units of study. Teachers worked collaboratively in analyzing student work across all content areas. Curriculum maps and instructional frameworks were discussed and revised in these meetings.

#### Trainers

Trainers provided support for transforming teachers' practice, defining problems in teaching and learning, analyzing student performance and integrating theory into practice. Teachers were coached to observe lessons and give feedback on motivational factors and to problem solve situations with unmotivated students.

#### Study Groups

Study groups and inquiry teams were formed to investigate, reflect and dialogue about collective thinking for professional growth. Professional development needs were gleaned from these groups to plan for the upcoming school year.

#### Co-Teaching

All middle school teachers received extensive training in the co-teaching model, which was implemented in the upper grades. Co-Teachers met with administration to address any concerns or difficulties in order to provide high-level, standards-based, rigorous instruction to all students.

#### Language Arts Curriculum

The leadership team set clear guidelines for the implementation of a new philosophy for teaching reading, writing, and skills. All teachers received a full two weeks of professional development to learn the components of Balanced Literacy. The workshop model was introduced so that teachers can differentiate and tier instruction to meet the diverse needs of learners. The professional development to provide follow up support for a comprehensive Balanced Literacy program continued throughout the school year. A guided level book room was outfitted in the school to allow teachers to enhance their Balanced Literacy program to include small group guided reading instruction

#### Math Curriculum

The school implemented the workshop model as an approach to math instruction. During the summer teachers received professional development on identifying mastery objectives for each grade level.

Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 4  
November 28, 2012

### 3) MAJOR INITIATIVES: (Cont'd)

Standards-based activities that foster critical thinking in mathematics was used in all instruction and curriculum maps were developed throughout the year for each grade.

Teachers were also engaged in reflective practice and peer review through the analysis of our benchmark assessments. They were led into discussions that highlight strengths of lessons and suggest ideas for improving aspects of the lessons that did not go well based on the data and formulated reteaching strategies. The emphasis was on creating a professional learning community in which teachers share and learn from each other, while looking into their own practices with a critical lens for improvement.

Data on student performance was used to drive professional development for math teachers. Teachers will continue to participate in data meetings to understand and disaggregate data in multiple ways to identify trends; areas for re-teaching; individual students' areas of challenges; whole class challenges; item analyses; and error analyses. Information gleaned from these exercises will be used to create action plans and intervention strategies.

#### Social Studies Curriculum

As part of the emphasis for literacy across the content areas, the social studies classes received instructional materials for teaching multiple genres used for shared reading and read-aloud experiences. Thematic units will continue to be created by the social studies team that aligns with the recently updated NJCCS in Social Studies.

#### Science and Technology Curriculum

This year the LLACS science curriculum was expanded to include a curriculum map and pacing guide that is more effective and comprehensive. The revised curriculum map and pacing guide is in direct alignment with the NJCCS. A Technology Plan was created the previous year and more resources were needed here as well to fully equip the building with internet and technology labs. We are now currently equipped with internet and technology in all science labs.

#### The Boys 2 Gentleman Program

This year we saw an increase in the number of fathers that participated in the "Boys 2 Gentleman" program. This program started last year with the goal of bringing more fathers into the building to share experiences and academic strategies with their sons. We traditionally see very few fathers in the urban community and our goal was to create opportunities for fathers to build stronger relationships with their sons and the school at the same time.

This year the "B2G" program sponsored three events for fathers and sons. Each event had three components; an academic piece, a guest speaker/panel discussion group and a basketball game between students, parents and staff members. We covered topics ranging from; hygiene and study skills to confidence and respectful interactions with the opposite sex. The first event had 38 students and 8 fathers, the second event had 32 students and 14 fathers and our culminating event had 54 students and 18 fathers attend.

These events took place here in the building and they were all extremely successful. At the last event we handed out certificates to the students and fathers who attended and trophies to the winners of the staff/parent vs. student basketball games. The last event was combined with the culminating event for "Girls Talk" and served as a fundraiser as well. All attendees were asked to pay .99 cents to participate and the money collected will be used for future "B2G" and "Girls' Talk" events.

Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 5  
November 28, 2012

### 3) MAJOR INITIATIVES: (Cont'd)

#### School-wide Performances

School-wide events included: The Winter Arts Festival, The PTO sponsored fashion show, Movie nights, The African-American History Celebration, the 8th Grade Dance Jam, Fun Day and the Spring Arts Festival. All of these events were highly-attended and helped us to continuously share special moments with our parent population.

#### Public Relations/Engagement and Partnerships

Lady Liberty Academy has continued to build relationships with local groups and community organizations that work throughout the year to support our school community. Some examples are:

- FFVP (Fresh Fruit and Vegetable Program) – a state program that provides our students with fresh fruits and vegetables weekly.
- Leukemia & Lymphoma Society – partnered with our school to run the Pennies for Patients program, where our school raised \$2,346 for the cause.
- NJPAC – partnered with our school to run an in-house ballroom dancing program for our 8th grade students.
- NewarkWORKS/Youth One Stop Career Center – partnered with our school to help provide summer work experiences for students.
- CAP (Child Assault Prevention) Program – partnered with our school to provide child assault prevention workshops for our K-4 population.
- UMDNJ (University of Medicine & Dentistry of New Jersey) – provided free dental screenings and follow up services to LLACS students.
- Healthy Smile Program – performed dental screenings for our 6th grade population for early detection and prevention of gum disease.
- The Department of Child and Family Well-being – assisted LLACS families that were in need of quality free or low-cost health coverage.
- Weight Watchers – partnered with us to create the Weight Watchers at Work program this year, where staff members participated in a health and wellness program.

### 4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 6  
November 28, 2012

#### 5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the General and Special Revenue Funds.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2012.

#### 6) ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

#### 7) 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 School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from 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.

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

#### 9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, 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 Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary 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.

Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 7  
November 28, 2012

10) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Board of Trustees of the Lady Liberty Academy Charter School for their concern in providing fiscal accountability to the citizens and participating districts 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 the financial and accounting staff.



Glen T. Pinder, Executive Director



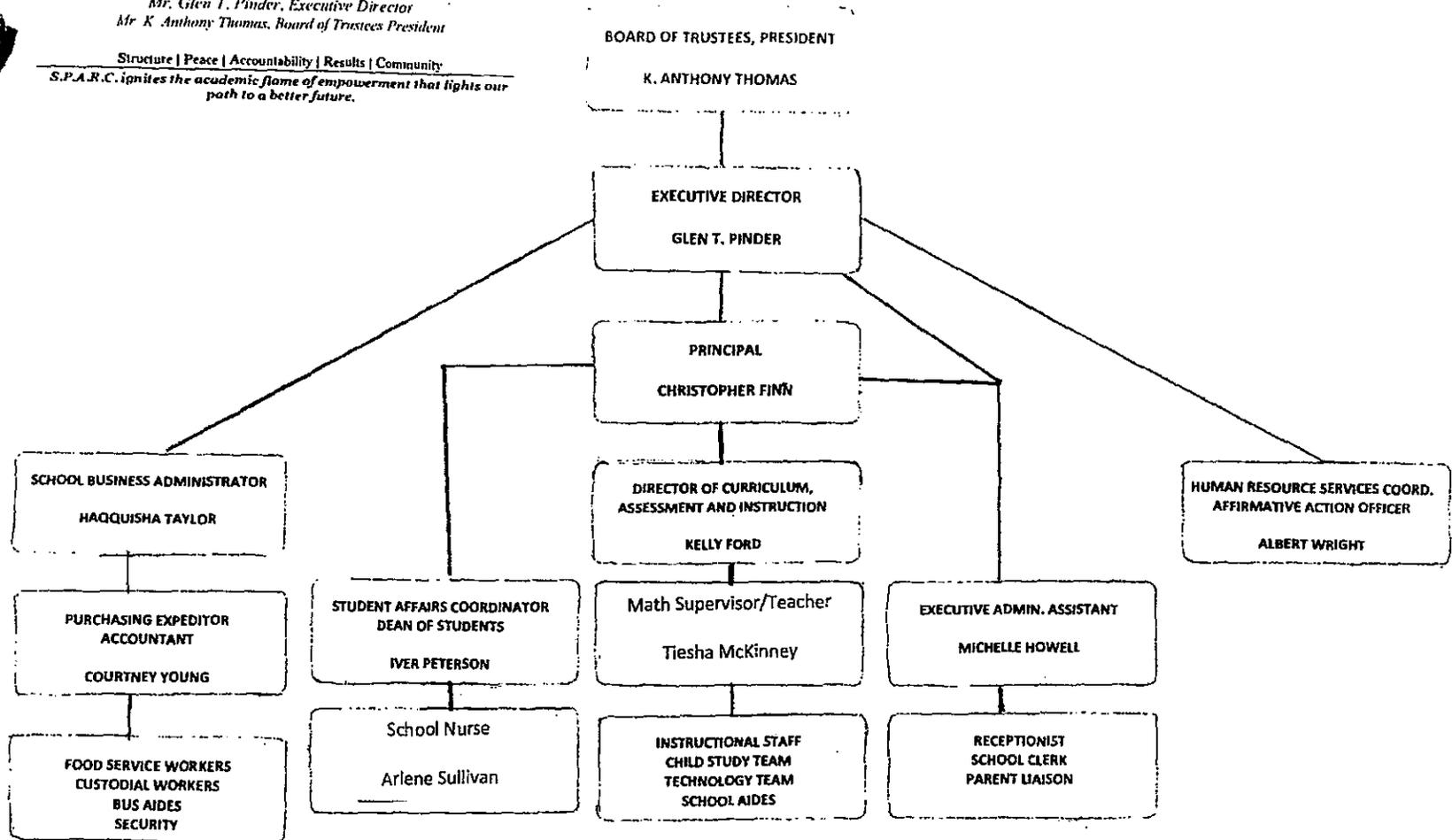
Haquisha Q. Taylor, Board Secretary  
Business Administrator



**Lady Liberty Academy Charter School**

*Mr. Glen T. Pinder, Executive Director*  
*Mr. K. Anthony Thomas, Board of Trustees President*

Structure | Peace | Accountability | Results | Community  
*S.P.A.R.C. ignites the academic flame of empowerment that lights our path to a better future.*



LADY LIBERTY ACADEMY CHARTER SCHOOL  
 ROSTER OF OFFICIALS  
 JUNE 30, 2012

<u>Members of the Board of Trustees:</u>		<u>Expiration of Term</u>
Mr. K. Anthony Thomas	President	2014
Mrs. Soyini Ma'at	Vice President	2013
Mr. John Stolz	Board Member	2013
Ms. Nichelle L. Holder	Board Member	2013
Ms. Emir Davis	Board Member	2013
Ms. Janellen M. Duffy	Board Member	2013
Ms. Monique Mitchell	Board Member	2015
Mr. Glen T. Pinder	Executive Director	
Mr. Christopher Lessard	Treasurer of School Monies	
Ms. Haquisha Q. Taylor	School Business Administrator	

**LADY LIBERTY ACADEMY CHARTER SCHOOL  
Consultants and Advisors**

**Audit Firm**

**Nisivoccia LLP, CPAs**  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ, 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Attorney**  
Saiber, LLC  
Attorneys at Law  
18 Columbia Turnpike  
Florham Park, NJ 07932

**Official Depository**

**Chase Bank**  
475 Bloomfield Ave  
1<sup>st</sup> Floor  
Montclair, NJ 07042

FINANCIAL SECTION



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

### Independent Auditors' Report

The Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Harrison, New Jersey

We have audited the accompanying financial statements of the Governmental Activities, the Business-Type Activities, each major fund and the aggregate remaining fund information of the Lady Liberty Academy Charter School as of and for the fiscal year ended June 30, 2012 which collectively comprise the Charter School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The financial statements of the Charter School as of June 30, 2011, were audited by another auditor whose report dated January 6, 2012 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, the Business-Type Activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Lady Liberty Academy Charter School as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof, for the fiscal 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 28, 2012 on our consideration of the Board of Trustees of the Lady Liberty Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report and Budgetary Comparison Information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Trustees of the Lady Liberty Academy Charter School's financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Nisivoccia, LLP*

November 28, 2012  
Mount Arlington, New Jersey

NISIVOCCIA LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

This section of Lady Liberty Academy Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

### Financial Highlights

- The financial position of the Charter School improved significantly on a Charter School-wide and fund basis.
- Overall revenue was \$8,810,979 and overall expenses were \$8,040,743.

### Overview of the Financial Statements

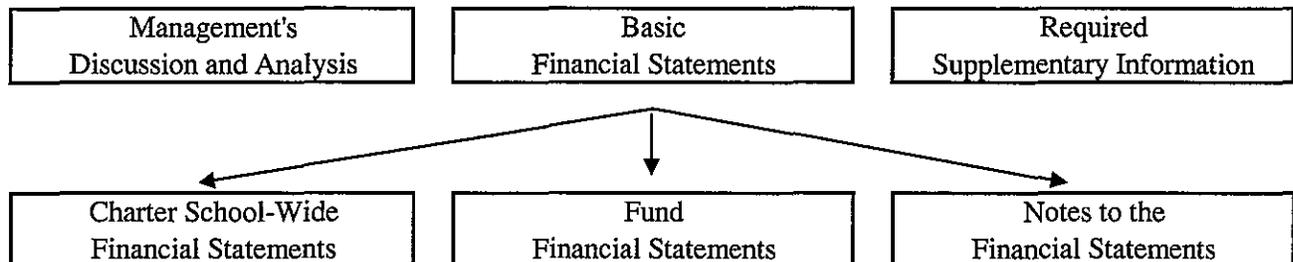
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are *entity-wide financial statements* that provide both *short-term* and *long-term* information about the Charter School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the School's operations in *more* detail than the Charter School-Wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the School operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the Charter School acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Charter School's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

#### Organization of Lady Liberty Academy Charter School's Financial Report



**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

Figure A-2

*Major Features of the Entity-Wide and Fund Financial Statements*

	Entity-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The activities of the entity that are not proprietary or fiduciary, such as special education and building maintenance	Activities the entity operates similar to private businesses: food services: before and after school program	Instances in which the entity administers resources on behalf of someone else, such as payroll
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenue, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

***Entity-wide Statements***

The entity-wide statements report information about the Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two entity-wide statements report the Charter School's *net assets* and how they have changed. Net assets – the difference between the Charter School's assets and liabilities – is one way to measure the Charter School's financial health or *position*.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Charter School's overall health, you need to consider additional nonfinancial factors such as changes in the Charter School's enrollment and the condition and location of its facilities.

In the entity-wide financial statements, the School's activities are divided into two categories:

- *Governmental activities:* Most of the Charter School's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities:* The Charter School charges fees to help it cover the costs of certain services it provides.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Charter School's funds, focusing on its most significant or "major" funds – not the Charter School as a whole. Funds are accounting devices the Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Charter School establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The School has three kinds of funds:

- *Governmental funds:* Most of the Charter School's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs. Because this information does not encompass the additional long-term focus of the Entity-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

***Fund Financial Statements (Cont'd)***

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The Charter School is the trustee, or *fiduciary*, for assets that belong to others, such as payroll agency funds. The Charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Charter School excludes these activities from the entity-wide financial statements because it cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

**Financial Analysis of the School as a Whole**

*Net Assets.* The Charter School's *combined* net assets were \$2,704,449 on June 30, 2012, \$770,236 or 39.82% more than they were the year before. (See Figure A-3).

**Figure A-3  
Condensed Statement of Net Assets**

	Government Activities		Business-Type Activities		Total Charter School		Percent Change 2012
	2012	(Restated) 2011	2012	(Restated) 2011	2012	(Restated) 2011	
Current and Other Assets	\$3,604,721	\$3,163,007	\$ 8,389	\$ 57,043	\$3,613,110	\$3,220,050	12.21%
Capital Assets	150,237				150,237		100.00%
Total Assets	<u>3,754,958</u>	<u>3,163,007</u>	<u>8,389</u>	<u>57,043</u>	<u>3,763,347</u>	<u>3,220,050</u>	16.87%
Other Liabilities	1,058,898	1,236,060		49,777	1,058,898	1,285,837	-17.65%
Total Liabilities	<u>1,058,898</u>	<u>1,236,060</u>		<u>49,777</u>	<u>1,058,898</u>	<u>1,285,837</u>	-17.65%
<b>Net Assets:</b>							
Invested in Capital Assets, Net of Related Debt	150,237				150,237		100.00%
Unrestricted	<u>2,545,823</u>	<u>1,926,947</u>	<u>8,389</u>	<u>7,266</u>	<u>2,554,212</u>	<u>1,934,213</u>	32.05%
Total Net Assets	<u>\$2,696,060</u>	<u>\$1,926,947</u>	<u>\$ 8,389</u>	<u>\$ 7,266</u>	<u>\$2,704,449</u>	<u>\$1,934,213</u>	39.82%

**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Financial Analysis of the School as a Whole**

*Changes in Net Assets.* The Charter School's net assets for governmental activities increased \$769,113 during the year. Net assets invested in capital assets increased \$150,237 due to \$225,356 of expenditures for leasehold improvements and \$75,119 of depreciation in the current year. Unrestricted net assets increased \$618,876 primarily due to increases in State Charter School Aid and miscellaneous revenue which mainly consisted of a cancellation of prior year accounts payable.

**Figure A-4  
Change in Net Assets from Operating Results**

	Governmental Activities		Business-type Activities		Total Charter School		Percent Change 2011/12
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services			\$ 30,754		\$ 30,754		100.00%
Operating Grants and Contributions	\$ 1,619,184	\$ 585,929	236,493	\$ 230,767	1,855,677	\$ 816,696	127.22%
<b>General Revenue:</b>							
Charter School Aid	6,686,106	6,288,521			6,686,106	6,288,521	6.32%
Federal and State Aid		782,425				782,425	-100.00%
Other	238,442	34,435		26,439	238,442	60,874	291.70%
<b>Total Revenue</b>	<b>8,543,732</b>	<b>7,691,310</b>	<b>267,247</b>	<b>257,206</b>	<b>8,810,979</b>	<b>7,948,516</b>	<b>10.85%</b>
<b>Expenses:</b>							
Instruction	3,474,342	3,386,477			3,474,342	3,386,477	2.59%
General Administration	1,364,160	1,934,226			1,364,160	1,934,226	-29.47%
Support Services	2,844,823	1,841,440			2,844,823	1,841,440	54.49%
Other	75,119	40,449	282,299	249,940	357,418	290,389	23.08%
<b>Total Expenses</b>	<b>7,758,444</b>	<b>7,202,592</b>	<b>282,299</b>	<b>249,940</b>	<b>8,040,743</b>	<b>7,452,532</b>	<b>7.89%</b>
Special Item - Capital Assets		(513,139)				(513,139)	-100.00%
Transfers	(16,175)		16,175				
<b>Inc./(Dec.) in Net Assets</b>	<b>\$ 769,113</b>	<b>\$ 488,718</b>	<b>\$ 1,123</b>	<b>\$ 7,266</b>	<b>\$ 770,236</b>	<b>\$ 495,984</b>	<b>-55.29%</b>

*Revenue Sources.* The Charter School's total revenue for the 2011-2012 school year was \$8,810,979. (See Figure A-5). Charter School Aid accounted for most of the Charter School's revenue (75.88%) (See Figure A-5). Another 21.06 percent came from state and federal operating grants and the remaining 3.06% came from miscellaneous sources and the business-type activities.

**Figure A-5  
Sources of Revenue for Fiscal Year 2012**

Sources of Income	2012	Percentage
Charter School Aid	\$ 6,686,106	75.88%
Operating Grants and Contributions	1,855,677	21.06%
Charges for Services	30,754	0.35%
Other	238,442	2.71%
	<b>\$ 8,810,979</b>	<b>100.00%</b>

**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Financial Analysis of the School as a Whole**

*Expenses.* The total cost of all programs and services was \$8,040,743. The Charter School's expenses are predominantly related to student instruction (43.21%). (See Figure A-6). The Charter School's general administrative expenses accounted for 16.97% of total costs and the overall support services of the school accounted for 35.38%.

**Figure A-6  
Expenses for Fiscal Year 2012**

Expense Category	2012	Percentage
Instruction	\$ 3,474,342	43.21%
General Administration Services	1,364,160	16.97%
Support Services	2,844,823	35.38%
Other	357,418	4.45%
	\$ 8,040,743	100.00%

**Governmental Activities**

The financial position of the Charter School increased significantly over the course of the year, primarily due to increases in State Charter School Aid and miscellaneous revenues. Through careful budgeting, the Charter School has managed to maintain programs. Careful management of expenses remains essential for the Charter School to sustain its financial health.

Figure A-7 presents the cost of four major Charter School activities: instruction general administration, support services and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs):

**Figure A-7  
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011/2012	2010/2011	2011/2012	2010/2011
Instruction	\$ 3,450,994	\$ 3,386,477	\$ 2,254,734	\$ 2,891,967
General Administration Services	1,364,160	1,934,226	1,261,673	1,842,807
Support Services	3,192,419	1,841,440	2,866,349	1,841,440
Other	75,119	40,449	75,119	40,449
Total	\$ 8,082,692	\$ 7,202,592	\$ 6,457,875	\$ 6,616,663

**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

***Governmental Activities***

- The cost of all governmental activities this year was \$8,082,692.
- A significant portion (\$6,686,106) of the Charter School's activities was financed through amounts received from the State in the amount of \$5,829,615 and raised by local school district tax levies and transferred to the Charter School in the form of Charter School Aid in the amount of \$856,491.
- The federal and state governments subsidized certain programs with \$1,861,310 in grants and contributions.
- The remaining \$357,057 of funding came from miscellaneous revenue.

***Business-Type Activities***

Net assets from the District's business-type activity increased \$1,123 is primarily attributable to increases in the after school program of the enterprise fund of the Charter School. (Refer to Figure A-4).

**Financial Analysis of the Charter School's Funds**

The Charter School's financial position improved on a fund basis through budgetary control. Faculty costs have increased slightly with the addition of new staff. Fringe benefit costs for all staff continue to increase.

**General Fund Budgetary Highlights**

Over the course of the year, the Charter School revised the annual operating budget several times. These budget amendments represented changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

**Capital Asset and Debt Administration**

***Capital Assets***

Capital assets of governmental activities increased \$150,237 due to \$225,356 of expenditures for leasehold improvements to the Harrison location in the current year offset by \$75,119 in current year depreciation. (More detailed information about the Charter School's capital assets is presented in the Notes to the Basic Financial Statements, Note 4.)

**Figure A-8**

**Capital Assets (Net of Depreciation)**

	Governmental Activities		Percentage Change 2011-2012
	2011/2012	2010/2011	
Leasehold Improvements	\$ 150,237	\$ - 0 -	100.00%
Total Capital Assets, Net of Depreciation	<u>\$ 150,237</u>	<u>\$ - 0 -</u>	100.00%

***Long-term Liabilities***

At year-end, the Charter School has no Long Term Debt.

**Lady Liberty Academy Charter School  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**Factors Bearing on the Charter School's Future**

At the time these financial statements were prepared and audited, Lady Liberty Academy Charter School was aware of existing circumstances that could significantly affect its financial health in the future:

- The Charter School is in the process of securing leases for property which is being renovated by Build With Purpose and will be leased by the Charter School. Improvements are expected to be complete and that charter school is expected to relocate to that location in 2014.

**Contacting the District's Financial Management**

This financial report is designed to provide the Charter School's students, parents, sending school districts, customers and investors and creditors with a general overview of the Charter School's finances and to demonstrate the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter School Office, 15 Frank E. Rodgers Boulevard, Harrison, New Jersey 07029.

**BASIC FINANCIAL STATEMENTS**

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

Exhibit A-1

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,683,540	\$ 84,853	\$ 2,768,393
Internal Balances	93,602	(93,602)	
Receivable from State Government	20,135	235	20,370
Receivable from Federal Government	607,444	16,903	624,347
Deposit for the Acquisition of New Facilities	200,000		200,000
Capital Assets, net Depreciable Leasehold Improvements	150,237		150,237
<b>Total Assets</b>	<b>3,754,958</b>	<b>8,389</b>	<b>3,763,347</b>
<b>LIABILITIES</b>			
Accounts Payable - Vendors	887,197		887,197
Payable to Local Governments	71,612		71,612
Deferred Revenue	100,089		100,089
<b>Total Liabilities</b>	<b>1,058,898</b>		<b>1,058,898</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	150,237		150,237
Unrestricted	2,545,823	8,389	2,554,212
<b>Total Net Assets</b>	<b>\$ 2,696,060</b>	<b>\$ 8,389</b>	<b>\$ 2,704,449</b>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
Instruction	\$ 3,474,342		\$ 1,196,260	\$ (2,278,082)		\$ (2,278,082)
General Administration Services	1,364,160		102,487	(1,261,673)		(1,261,673)
Support Services	2,844,823		320,437	(2,524,386)		(2,524,386)
Unallocated Depreciation	75,119			(75,119)		(75,119)
Total Governmental Activities	7,758,444		1,619,184	(6,139,260)		(6,139,260)
<b>Business-Type Activities:</b>						
Food Service	274,471	\$ 14,537	236,493		\$ (23,441)	(23,441)
After School Program	7,828	16,217			8,389	8,389
Total Business-Type Activities	282,299	30,754	236,493		(15,052)	(15,052)
Total Primary Government	\$ 8,040,743	\$ 30,754	\$ 1,855,677	(6,139,260)	(15,052)	(6,154,312)
<b>General Revenue and Transfers:</b>						
Local Property Taxes - Charter School Aid				6,686,106		6,686,106
Miscellaneous Income				238,442		238,442
Transfers				(16,175)	16,175	
Total General Revenue and Special Items				6,908,373	16,175	6,924,548
Change in Net Assets				769,113	1,123	770,236
Net Assets - Beginning				1,926,947	7,266	1,934,213
Net Assets - Ending				\$ 2,696,060	\$ 8,389	\$ 2,704,449

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

Exhibit B-1

LADY LIBERTY ACADEMY CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 2,683,540		\$ 2,683,540
Interfund Receivable	503,717	\$ 49,777	553,494
Intergovernmental Receivable:			
Federal		607,444	607,444
State	20,135		20,135
Deposit for the Acquisition of New Facilities	200,000		200,000
<b>Total Assets</b>	<b>\$ 3,407,392</b>	<b>\$ 657,221</b>	<b>\$ 4,064,613</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable - Vendors	\$ 789,957	\$ 97,240	\$ 887,197
Intergovernmental Payable:			
Local	71,612		71,612
Deferred Revenue		100,089	100,089
Interfund Payable		459,892	459,892
<b>Total Liabilities</b>	861,569	657,221	1,518,790
<b>Fund Balances:</b>			
<b>Assigned:</b>			
Year-end Encumbrances	42,414		42,414
Unassigned	2,503,409		2,503,409
<b>Total Fund Balances</b>	2,545,823		2,545,823
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,407,392</b>	<b>\$ 657,221</b>	<b>\$ 4,064,613</b>

Amounts Reported for *Governmental Activities* in the *Statement of Net Assets* (Exhibit A-1) are different because:

Total Fund Balances - Governmental Funds (Above)	\$ 2,545,823
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$225,356 and the accumulated depreciation is \$75,119.	150,237
<b>Net Assets - Governmental Activities (Exhibit A-1)</b>	<b>\$ 2,696,060</b>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-2

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUE:</b>			
Local Sources:			
Charter School Aid - Local Share	\$ 856,491		\$ 856,491
Charter School Aid - State Share	5,829,615		5,829,615
Miscellaneous	232,809	\$ 5,633	238,442
Total - Local Sources	6,918,915	5,633	6,924,548
State Sources	904,053		904,053
Federal Sources		715,130	715,130
Total Revenue	7,822,968	720,763	8,543,731
<b>EXPENDITURES:</b>			
Current:			
Instruction	2,664,321	478,679	3,143,000
General Administration	1,019,589	242,084	1,261,673
Support Services	2,984,185		2,984,185
Unallocated Benefits	517,814		517,814
Capital Outlay	2,008		2,008
Total Expenditures	7,187,917	720,763	7,908,680
Transfer to Food Service Fund	(16,175)		(16,175)
Excess of Revenue over Expenditures and Transfers	618,876		618,876
Fund Balance—July 1	1,926,947		1,926,947
Fund Balance—June 30	\$ 2,545,823	\$ - 0 -	\$ 2,545,823

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

LADY LIBERTY ACADEMY CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$	618,876
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Amounts Reported for *Governmental Activities* in the *Statement of Activities* (Exhibit 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.

	Additions	\$	225,356	
	Depreciation expense		<u>(75,119)</u>	
				<u>150,237</u>
Change in Net Assets (Exhibit A-2)		\$		<u><u>769,113</u></u>

Exhibit B-4

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business-Type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 84,853
Accounts Receivable:	
State	235
Federal	16,903
	101,991
Total Current Assets	101,991
Total Assets	101,991
 <u>LIABILITIES:</u>	
Current Liabilities:	
Interfund Payable	93,602
	93,602
Total Current Liabilities	93,602
 <u>NET ASSETS:</u>	
Unrestricted	8,389
Total Net Assets	\$ 8,389

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds Non-Major Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 14,537
Before and After School Revenue	<u>16,217</u>
Total Operating Revenue	<u>30,754</u>
Operating Expenses:	
Cost of Sales	250,519
Salaries and wages	7,770
Supplies and Materials	23,952
Miscellaneous	<u>58</u>
Total Operating Expenses	<u>282,299</u>
Operating Income/(Loss)	<u>(251,545)</u>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	3,264
Federal Sources:	
National School Breakfast Program	53,353
National School Lunch Program	156,223
Fresh Fruits and Vegetable Program	<u>23,653</u>
Total Non-Operating Revenue	<u>236,493</u>
Net Loss Before Operating Transfers	(15,052)
Operating Transfer - General Fund	<u>16,175</u>
Change in Net Assets	1,123
Net Assets - Beginning of Year	<u>7,266</u>
Net Assets - End of Year	<u>\$ 8,389</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 30,754
Payments to Employees	(7,828)
Payments to Suppliers	(230,646)
	(207,720)
Net Cash Provided by/(Used for) Operating Activities	(207,720)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	247,126
Cash Received from Operating Transfers	16,175
	263,301
Net Cash Provided by Noncapital Financing Activities	263,301
Net Increase/(Decrease) in Cash and Cash Equivalents	55,581
Cash and Cash Equivalents, July 1	29,272
Cash and Cash Equivalents, June 30	\$ 84,853
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:	
Operating Income/(Loss)	\$ (251,545)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:	
Changes in Assets and Liabilities:	
Increase/(Decrease) in Interfund Payable	43,825
	43,825
Net Cash Provided by/(Used for) Operating Activities	\$ (207,720)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 28,988	\$ 52,369
Total Assets	<u>\$ 28,988</u>	<u>\$ 52,369</u>
<u>LIABILITIES:</u>		
Interfund Payable	\$ 9,922	
Payroll Deductions and Withholdings	<u>19,066</u>	
Total Liabilities	<u>28,988</u>	<u>- 0 -</u>
<u>NET ASSETS</u>		
Held in Trust for Unemployment Claims		<u>52,369</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 52,369</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Investment Earnings:	
Interest	<u>\$ 78</u>
Total Additions	<u>78</u>
Change in Net Assets	78
Net Assets - Beginning of the Year	<u>52,291</u>
Net Assets - End of the Year	<u>\$ 52,369</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Lady Liberty Academy Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Lady Liberty Academy Charter School Board of Trustees is responsible for the fiscal control of the Lady Liberty Academy Charter School. An Executive Director is appointed by the Lady Liberty Academy Charter School and is responsible for the administrative control of the Charter School. Under existing statutes, the Lady Liberty Academy Charter School's duties and powers include, but are not limited to the development and adoption of a program; the establishment, organization and operation of a school; and the acquisition, maintenance and disposition of school property.

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and schools by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were 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.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the Charter School's Governmental Activities. These statements include the financial activities of the overall Charter School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation:

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Charter School's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function 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 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 Governmental Funds as major is important for public interest and to promote consistency among school financial reporting models.

The Charter School reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, School taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation:

Fund Financial Statements:

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from state and federal governments (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

The Charter School reports the following proprietary funds:

Enterprise (Food Service and Before and After School Program) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Charter School's cafeteria and child care operations. The Food Service Fund and School Age Child Care 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.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes the Payroll Agency and Unemployment Trust Funds.

C. Measurement Focus and Basis of Accounting

The Charter School-Wide financial statements, the Proprietary and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Charter School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes (in the form of Charter School Aid) is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the Governmental Funds to be available if the revenue is collected within 60 days after the end of the fiscal year. 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. Capital asset acquisitions are reported as expenditures in the Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

It is the Charter School's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the Charter School the entire balance of aid in the amount reported to each district by the State Department of Education. The Charter School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the Charter School's Proprietary Funds are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by Board resolution. All budgetary 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).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. There were no encumbrances in the Special Revenue Fund at June 30, 2012 or 2011.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	<u>\$ 7,822,968</u>	<u>\$ 720,763</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,822,968</u>	<u>\$ 720,763</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 7,187,917</u>	<u>\$ 720,763</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 7,187,917</u>	<u>\$ 720,763</u>

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

Transfers between Governmental and Business-Type Activities on the Charter School-Wide statements are reported in the same manner as general revenues. 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 the Governmental Funds and after non-operating revenues/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On the Fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Assets, except for amounts due between Governmental and Business-Type Activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in the Governmental Funds other than the Special Revenue Fund are reported as restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses which benefit future periods, other than those recorded in the Enterprise Funds, are recorded as expenditures during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the Enterprise Funds represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the Charter School's initial year a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The Charter School does not possess any infrastructure. The Charter School has reviewed capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-Wide statements are as follows:

	<u>Estimated Useful Life</u>
Leasehold Improvements	40 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years

In the Fund financial statements, capital assets used in Governmental Fund operations are accounted for as capital outlay expenditures in the Governmental Funds upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the Fund financial statements.

L. Long Term Liabilities:

In the Charter School-Wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in Governmental Activities.

In the Charter School-Wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

M. Accrued Salaries and Wages:

The Charter School allows employees who provide services to the Charter School over the ten-month academic year the option to have their salaries evenly disbursed during the entire twelve-month year; therefore, as of June 30, 2012, there was \$487,527 of accrued salaries and wages for contractual salaries that were paid to employees during July and August 2012.

N. Deferred Revenue:

Deferred revenue represents cash and/or commodities which have been received but not yet earned.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. Fund Balance Appropriated:

General Fund: Of the \$2,545,823 General Fund balance at June 30, 2012, \$42,414 is assigned for year-end encumbrances, and \$2,503,409 is unassigned.

P. Net Assets:

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

Q. Fund Balance Restrictions, Commitments and Assignments:

The Charter School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by clarifying the existing Governmental Fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in Governmental Funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has no restricted fund balance at June 30, 2012.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2012.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Fund Balance Restrictions, Commitments and Assignments:

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has \$42,414 of assigned resources for year-end encumbrances in the General Fund at June 30, 2012.

R. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes (Charter School Aid), grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

S. Revenue – Operating Revenue and Expenses

Operating revenue are those revenues that are generated directly from the primary activities of the Enterprise Funds. For the Charter School, these revenues are sales for Food Service and Before and After School Care. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

T. Management Estimates:

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

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the Governmental Funds statements and Charter School-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Charter School classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Charter School ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as follows.

Deposits:

New Jersey statutes require that school districts 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. School districts 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 5% of the average daily balance of collected public funds on deposit, and

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.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont' d)

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents
Checking & Savings Accounts	\$ 2,849,750

During the period ended June 30, 2012, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents and investments at June 30, 2012, was \$2,849,750 and the bank balance was \$2,861,225.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2012 were as follows:

	(Restated)			Balance June 30, 2012
	Balance June 30, 2011	Increases	Decreases	
Governmental Activities:				
Leasehold Improvements	\$	225,356		\$ 225,356
Total Capital Assets Being Depreciated		225,356		225,356
Governmental Activities Capital Assets		225,356		225,356
Less Accumulated Depreciation for:				
Building Improvements		(75,119)		(75,119)
Total Accumulated Depreciation		(75,119)		(75,119)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$	-0-	\$ 150,237	\$ -0- \$ 150,237

Depreciation expense in the amount of \$75,199 was charged to the unallocated governmental function.

NOTE 5. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers Pensions and Annuity Fund (T.P.A.F.) and the Public Employees' Retirement System (P.E.R.S.), 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, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributed 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the Charter School amounted to \$180,503, \$172,334, and \$-0- for 2012, 2011, and 2010, respectively.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 6. OPERATING LEASE

The Lady Liberty Academy Charter School leases its temporary facilities in Harrison from Holy Cross Church on an annual basis. Lease payments during the current fiscal year were \$375,000. Lease payments for the 2012-2013 fiscal year are \$425,000 and have not yet been determined for the 2013-2014 fiscal year.

NOTE 7. PENSION PLANS

Substantially all of the Charter School's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF 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 Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee, are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.50% to 6.50% if employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the Charter School is a noncontributing employer of the TPAF.

Charter School contributions to PERS amounted to \$82,139, \$57,253 and \$43,238 for the fiscal years ended June 30, 2012, 2011 and 2010 respectively.

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$89,791 to the TPAF for pension benefits on behalf of the Charter School. During the fiscal years ended June 30, 2011 and 2010, the State of New Jersey made no contributions to the TPAF for pension benefits on-behalf of the Charter School.

NOTE 8. RISK MANAGEMENT

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

The Charter School provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 8. RISK MANAGEMENT

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Charter School's expendable trust fund for the current and previous year.

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012		\$ 78		\$ 52,369
2010-2011	\$ 52,291			52,291

Property and Liability Insurance

The Charter School is a member of the New Jersey School Boards Association Insurance Group (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the Charter School could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Selected, summarized financial information for the Group as of June 30, 2011 is as follows:

	<u>NJ School Board's Association Insurance Group (NJSBAIG)</u>
Total Assets	\$ 253,890,161
Net Assets	\$ 62,802,257
Total Revenue	\$ 83,993,678
Total Expenses	\$ 79,175,491
Change in Net Assets	\$ 4,818,187
Net Assets Distribution to Participating Members	\$ - 0 -

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

Financial statements for the Group are available at the Group's Executive Director's Office:

New Jersey School Boards Association Insurance Group  
450 Veterans Drive  
Burlington, NJ 08016  
(609) 386-6060  
www.njsbaig.org

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 503,717	
Special Revenue Fund	49,777	\$ 459,892
Proprietary Fund		93,602
	<u>\$ 553,494</u>	<u>\$ 553,494</u>

The interfund payable in the Special Revenue Fund is the amount of cash advanced from the General Fund to the Special Revenue Fund while awaiting federal grant reimbursements. The interfund payable from the Proprietary Fund to the General Fund is for funds advanced. The interfund between the Proprietary Fund and the Special Revenue Fund represents a prior year balance which has not been repaid.

NOTE 10. ECONOMIC DEPENDENCY

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

NOTE 11. DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable Financial Companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 12. DEPOSIT FOR THE ACQUISITION OF NEW FACILITIES

The Charter School has partnered with Build With Purpose (a nonprofit real estate development company) to secure new facilities for the Charter School. Build With Purpose expects to secure financing in January 2013 for the purchase and renovation of a building in Newark which it will lease to the Charter School. As part of the agreement, the Charter School will contribute \$400,000 toward the renovation of the building, of which \$200,000 was paid during the current fiscal year. The remaining \$200,000 will be paid during the 2012-2013 fiscal year. These deposits are reported as assets in the Charter School's financial statements and will be transferred to capital assets as leasehold improvements when the renovations are complete and the Charter School occupies the building (which is expected to be in July 2014).

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES

Grant Programs

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The Charter School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the Charter School.

Encumbrances

The Charter School has encumbrances recorded as of June 30, 2012 in the amount of \$42,414.

NOTE 14. PRIOR PERIOD ADJUSTMENTS

The Charter School made prior year adjustment in the Charter School-Wide Financial Statements to correct the value of Capital Assets and Net Assets - Invested in Capital Assets, Net of Related Debt reported in its Governmental Activities as of June 30, 2011. The financial statements for June 30, 2011 have been restated as follows:

	<u>Balance 6/30/11</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/11</u> <u>as</u> <u>Restated</u>
Statement of Net Assets:			
Governmental Activities:			
Assets:			
Capital Assets	\$ 396,117	\$ (396,117)	
Total Assets	<u>3,559,124</u>	<u>(396,117)</u>	<u>\$ 3,163,007</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	396,117	(396,117)	
Total Net Assets	<u>\$ 2,323,064</u>	<u>\$ (396,117)</u>	<u>\$ 1,926,947</u>

**BUDGETARY COMPARISON SCHEDULES**

LADY LIBERTY ACADEMY CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local Levy - Charter School Aid - Local Share	\$ 864,352		\$ 864,352	\$ 856,491	\$ (7,861)
Local Levy - Charter School Aid - State Share	5,339,084		5,339,084	5,829,615	490,531
Miscellaneous				232,809	232,809
<b>Total - Local Sources</b>	<b>6,203,436</b>		<b>6,203,436</b>	<b>6,918,915</b>	<b>715,479</b>
<b>State Sources:</b>					
Special Education Aid - Charter School Aid	166,783		166,783	157,405	(9,378)
Security Aid	215,167		215,167	214,696	(471)
Nonpublic Aid				14,138	14,138
On-Behalf TPAF Pension Payments (Non-Budgeted)				89,791	89,791
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				180,503	180,503
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				247,520	247,520
<b>Total State Sources</b>	<b>381,950</b>		<b>381,950</b>	<b>904,053</b>	<b>522,103</b>
<b>Total Revenues</b>	<b>6,585,386</b>		<b>6,585,386</b>	<b>7,822,968</b>	<b>1,237,582</b>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Salaries of Teachers	2,522,712	\$ 81,323	2,604,035	2,276,192	327,843
Other Salaries for Instruction	15,000	2,550	17,550	48,488	(30,938)
Purchased Professional/Technical Services	5,000		5,000	92,883	(87,883)
Other Purchased Services		25,000	25,000	22,950	2,050
General Supplies	205,391	(57,147)	148,244	153,902	(5,658)
Textbooks	35,545	(25,000)	10,545	64,822	(54,277)
Miscellaneous Expenses	10,038	(1,219)	8,819	5,084	3,735
<b>Total Instructional Expense</b>	<b>2,793,686</b>	<b>25,507</b>	<b>2,819,193</b>	<b>2,664,321</b>	<b>154,872</b>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Administrative:</b>					
Salaries - Administration	\$ 475,337	\$ 22,036	\$ 497,373	\$ 573,628	\$ (76,255)
Salaries of Secretarial and Clerical Assistants	119,975		119,975	145,416	(25,441)
Purchased Professional/Technical Services	127,135	2,900	130,035	121,334	8,701
Other Purchased Services	14,965	36,723	51,688	29,775	21,913
Communications	33,831	87,041	120,872	99,418	21,454
Supplies and Materials	57,296	(16,776)	40,520	35,334	5,186
Miscellaneous Expenses	2,600	5,500	8,100	7,542	558
Board of Trustees Dues and Memberships	6,650		6,650	7,142	(492)
<b>Total Administrative Expense</b>	<b>837,789</b>	<b>137,424</b>	<b>975,213</b>	<b>1,019,589</b>	<b>(44,376)</b>
<b>Support Services:</b>					
Salaries	553,100	20,547	573,647	589,240	(15,593)
Purchased Professional/Technical Services	143,370	151,380	294,750	311,485	(16,735)
Other Purchased Services	162,579	50,479	213,058	219,082	(6,024)
Rental of Land and Buildings	454,199	(58,553)	395,646	393,624	2,022
Insurance for Property, Liability and Fidelity	20,694		20,694	20,550	144
Supplies and Materials	35,000	(19,349)	15,651	27,167	(11,516)
Energy Costs (Heat and Electricity)	80,000	(7,998)	72,002	60,903	11,099
Transportation Services-Other Than to/from School	12,000		12,000	6,837	5,163
Miscellaneous Expenses	166,904	(24,135)	142,769	46,706	96,063
Social Security Contributions	232,414		232,414	301,308	(68,894)
Employer Pension Contribution - PERS	86,416	(4,230)	82,186	82,139	47
Other Pension Contributions - DCRP		3,389	3,389	3,389	
NJ Unemployment/ Disability	100,000		100,000	177,771	(77,771)
Workers Compensation	54,785		54,785	57,045	(2,260)
Health Benefits	737,588	9,930	747,518	609,996	137,522

LADY LIBERTY ACADEMY CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2012

(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Support Services:					
Employee Tuition Reimbursement	\$ 26,000	\$ (3,389)	\$ 22,611		\$ 22,611
Other Employee Benefits	1,000		1,000		1,000
Food Service Workers Salaries	74,025		74,025	\$ 74,143	(118)
Facilities Acquisition		7,500	7,500	2,800	4,700
Total Support Services	<u>2,940,074</u>	<u>125,571</u>	<u>3,065,645</u>	<u>2,984,185</u>	<u>81,460</u>
On-Behalf TPAF Pension Payments (Non-Budgeted)				89,791	(89,791)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				180,503	(180,503)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				247,520	(247,520)
Total On-Behalf Contributions				<u>517,814</u>	<u>(517,814)</u>
Capital Outlay:					
Equipment:					
Non Instructional	13,837		13,837	2,008	11,829
Facilities Acquisitions:					
Lease Purchase Agreement - Principal		300,000	300,000		300,000
Total Capital Outlay	<u>13,837</u>	<u>300,000</u>	<u>313,837</u>	<u>2,008</u>	<u>311,829</u>
Total Expenditures	<u>6,585,386</u>	<u>588,502</u>	<u>7,173,888</u>	<u>7,187,917</u>	<u>(14,029)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		(588,502)	(588,502)	635,051	1,223,553
OTHER FINANCING SOURCES (USES):					
Transfer to Food Service Fund				(16,175)	(16,175)
Total Other Financing Sources (Uses)				<u>(16,175)</u>	<u>(16,175)</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses		(588,502)	(588,502)	618,876	1,207,378
Fund Balance, July 1	\$ 1,926,947		1,926,947	1,926,947	
Fund Balance, June 30	<u>\$ 1,926,947</u>	<u>\$ (588,502)</u>	<u>\$ 1,338,445</u>	<u>\$ 2,545,823</u>	<u>\$ 1,207,378</u>
Recapitulation:					
Assigned Fund Balance:					
Year-end Encumbrances				\$ 42,414	
Unassigned Fund Balance				<u>2,503,409</u>	
Fund Balance per Governmental Funds (Budgetary/GAAP Basis)				<u>\$ 2,545,823</u>	

LADY LIBERTY ACADEMY CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
Local Sources		\$ 27,140	\$ 27,140	\$ 5,633	\$ (21,507)
Federal Sources	\$ 506,256	328,389	834,645	715,130	(119,515)
<b>Total Revenue</b>	<u>506,256</u>	<u>355,529</u>	<u>861,785</u>	<u>720,763</u>	<u>(141,022)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	301,757	146,961	448,718	448,718	
Purchased Professional/Educational Services		79,833	79,833	8,423	71,410
Other Purchased Services (400-500 Series)		16,980	16,980	16,980	
General Supplies	3,663	895	4,558	4,558	
<b>Total Instruction</b>	<u>305,420</u>	<u>244,669</u>	<u>550,089</u>	<u>478,679</u>	<u>71,410</u>
Support Services:					
Personal Services - Employee Benefits	60,351	80,030	140,381	140,381	
Purchased Technical Services		35,024	35,024	35,024	
Purchased Professional/Educational Services	140,485	(35,024)	105,461	51,150	54,311
Other Purchased Services (400-500 Series)		30,830	30,830	15,529	15,301
<b>Total Support Services</b>	<u>200,836</u>	<u>110,860</u>	<u>311,696</u>	<u>242,084</u>	<u>69,612</u>
<b>Total Expenditures</b>	<u>506,256</u>	<u>355,529</u>	<u>861,785</u>	<u>720,763</u>	<u>141,022</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 7,822,968	\$ 720,763
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 7,822,968	\$ 720,763
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 7,187,917	\$ 720,763
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 7,187,917	\$ 720,763

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. There were no encumbrances at June 30, 2012 or 2011 in the Special Revenue Fund.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	No Child Left Behind					
	Title I - A	Title I - A Carryover	Title I - SIA Carryover	Title I - ARRA	Title II - A	Title II - A Carryover
<b>REVENUE:</b>						
Local Sources						
Federal Sources	\$ 333,960	\$ 167,857	\$ 7,485	\$ 10,000	\$ 2,364	\$ 31,301
<b>Total Revenue</b>	<b>333,960</b>	<b>167,857</b>	<b>7,485</b>	<b>10,000</b>	<b>2,364</b>	<b>31,301</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Salaries of Teachers	177,500	139,881				
Purchased Professional/Educational Services	8,423					
Other Purchased Services (400-500 Series)	16,980					
General Supplies						
<b>Total Instruction</b>	<b>202,903</b>	<b>139,881</b>				
<b>Support Services:</b>						
Employee Benefits	86,137	27,976				
Purchased Professional Technical Services	32,884					
Purchased Professional/Educational Services			7,485	10,000	2,364	31,301
Other Purchased Services (400-500 Series)	12,036					
<b>Total Support Services</b>	<b>131,057</b>	<b>27,976</b>	<b>7,485</b>	<b>10,000</b>	<b>2,364</b>	<b>31,301</b>
<b>Total Expenditures</b>	<b>\$ 333,960</b>	<b>\$ 167,857</b>	<b>\$ 7,485</b>	<b>\$ 10,000</b>	<b>\$ 2,364</b>	<b>\$ 31,301</b>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>IDEA Part B Basic</u>	<u>IDEA Part B Basic Carryover</u>	<u>Safety Grant</u>	<u>Victory Grant</u>	<u>Totals June 30, 2012</u>
<b>REVENUE:</b>					
Local Sources			\$ 2,140	\$ 3,493	\$ 5,633
Federal Sources	\$ 104,158	\$ 58,005			715,130
<b>Total Revenue</b>	<u>104,158</u>	<u>58,005</u>	<u>2,140</u>	<u>3,493</u>	<u>720,763</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	83,000	48,337			448,718
Purchased Professional/Educational Services					8,423
Other Purchased Services (400-500 Series)					16,980
General Supplies	4,558				4,558
<b>Total Instruction</b>	<u>87,558</u>	<u>48,337</u>			<u>478,679</u>
Support Services:					
Employee Benefits	16,600	9,668			140,381
Purchased Professional Technical Services			2,140		35,024
Purchased Professional/Educational Services					51,150
Other Purchased Services (400-500 Series)				3,493	15,529
<b>Total Support Services</b>	<u>16,600</u>	<u>9,668</u>	<u>2,140</u>	<u>3,493</u>	<u>242,084</u>
<b>Total Expenditures</b>	<u>\$ 104,158</u>	<u>\$ 58,005</u>	<u>\$ 2,140</u>	<u>\$ 3,493</u>	<u>\$ 720,763</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

LADY LIBERTY ACADEMY CHARTER SCHOOL  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Food Service Program</u>	<u>Before and After School Program</u>	<u>Totals</u>
<b><u>ASSETS:</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 76,464	\$ 8,389	\$ 84,853
Accounts Receivable:			
State	235		235
Federal	16,903		16,903
Total Current Assets	<u>93,602</u>	<u>8,389</u>	<u>101,991</u>
Total Assets	<u>93,602</u>	<u>8,389</u>	<u>101,991</u>
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Interfund payable	<u>93,602</u>		<u>93,602</u>
Total Current Liabilities	<u>93,602</u>		<u>93,602</u>
<b><u>NET ASSETS:</u></b>			
Unrestricted		<u>8,389</u>	<u>8,389</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 8,389</u>	<u>\$ 8,389</u>

Exhibit G-2

LADY LIBERTY ACADEMY CHARTER SCHOOL  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Program	Before and After School Program	Totals
Operating Revenue:			
Local Sources:			
Daily Sales - Non-Reimbursable Programs	\$ 14,537		\$ 14,537
Before and After School Revenue		\$ 16,217	16,217
Total Operating Revenue	14,537	16,217	30,754
Operating Expenses:			
Cost of Sales	250,519		250,519
Salaries and Wages		7,770	7,770
Supplies and Materials	23,952		23,952
Miscellaneous		58	58
Total Operating Expenses	274,471	7,828	282,299
Operating Income/(Loss)	(259,934)	8,389	(251,545)
Non-Operating Revenue:			
State Sources:			
State School Lunch Program	3,264		3,264
Federal Sources:			
National School Breakfast Program	53,353		53,353
National School Lunch Program	156,223		156,223
Fresh Fruits and Vegetable Program	23,653		23,653
Total Non-Operating Revenue	236,493		236,493
Net Income (Loss) Before Operating Transfers	(23,441)	8,389	(15,052)
Operating Transfer - General Fund	16,175		16,175
Change in Net Assets	(7,266)	8,389	1,123
Net Assets - Beginning of Year	7,266		7,266
Net Assets - End of Year	\$ - 0 -	\$ 8,389	\$ 8,389

## Exhibit G-3

LADY LIBERTY ACADEMY CHARTER SCHOOL  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Program	Before and After School Program	Totals
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 14,537	\$ 16,217	\$ 30,754
Payments to Employees		(7,828)	(7,828)
Payments to Suppliers	(230,646)		(230,646)
<b>Net Cash Provided by /(Used for) Operating Activities</b>	<b>(216,109)</b>	<b>8,389</b>	<b>(207,720)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash Received from State and Federal Reimbursements	247,126		247,126
Cash Received from Operating Transfers	16,175		16,175
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>263,301</b>		<b>263,301</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>47,192</b>	<b>8,389</b>	<b>55,581</b>
Cash and Cash Equivalents, July 1	29,272		29,272
Cash and Cash Equivalents, June 30	\$ 76,464	\$ 8,389	\$ 84,853
<b>Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</b>			
Operating Income/(Loss)	\$ (259,934)	\$ 8,389	\$ (251,545)
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Increase/(Decrease) in Interfund Payable	43,825		43,825
<b>Net Cash Provided by/(Used for) Operating Activities</b>	<b>\$ (216,109)</b>	<b>\$ 8,389</b>	<b>\$ (207,720)</b>

FIDUCIARY FUNDS

Exhibit H-1

LADY LIBERTY ACADEMY CHARTER SCHOOL  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Payroll Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 28,988	\$ 52,369
Total Assets	<u>28,988</u>	<u>52,369</u>
<u>LIABILITIES:</u>		
Interfund Payable - General Fund	9,922	
Payroll Deductions and Withholdings	<u>19,066</u>	
Total Liabilities	<u>28,988</u>	
<u>NET ASSETS:</u>		
Held in Trust for Unemployment Claims		<u>52,369</u>
Total Net Assets	<u>\$ - 0 -</u>	<u>\$ 52,369</u>

## Exhibit H-2

LADY LIBERTY ACADEMY CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Trust</u>
<b>Additions:</b>	
<b>Investment Earnings:</b>	
Interest	\$ 78
Net Investment Earnings	<u>78</u>
Total Additions	<u>78</u>
Change in Net Assets	78
Net Assets - Beginning of the Year	<u>52,291</u>
Net Assets - End of the Year	<u>\$ 52,369</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

LADY LIBERTY ACADEMY CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

Exhibit H-5

LADY LIBERTY ACADEMY CHARTER SCHOOL  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents		\$ 4,779,929	\$ 4,750,941	\$ 28,988
Total Assets	\$ - 0 -	\$ 4,779,929	\$ 4,750,941	\$ 28,988
<b><u>LIABILITIES:</u></b>				
Interfund Payable - Due General Fund		\$ 9,922		\$ 9,922
Accrued Salaries and Wages		2,976,932	\$ 2,976,932	
Payroll Deductions and Withholdings		1,793,075	1,774,009	19,066
Total Liabilities	\$ - 0 -	\$ 4,779,929	\$ 4,750,941	\$ 28,988

LONG-TERM DEBT  
(NOT APPLICABLE)

STATISTICAL SECTION

**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.</p>	J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented GASB Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2006.

**LADY LIBERTY ACADEMY CHARTER SCHOOL**  
**NET ASSETS BY COMPONENT**  
**LAST SEVEN FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	(Restated) 2011	2012
<b>Governmental Activities:</b>							
Invested in Capital Assets, Net of Related Debt	\$ 1,038,805	\$ 992,605	\$ 945,714	\$ 948,002	\$ 909,256		\$ 150,237
Unrestricted	29,594	51,982	493,244	715,547	1,438,229	\$ 1,926,947	2,545,823
<b>Total Governmental Activities Net Assets</b>	<b><u>\$ 1,068,399</u></b>	<b><u>\$ 1,044,587</u></b>	<b><u>\$ 1,438,958</u></b>	<b><u>\$ 1,663,549</u></b>	<b><u>\$ 2,347,485</u></b>	<b><u>\$ 1,926,947</u></b>	<b><u>\$ 2,696,060</u></b>
<b>Business-Type Activities</b>							
Unrestricted						\$ 7,266	\$ 8,389
<b>Total Business-Type Activities Net Assets</b>	<b><u>\$ - 0 -</u></b>	<b><u>\$ 7,266</u></b>	<b><u>\$ 8,389</u></b>				
<b>Entity-Wide:</b>							
Invested in Capital Assets, Net of Related Debt	\$ 1,038,805	\$ 992,605	\$ 945,714	\$ 948,002	\$ 909,256		\$ 150,237
Unrestricted	29,594	51,982	493,244	715,547	1,438,229	\$ 1,934,213	2,554,212
<b>Total Charter School-Wide Net Assets</b>	<b><u>\$ 1,068,399</u></b>	<b><u>\$ 1,044,587</u></b>	<b><u>\$ 1,438,958</u></b>	<b><u>\$ 1,663,549</u></b>	<b><u>\$ 2,347,485</u></b>	<b><u>\$ 1,934,213</u></b>	<b><u>\$ 2,704,449</u></b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Lady Liberty Academy Charter School Financial Reports.

**LADY LIBERTY ACADEMY CHARTER SCHOOL**  
**CHANGES IN NET ASSETS**  
**LAST SEVEN FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
Expenses:							
Governmental Activities:							
Instruction:							
Regular	\$ 2,292,796	\$ 2,518,571	\$ 2,450,071	\$ 2,897,262	\$ 3,050,717	\$ 3,448,517	\$ 3,474,342
General Administration	1,443,635	1,300,449	1,211,696	1,702,169	2,016,949	1,893,979	1,364,160
Support Services	1,014,207	948,820	987,548	1,350,972	1,510,786	1,397,471	2,844,823
On-behalf TPAF Social Security and Pension	117,850	161,510	174,679	203,732	232,414	422,176	
Capital Outlay	71,117	59,681	71,430	79,239	38,818	40,449	
Unallocated Depreciation	64,703	65,252	67,973	76,951	77,564	61,613	75,119
Total Governmental Activities Expenses	<u>5,004,308</u>	<u>5,054,283</u>	<u>4,963,397</u>	<u>6,310,325</u>	<u>6,927,248</u>	<u>7,264,205</u>	<u>7,758,444</u>
Business-Type Activities:							
Food Service	202,519	199,753	192,867	211,340	239,907	249,940	274,471
Child Care							7,828
Total Business-Type Activities Expense	<u>202,519</u>	<u>199,753</u>	<u>192,867</u>	<u>211,340</u>	<u>239,907</u>	<u>249,940</u>	<u>282,299</u>
Total Charter School-Wide Expenses	<u>\$ 5,206,827</u>	<u>\$ 5,254,036</u>	<u>\$ 5,156,264</u>	<u>\$ 6,521,665</u>	<u>\$ 7,167,155</u>	<u>\$ 7,514,145</u>	<u>\$ 8,040,743</u>
Program Revenues:							
Governmental Activities:							
Operating Grants and Contributions					1,047,435	585,929	1,624,817
Total Governmental Activities Program Revenues					<u>1,047,435</u>	<u>585,929</u>	<u>1,624,817</u>
Business-Type Activities:							
Charges for Services:							
Food Service	204,191	199,072	191,876	211,340	239,907	257,206	14,537
Child Care							16,217
Operating Grants and Contributions							236,493
Total Business-Type Activities Program Revenues	<u>204,191</u>	<u>199,072</u>	<u>191,876</u>	<u>211,340</u>	<u>239,907</u>	<u>257,206</u>	<u>267,247</u>
Total Charter School-Wide Revenues	<u>\$ 204,191</u>	<u>\$ 199,072</u>	<u>\$ 191,876</u>	<u>\$ 211,340</u>	<u>\$ 1,287,342</u>	<u>\$ 843,135</u>	<u>\$ 1,892,064</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ended June 30,						
	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue:							
Governmental Activities	\$ (5,002,636)	\$ (5,054,964)	\$ (4,964,388)	\$ (6,310,325)	\$ (5,879,813)	\$ (6,678,276)	\$ (6,133,627)
Business-Type Activities	1,672	(681)	(991)			7,266	(15,052)
<b>Total Charter School-Wide Net Expense/Revenues</b>	<b>\$ (5,000,964)</b>	<b>\$ (5,055,645)</b>	<b>\$ (4,965,379)</b>	<b>\$ (6,310,325)</b>	<b>\$ (5,879,813)</b>	<b>\$ (6,671,010)</b>	<b>\$ (6,148,679)</b>
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Charter School Aid - Local Share	754,486	763,208	986,199	736,758	781,138	824,361	856,491
Charter School Aid - State Share	2,424,711	2,395,837	2,413,597	4,552,590	5,120,874	5,464,160	5,829,615
Unrestricted State and Federal Aid	1,692,878	1,852,374	1,911,742	1,145,270	574,757	782,425	
Miscellaneous Income	27,414		25,148	21,059	48,162	34,435	232,809
Increase (Decrease) in Net Capital Outlay	24,898	19,052	21,082	79,239	38,818	(451,526)	
Transfers							(16,175)
<b>Total Governmental Activities</b>	<b>4,924,387</b>	<b>5,030,471</b>	<b>5,357,768</b>	<b>6,534,916</b>	<b>6,563,749</b>	<b>6,653,855</b>	<b>6,902,740</b>
Business-Type Activities:							
Transfers							16,175
<b>Total Business-Type Activities</b>							<b>16,175</b>
<b>Total Charter School-Wide General Revenues and Other Changes in Net Assets</b>	<b>\$ 4,924,387</b>	<b>\$ 5,030,471</b>	<b>\$ 5,357,768</b>	<b>\$ 6,534,916</b>	<b>\$ 6,563,749</b>	<b>\$ 6,653,855</b>	<b>\$ 6,918,915</b>
Change in Net Assets:							
Governmental Activities	\$ (76,577)	\$ (24,493)	\$ 393,380	\$ 224,591	\$ 683,936	\$ (24,421)	\$ 769,113
Business-Type Activities	1,672	(681)	(991)			7,266	1,123
<b>Total Charter School-Wide Net Assets</b>	<b>\$ (74,905)</b>	<b>\$ (25,174)</b>	<b>\$ 392,389</b>	<b>\$ 224,591</b>	<b>\$ 683,936</b>	<b>\$ (17,155)</b>	<b>\$ 770,236</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Lady Liberty Academy Charter School Financial Reports.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,						
	2006	2007	2008	2009	2010	2011	2012
General Fund:							
Unreserved	\$ 29,594	\$ 51,982	\$ 493,244	\$ 715,847	\$ 1,438,229		
Assigned							\$ 42,414
Unassigned						\$ 1,926,947	2,503,409
<b>Total General Fund</b>	<b>\$ 29,594</b>	<b>\$ 51,982</b>	<b>\$ 493,244</b>	<b>\$ 715,847</b>	<b>\$ 1,438,229</b>	<b>\$ 1,926,947</b>	<b>\$ 2,545,823</b>
<b>Total All Governmental Funds</b>	<b>\$ 29,594</b>	<b>\$ 51,982</b>	<b>\$ 493,244</b>	<b>\$ 715,847</b>	<b>\$ 1,438,229</b>	<b>\$ 1,926,947</b>	<b>\$ 2,545,823</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Lady Liberty Academy Charter School Financial Reports.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,						
	2006	2007	2008	2009	2010	2011	2012
Revenues:							
Local Tax Levy	\$ 754,486	\$ 763,208	\$ 1,011,347	\$ 736,758	\$ 781,138	\$ 824,361	\$ 856,491
Other Local Revenue	27,414	-	19,052	21,059	48,162	125,854	238,442
State Sources	3,612,378	3,781,702	3,801,347	4,996,891	5,695,631	6,246,585	6,733,668
Federal Sources	505,211	466,509	504,940	700,969	1,047,435	494,510	715,130
<b>Total Revenue</b>	<b>4,899,489</b>	<b>5,011,419</b>	<b>5,336,686</b>	<b>6,455,677</b>	<b>7,572,366</b>	<b>7,691,310</b>	<b>8,543,731</b>
Expenditures:							
Regular Instruction	2,386,349	2,518,571	2,455,939	2,978,578	3,397,382	3,448,517	3,143,000
General Administration	1,350,082	1,300,449	1,205,828	1,620,853	1,670,284	1,893,979	1,261,673
Support Services	1,014,207	948,820	987,548	1,350,972	1,510,786	1,397,471	2,984,185
TPAF Social Security and Pension	117,850	161,510	174,679	203,732	232,414	422,176	517,814
Capital Outlay	71,117	59,681	71,430	79,239	38,818	40,449	2,008
<b>Total Expenditures</b>	<b>4,939,605</b>	<b>4,989,031</b>	<b>4,895,424</b>	<b>6,233,374</b>	<b>6,849,684</b>	<b>7,202,592</b>	<b>7,908,680</b>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(40,116)	22,388	441,262	222,303	722,682	488,718	635,051
Other Financing Sources/(Uses):							
Transfers Out							(16,175)
<b>Total Other Financing Sources/(Uses)</b>							<b>(16,175)</b>
<b>Net Change In Fund Balances</b>	<b>\$ (40,116)</b>	<b>\$ 22,388</b>	<b>\$ 441,262</b>	<b>\$ 222,303</b>	<b>\$ 722,682</b>	<b>\$ 488,718</b>	<b>\$ 618,876</b>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2006.

Source: Lady Liberty Academy Charter School Financial Reports.

Exhibit J-5

LADY LIBERTY ACADEMY CHARTER SCHOOL  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST SEVEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Cancel</u> <u>Prior Year</u> <u>A/P</u>	<u>Other</u>	<u>Total</u>
2006		\$ 27,414	\$ 27,414
2007			
2008		25,148	25,148
2009		21,059	21,059
2010		48,162	48,162
2011		34,435	34,435
2012	\$ 229,226	3,583	232,809

Source: Lady Liberty Academy Charter School Financial Reports.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST SEVEN FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Instruction:</b>							
Regular	55.0	34.0	33.0		34.0	46.0	47.0
Special Education		5.0	7.0		9.0	11.0	3.0
Other Special Education							3.0
Other Instruction					2.0		
<b>Support Services:</b>							
Student & Instruction Related Services		13.0	8.0		13.0	11.0	4.0
School Administrative Services		2.0	4.0		4.0	4.0	6.0
Other Administrative Services		3.0	5.0		4.0	3.0	5.0
Central Services		2.0	1.0		1.0		6.0
Plant Operations and Maintenance					5.0	5.0	6.0
Other Support Services		7.0			7.0	10.0	6.0
Special Schools		6.0	18.0				3.0
Food Service					3.0	4.0	
<b>Total</b>	<b>55.0</b>	<b>72.0</b>	<b>76.0</b>	<b>0.0</b>	<b>82.0</b>	<b>94.0</b>	<b>89.0</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Lady Liberty Academy Charter School Personnel Records.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
OPERATING STATISTICS  
LAST SEVEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil<sup>b</sup></u>	<u>Percentage Change</u>	<u>Teaching Staff<sup>c</sup></u>	<u>Pupil/Teacher Ratio</u> <u>Middle School</u>	<u>Average Daily Enrollment (ADE)<sup>d</sup></u>	<u>Average Daily Attendance (ADA)<sup>d</sup></u>	<u>% Change Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2006	94	\$ 786,769	\$ 8,370	0.02%	40	14	N/A	N/A	N/A	98.00%
2007	443	4,274,522	9,649	15.28%	41	11	N/A	N/A	N/A	98.00%
2008	443	4,713,525	10,640	10.27%	42	N/A	N/A	N/A	N/A	98.00%
2009	443	6,233,374	14,071	32.24%	45	N/A	433.0	402.0	N/A	92.84%
2010	443	6,233,374	14,071	0.00%	45	N/A	433.0	402.0	0.00%	92.84%
2011	451	6,900,763	15,301	8.74%	57	N/A	454.0	425.0	4.85%	93.61%
2012	456	7,906,672	17,339	13.32%	53	11	460.5	425.6	1.43%	92.42%

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

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Cost per pupil is calculated based upon enrollment and operating expenditures presented and may not be the same as other cost per pupil calculations.

<sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A Information is not available.

Source: Lady Liberty Academy Charter School Records.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SCHOOL BUILDING INFORMATION  
LAST SEVEN FISCAL YEARS  
(UNAUDITED)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Building</u>							
Building							
Square Feet	N/A						
Capacity (students)	500	500	500	500	500	500	500
Enrollment	94	443	443	443	443	451	456

Number of Schools at June 30, 2012:

None

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

N/A - The Charter School does not own its facilities.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Lady Liberty Academy Charter School Office.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
INSURANCE SCHEDULE  
AS OF JUNE 30, 2012  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
New Jersey School Board Association Insurance Group		
Package Policy:		
Blanket Real and Personal Property	\$ 63,215,075	\$ 5,000
Comprehensive General Liability	11,000,000	
Comprehensive Blanket Excess Liability		
Computer Equipment	1,873,737	1,000
Energy Systems	100,000,000	5,000
Crime Coverage:		
Faithful Performance	1,000,000	1,000
Money and Securities	50,000	1,000
Automobile	11,000,000	1,000
School Board Legal Liability	11,000,000	5,000
Workers Compensation	2,000,000	
Supplemental Indemnity (Chubb Insurance Company)	1,750/ week	
Flood: (Selective Insurance Company)		
Board Secretary/Business Administrator	162,500	
Treasurer of School Moneys	165,000	

SINGLE AUDIT SECTION



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

The Honorable President and Members  
 of the Board of Trustees  
 Lady Liberty Academy Charter School  
 Harrison, New Jersey

We have audited the financial statements of the Governmental Activities, the Business-Type Activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Lady Liberty Academy Charter School in the County of Essex (the "Charter School") as of, and for the fiscal year ended, June 30, 2012, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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*. However, we certain matters that we have reported to the Board in a separate report, the *Auditors' Management Report on Administrative Findings – Financial, Compliance, and Performance*, dated November 28, 2012.

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

*Nisivoccia, CP*

NISIVOCCIA LLP

November 28, 2012  
Mount Arlington, New Jersey

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant



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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's Circular 04-04

The Honorable President and Members  
 of the Board of Trustees  
 Lady Liberty Academy Charter School  
 Harrison, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the Lady Liberty Academy Charter School in the County of Essex (the "Charter School") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. The Charter 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 are the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

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

The Honorable President and Members  
of the Board of Trustees  
Lady Liberty Academy Charter School  
Page 2

### Internal Control Over Compliance

The management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter 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, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Nisivoccia, LLP*

November 28, 2012  
Mount Arlington, New Jersey

NISIVOCCIA LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	June 30, 2011			Prior Year Accounts Receivable Cancelled	Balance, June 30, 2012			
					Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures		Budgetary Deferred Revenue	Budgetary Accounts Receivable	Due to Grantor	
<b>General Fund</b>												
U.S. Department of Agriculture Passed-through State of New Jersey Department of Agriculture <u>Child Nutrition Cluster</u>												
National School Breakfast Program	10.555	N/A	07/1/11-06/30/12	\$ 53,353		\$ 49,279	\$ (53,353)			\$ (4,074)		
National School Breakfast Program	10.555	N/A	07/1/10-06/30/11	32,077	\$ (3,682)	3,682						
National Fruit and Vegetable Program	10.582	N/A	07/1/11-06/30/12	23,653		22,414	(23,653)			(1,239)		
National Fruit and Vegetable Program	10.582	N/A	07/1/10-06/30/11	21,579	(6,346)	6,346						
National School Lunch Program	10.555	N/A	07/1/11-06/30/12	156,223		144,633	(156,223)			(11,590)		
National School Lunch Program	10.555	N/A	07/1/10-06/30/11	173,469	(17,233)	17,233						
Total U.S. Department of Agriculture/Child Nutrition Cluster						(27,261)	243,587	(233,229)		(16,903)		
<b>Special Revenue Fund:</b>												
US Department of Education Passed-through State of New Jersey Department of Education Special Education Cluster:												
IDEA- Part B, Basic	84.027	IDEA 7100-12	09/1/11-08/31/12	104,158		68,061	(104,158)			(36,097)		
IDEA- Part B, Basic	84.027	IDEA 7100-11	09/1/10-08/31/11	101,245	(43,240)	65,148	(58,005)			(36,097)		
IDEA- Part B, Basic Carryover	84.027	IDEA 7100-10	09/1/09-08/31/11	130,350	(67,486)			\$ 67,486				
IDEA- B, Basic - ARRA	84.391	IDEA 7100-10	07/1/09-08/31/11	99,765	(62,864)	62,864						
Subtotal Special Education Cluster						(173,590)	196,073	(162,163)	67,486	(72,194)		
<u>No Child Left Behind:</u>												
Title I - Part A	84.010A	NCLB 7100-12	09/1/11-08/31/12	399,164		126,547	(333,960)			(207,413)		
Title I - Part A	84.010A	NCLB 7100-11	09/1/10-08/31/12	484,158	(316,301)	316,301	(167,857)			(167,857)		
Title I - SIA	84.010A	NCLB 7100-11	09/1/10-08/31/12	41,822	(36,925)	5,422	(7,485)	31,503		(7,485)		
Title I - Part A - ARRA	84.389	NCLB 7100-10	09/1/10-08/31/12	195,373	(185,342)	76,513	(10,000)			(118,829)		
Title II - Part A	84.367A	NCLB 7100-12	09/1/11-08/31/12	26,867			(2,364)			(2,364)		
Title II - Part A Carryover	84.367A	NCLB 7100-11	09/1/10-08/31/11	33,825	(32,890)	31,813		1,077				
Total U.S. Department of Education						(745,048)	752,669	(683,829)	100,066	(576,142)		
Total Federal Awards						\$ (772,309)	\$ 996,256	\$ (917,058)	\$ 100,066	\$ - 0 -	\$ (593,045)	\$ - 0 -

N/A - Not Applicable/Available.

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2011		Cash Received	Budgetary Expenditures	Balance June 30, 2012			MEMO
				Budgetary Accounts Receivable	Budgetary Deferred Revenue			Deferred Revenue	Budgetary/ GAAP Receivable	Due to Grantor	Cumulative Total Expenditures
State Department of Education:											
General Fund:											
Local Levy - State Share	12-495-034-5120-071	7/1/11-6/30/12	\$ 5,829,615			\$ 5,829,615	\$ (5,829,615)				\$ 5,829,615
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	214,696			214,696	(214,696)				214,696
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	157,405			157,405	(157,405)				157,405
Other Categorical Aid:											
Nonpublic Aid	12-999-999-9999-960	7/1/11-6/30/12	14,138			14,138	(14,138)				14,138
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	247,520			227,385	(247,520)	\$ (20,135)			247,520
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10-6/30/11	241,728	\$ (10,024)		10,024					241,728
Total General Fund					(10,024)	6,453,263	(6,463,374)		(20,135)		6,705,102
Enterprise Fund											
State Department of Agriculture											
State School Lunch	12-100-010-3350-023	7/1/11-6/30/12	3,405			3,170	(3,405)		(235)		3,405
State School Lunch	11-100-010-3350-023	7/1/10-6/30/11	3,642	(510)		510					3,642
Total Enterprise Fund					(510)	3,680	(3,405)		(235)		7,047
Total State Awards				\$ (10,534)	\$ - 0 -	\$ 6,456,943	\$ (6,466,779)	\$ - 0 -	\$ (20,370)	\$ - 0 -	\$ 6,712,149

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Lady Liberty Academy Charter School under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net assets or cash flows of the Charter School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

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 (RSD) are presented for the General Fund and Special Revenue Fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis. 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 revenue, whereas the GAAP basis does not.

The Schedule of Expenditures of State Awards does not include the On-Behalf TPAF Pension Payments and Post-Retirement Medical Benefits contributions in the amount of \$89,791 and \$180,503, respectively. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 6,215,854	\$ 6,215,854
Special Revenue Fund	\$ 715,130		715,130
Proprietary Fund	233,229	3,264	236,493
	<u>\$ 948,359</u>	<u>\$ 6,219,118</u>	<u>\$ 7,167,477</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL  
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2012.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Summary of Auditors' Results:

- An unqualified report was issued on the Charter School's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the Charter School's internal controls.
- The audit did not disclose any noncompliance which is material to the Charter School's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the Charter School's major federal and state programs.
- An unqualified report was issued on the Charter School's compliance for its major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04 or Federal OMB Circular A-133.
- The Charter School's major State and Federal programs for the current fiscal year consisted of the following:

<u>Program Title</u>	<u>State Grant Number/ C.F.D.A</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Local Levy - State Share	12-495-034-5120-071	7/1/11-6/30/12	\$ 5,829,615	\$ 5,829,615
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	214,696	214,696
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	157,405	157,405
<u>Federal:</u>				
Special Education Cluster:				
Title I - Part A	84.010A	09/1/11-08/31/12	399,164	333,960
Title I - Part A	84.010A	09/1/10-08/31/11	484,158	167,857
Title I - SIA	84.010A	09/1/10-08/31/11	41,822	7,485
Title I - Part A - ARRA	84.389	09/1/10-08/31/11	195,373	10,000

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The Charter School did not qualify as a "low risk" auditee under the provisions of section 530 of the federal Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04.

LADY LIBERTY ACADEMY CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The prior year finding related to significant deficiencies in the bank reconciliation process and general ledger maintenance was resolved during the current fiscal year.

Findings and Questioned Costs for Federal Awards:

The prior year finding related to the recommendations noted in the New Jersey Department of Education's audit of the NCLB Title I Program for the period of September 1, 2008 – August 31, 2009 was resolved during the current fiscal year.

There were a number of prior year findings related to the Title I programs which were resolved during the current fiscal year. These findings were as follows: 1 – Title I expenditures were not timely recorded to the books and records as they were incurred; 2 – Payroll expenditures were not timely recorded to the books and records as they were incurred with respect to Title I expenditures; 3 – The books and records were not reconciled to the bank and the budgets on a timely basis with respect to Title I expenditures; 4 – Procedures were not developed with respect to the required time and activity records for Title I split funded personnel and 5 – Employees charged to the Title I grant were not formally appointed in the Board of Trustees minutes including the percentage of the employees' salaries charged to the Title I grant.

Findings and Questioned Costs for State Awards:

The prior year finding related to the Charter School Aid – Local and State programs was resolved during the current fiscal year. The finding was as follows: Payroll expenditures were not timely recorded to the books and records as they were incurred.