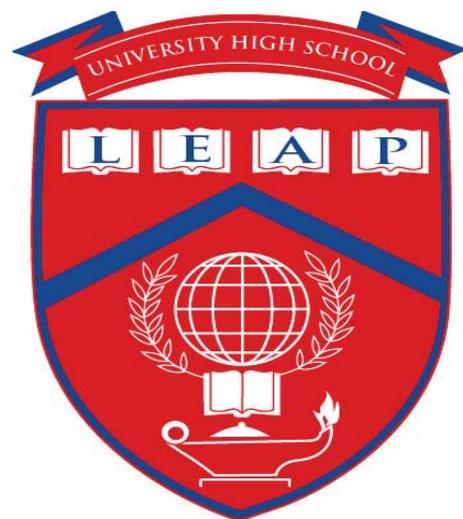
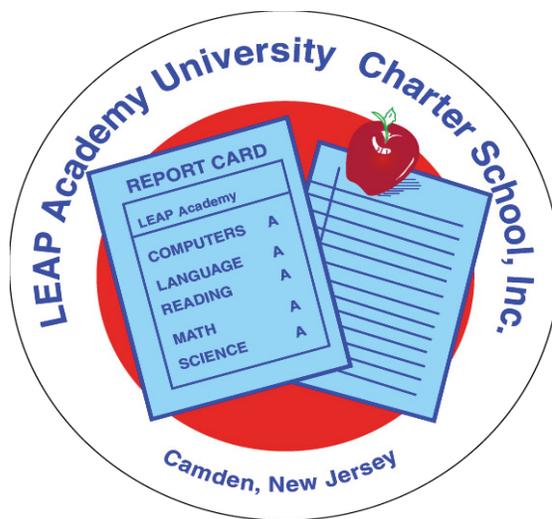


LEAP Academy University Charter School, Inc.



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION



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Hector Nieves
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LEAD PERSON

CHIEF ACADEMIC OFFICER

Janice Strigh

CHIEF FINANCIAL OFFICER/SBA

John Amato

BOARD LIAISON

Wanda I. Garcia, MSW

December 4, 2012

Members of the Board of Trustees
Members of the LEAP Academy University Charter School Community
County of Camden, New Jersey

Dear Board Members/School Community Members:

The comprehensive annual financial report of the LEAP Academy University 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 LEAP Academy University Charter School and its governing body, the Board of Trustees. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups 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 District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Management and Budget Circular A-133, "Audits of States Local Governments and Non Profits Organizations", and the state of Grants, State Grant and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES: As a public charter school, the LEAP Academy University Charter School, Inc. is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the Charter School are included in this report. The LEAP Academy Board of Trustees and its K-12 public charter school constitutes the reporting entity.

LEAP Academy provides a full range of educational services appropriate to grade levels K-12. These include regular, as well as special education for handicapped and special needs youngsters. The Charter School completed the 2011-2012 fiscal year with 757 students. The following details the changes in the student enrollment of the Charter School since 1997:

Elementary School Campus
649 Cooper Street
Camden, NJ 08102
Main #: 856-614-5600
Fax: 856-614-5601

High School Campus
549 Cooper Street
Camden, NJ 08102
Main #: 856-614-0400
Fax: 856-342-7190

STEM School Campus
532 Cooper Street
Camden, NJ 08102
Main #: 856-614-3292/3290
Fax: 856-541-0526

Fiscal Year	Student Enrollment	Percent Change
2011-2012	860	2.2%
2010-2011	751	-02.9%
2009-2010	774	02.2%
2008-2009	757	- 01.3%
2007-2008	767	- 0.13%
2006-2007	768	09.5%
2005-2006	701	03.0%
2004-2005	680	04.9%
2003-2004	648	09.0%
2002-2003	594	10.0%
2001-2002	540	11.1%
2000-2001	486	12.5%
1999-2000	432	14.2%
1998-1999	378	16.6%
1997-1998	324	

During the 11-12 SY, the School drew its students from the following districts: City of Camden, Deptford Township, Pennsauken Township, Gloucester City, Woodlynne Boro, Collingswood Boro, Black Horse Pike Regional, Runnemede Boro, Gloucester Township, Washington Township, Sewell Township, Willingboro Township, Merchantville Boro, Glassboro, Blackwood, Winslow Township (Sicklerville), Westville, Cherry Hill and Clementon.

OVERVIEW OF THE LEAP ACADEMY UNIVERSITY CHARTER SCHOOL: LEAP Academy is a public charter school in Camden, NJ serving students in grades K-12. Students are housed in three school buildings---the Elementary School (K-6), the High School (7-12), and the STEM campus (K-3 and 9-12). Since its inception in 1997, the LEAP Academy University Charter School, Inc. has been guided by a collective mission that informs practice and the organizational and instructional priorities of the school. LEAP’s mission statement is:

“To enhance opportunities for the children and families of Camden through the collaborative design, implementation, and integration of education, health, and human services programs and through community development.”

That mission is sustained by a relentless commitment to providing *“Camden City students with the knowledge and skills to pursue post-secondary education, while building and sustaining an environment where all members of the educational community are committed to continuous growth and development toward high academic standards and are partners in building a positive, collaborative and nurturing community and dynamic learning environment”*.

For 15 years, the work of the school in meeting its mission has been anchored in the following four basic guiding principles:

1. All children will be ready to succeed in school;
2. All children will experience high quality learning experiences and have access to school-linked services that meet the needs of the whole family;
3. All families and students will have access to an integrated health and human services system; and,
4. All families and students will be empowered to achieve self-sufficiency and maximize their potential.

The LEAP model is inclusive of the following elements that collectively are at the core of what has been cited as best practice: (1) a rigorous academic program for children from birth through college with a focus on math, science and technology; (2) expanded learning time and enrichment opportunities for children and adults; (3) on-site health and human services for students and their families; (4) partnerships with institutions of higher education; (5) a

parental engagement program that builds the capacity and social capital of parents to effectively support the education of their children and serve as community leaders; (6) sustained and embedded professional learning for educators and performance based compensation; (7) ongoing assessment and evaluation to guide program development and continuous learning.

In January 2010, the New Jersey Department of Education approved an amendment to the school's charter authorizing implementation of a specialized program in science, technology, mathematics, and engineering (STEM) for upper school students beginning in 2010. The school admitted 60 grade 9 students to its inaugural cohort, with plans to grow each year by 60 students until the program reaches its full capacity of 240 students in grades 9 through 12. The combined enrollment of the high school will reach 480 students by 2014. The curriculum framework for mathematics, science and engineering includes core, honors, advanced placement and thematic coursework in calculus, physical, life, earth, and space sciences. It addresses the important skills and competencies of scientific literacy, technological literacy, engineering literacy and mathematical literacy. In 2011, the New Jersey Department of Education renewed the LEAP Academy charter for another five years with approvals for expansion to the Cramer Hill neighborhood in Camden City.

ECONOMIC CONDITION AND OUTLOOK: LEAP Academy is based in Camden City, one of the nation's poorest and violent cities in the U.S. Located in the southwestern part of the State of New Jersey, Camden City is the second largest municipality in the Philadelphia Metropolitan Statistical Area.¹ Camden City is the seat for County government and was once a bustling economic power house for the region. Since the early 1970's, the city has had a long history of challenges on all fronts—absence of a local economy that produces jobs and a tax base to sustain city government; a dysfunctional city government that is overly dependent on state aid to provide the most basic services to its residents; a staggering rate of violence mostly related to drug trafficking and gang activity; a chronic underperforming school system with students failing in almost every educational indicator and with a 50% or higher high school dropout rate; a physical environment characterized by decaying housing, abandoned neighborhoods, and a lack of safe public spaces; and a history of political corruption and dysfunction.

Camden's historical path resembles the trajectories of other cities that became victim to the profound post World War II economic changes that resulted in the extinction of manufacturing jobs, a loss of jobs, the development of suburban communities and the often called "white and middle class flight" that drained the tax base of many communities. Camden claims the highest percentage of children growing up in poverty (45%), when compared to every other city in New Jersey. The city's child poverty rate far exceeds the 15% rate in Camden County, the 12% statewide rate, and 19% child poverty rate nationally. The city's children are more likely to die in infancy (16.4% per thousand births), be born to unmarried mothers (80%), fail statewide tests (over 50% of the students in every grade level) and drop out of high school (8.7%).

Once a bustling manufacturing and transportation hub, the City of Camden was one of the hardest hit municipalities when the industrial manufacturing base declined in the United States. As the city declined, families left Camden, leaving behind households that were not in a position to relocate elsewhere. The remaining population can be characterized as young, minority, poverty-stricken households with low levels of educational attainment and high rates of unemployment. Camden entered the 1990s as one of the nation's most troubled cities.

Camden has few businesses and no critical mass of middle-income residents, hallmarks of an economically healthy city. Its deteriorated environment makes it nearly impossible to attract those critical middle-income residents and businesses, and it creates a very difficult life for the families who have stayed in Camden. Camden shares a set of characteristics that are common to other cities in crisis, including: an ineffective educational system; dilapidated neighborhoods; high incidence of drugs and alcohol abuse; lack of local industries, businesses and jobs; high incidence of crime and violence; lack of adequate health & human services; inadequate government services and processes; and a history of corruption and abuse by political officials.

In the midst of this level of desolation, there are also positive signs of civic engagement on the part of residents and community leaders. Universities and hospitals have also taken an active role in contributing to the revitalization of the city. As a result of these efforts, millions of dollars from state and federal sources have been raised to improve the

¹ CQ Press (formerly Morgan Quitno) ranks the "most dangerous" cities annually.

quality of life for Camden residents. LEAP Academy is an important element in Camden's improvement efforts. Anchoring Camden's Educational Corridor, LEAP Academy is located in walking distance from Rowan University, Camden County College and Rutgers University.

It is important to include in this discussion the inadequacies in funding of charter schools as part of the economic challenges we face. By design in New Jersey, charter schools do not receive facilities and only a portion of what the local district receives on per pupil basis. This funding scenario has resulted in a growing disparity between what charter school students receive and the aid that is available for other public school students. Addressing the funding disparity in an equitable and fair way is critical to the long-term sustainability of charter schools.

MAJOR INITIATIVES/ACCOMPLISHMENTS: The Board of Trustees continued to be engaged in macro-level issues with a focus on accountability, academic improvement, efficiency and resource development. The overall work of the Board and its Standing Committees concentrated on ensuring that classroom instructional practices and related learning experiences are of high quality to ensure that the students receive a rigorous college preparatory academic program; that the fiscal and operational aspects of the school are streamlined and strengthened through sound internal procedures; and that resources (facilities, people, materials, time, and funding) support the mission and programs of the school.

Major accomplishments for 2011-2012 include: (a) completing construction of new LEAP STEM Building to house high school and elementary programs; (b) sustaining 100% high school graduation and college placement rate; (c) improvement of test scores at the high school and elementary grades; (d) strengthening public information and marketing efforts by increasing utilization of website and social media and promoting positive stories with the media; (e) cultivating and sustaining strong relationship between parents, students and staff; (f) improving accountability for teachers and strengthening the pay for performance program; (g) strengthening Infant to 16 educational pipeline; (h) accepting real estate donation of parcel adjacent to Lower School building; and receiving an unqualified financial audit.

The following issues are at the forefront of Board discussions for next year: (1) Improve leadership capacity and infrastructure for growth and stability; (2) Continue to improve students' growth and academic performance through strengthening of curriculum, academic programs and professional development; (3) Improve procedures for administrative and fiscal accountability and efficiency; (4) Grow the STEM Program from 4th to 8th grade and continue planning for the Cramer Hill Environmental School Campus; and (5) Engage in long-term development, fiscal and facilities planning to sustain growth.

INTERNAL ACCOUNTING CONTROLS: The managerial staff of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (G.A.A.P.). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to a periodic evaluation by the School's management.

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

BUDGETARY CONTROLS: In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as a reappropriation of fund

balances in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2012.

ACCOUNTING SYSTEMS AND REPORTS: The School's accounting records reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (G.A.S.B.). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management.

DEBT ADMINISTRATION: The Charter School's outstanding debt at the close of the fiscal year was \$18,966,586.19. This debt is for bonds issued for the construction of a high school, the mortgage on the lower school facility, a capital lease for a school bus and loans payable for the construction of the S.T.E.M. building.

CASH MANAGEMENT: The investment policy of the School is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 1. 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 for 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.

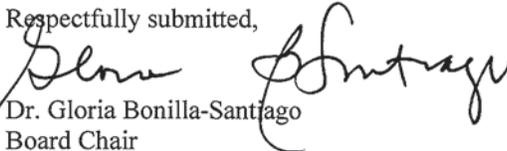
The School utilizes TD Bank as its main depository for school funds. The Business Administrator utilizes the investment vehicles available through TD Bank. This program meets the G.U.D.P.A. requirements. Most of the school's funds are invested in short-term Certificates of Deposit allowing the school to maximize interest and yet maintain the liquidity needed to meet its obligations.

RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability and comprehensive collision, hazard and theft insurance on property and contents and fidelity bonds.

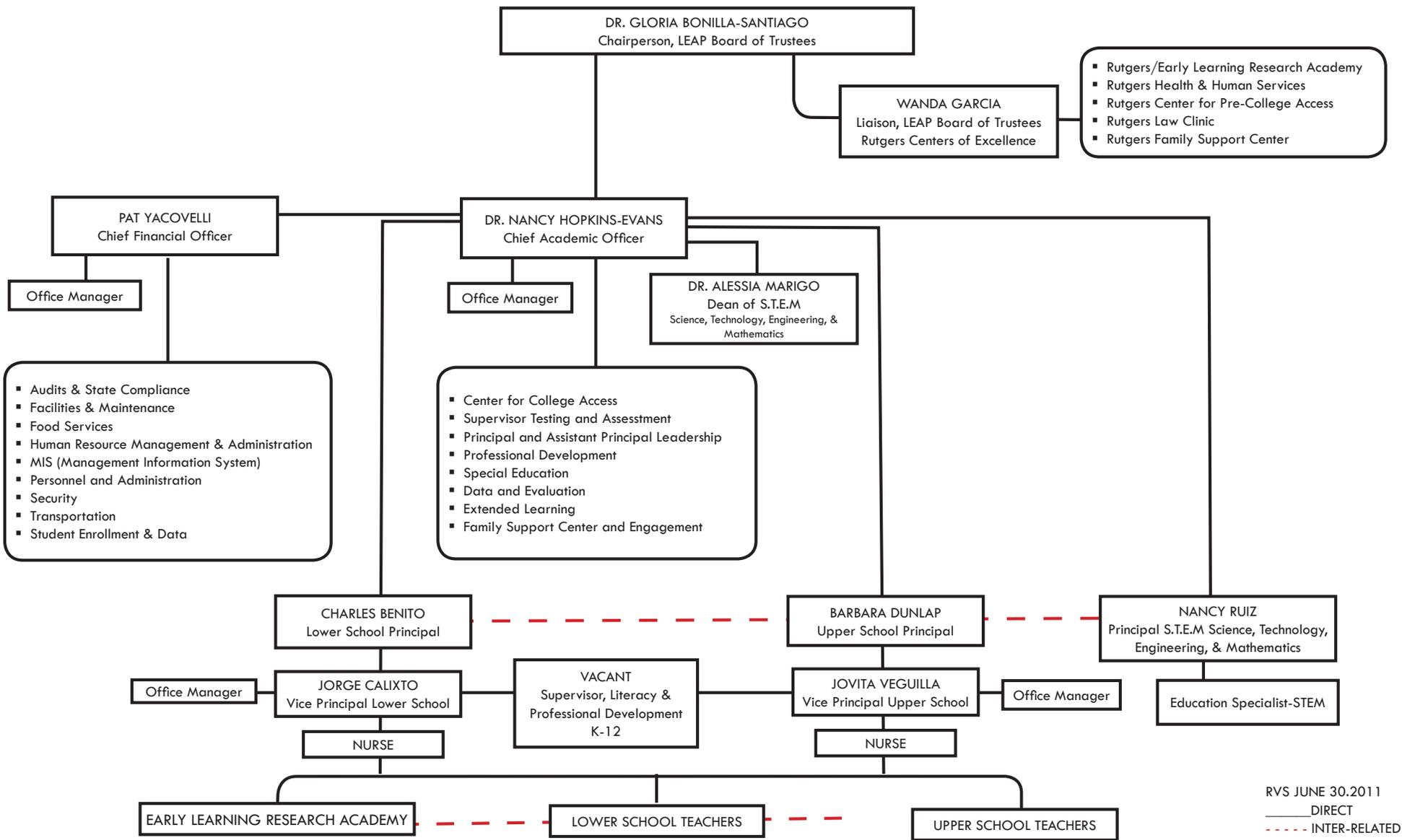
OTHER INFORMATION: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of the report. The auditor's reports related specifically to the single audit are included in the single audit section of the report.

ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the LEAP Academy Board of Trustees for its concern in providing fiscal accountability to all stakeholders in the school community, as well as the sending districts and the Commissioner of Education and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff, school administrative team members, and the Finance Committee of the Board of Trustees.

Respectfully submitted,



Dr. Gloria Bonilla-Santiago
Board Chair



**LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
CAMDEN, NEW JERSEY
ROSTER OF OFFICIALS
June 30, 2012**

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Dr. Krishna Thiagarajan
Dr. Dyanne Westerberg
Dr. Raymond Yannuzzi

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Danielle N. Askew-Lopez
Marlene Gonzalez
Hector Nieves
Brenda Ortiz

Staff:

Dr. Nancy Hopkins-Evans	Chief Academic Officer
Pasquale "Pat" Yacovelli	Chief Financial Officer
Wanda Garcia	Board Liaison

**LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
CAMDEN, NEW JERSEY**

Consultants And Advisors

Audit Firm

Bowman & Company LLP
601 White Horse Pike
Voorhees, NJ 08043-2493

Attorneys

Genova, Burns & Giantomasi
494 Broad Street
Newark, NJ 07102

Official Depositories

TD Bank
1701 Route 70 East
Cherry Hill, NJ 08034

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Members of the Board of Trustees
LEAP Academy University Charter School, Inc.
County of Camden
Camden, New Jersey 08102

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 LEAP Academy University Charter School, Inc., in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LEAP Academy University Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 previously 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 LEAP Academy University Charter School in the County of Camden, State of New Jersey, 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 December 4, 2012 on our consideration of the LEAP Academy University Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

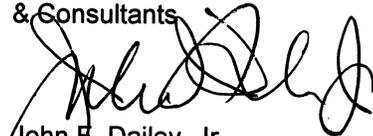
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LEAP Academy University Charter School's financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, 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 combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LEAP Academy University Charter School's basic financial statements. The introductory section and statistical section listed in the table of contents are presented for the purposes of additional analysis and are 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.

Respectfully submitted,



BOWMAN & COMPANY LLP
 Certified Public Accountants
 & Consultants



John F. Dailey, Jr.
 Certified Public Accountant
 Public School Accountant No. CS 00140

Voorhees, New Jersey
 December 4, 2012

**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 Members of the Board of Trustees
LEAP Academy University Charter School, Inc.
County of Camden
Camden, New Jersey 08102

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 LEAP Academy University Charter School, Inc., in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance to be a material weakness as finding no.: 2012-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LEAP Academy University Charter School, Inc.'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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey and which are described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no.: 2012-01.

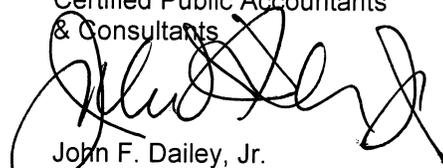
The LEAP Academy University Charter School, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Charter School's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



BOWMAN & COMPANY LLP
 Certified Public Accountants
 & Consultants



John F. Dailey, Jr.

Certified Public Accountant

Public School Accountant No. CS 00140

Voorhees, New Jersey
 December 4, 2012

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012
Unaudited**

The LEAP Academy University Charter School's (the "Charter School") Management Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2012 is designed to provide an overview of the Charter School's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The focus of the MD&A is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the Charter School's Financial Statements.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2012 include the following:

- In total, net assets decreased by \$270,227.93 which represents a 3.85% decrease from 2011. This resulted from a deficit in food service operations.
- General revenues accounted for \$12,799,468.28 in revenue or 87.4% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,844,134.51 or 12.6% of total revenues of \$14,643,602.79.
- Total assets for Governmental Activities and Business-Type Activities decreased by \$417,051.94, representing a loss in food service operations and increased expenses from the construction of the new STEM building. Cash and cash equivalents including restricted cash and cash equivalents decreased by \$1,009,559.48. Finally, receivables decreased by \$470,431.68 mostly due to federal grants which are reimbursement type grants.
- The Charter School had \$14,708,691.60 in expenses; only \$1,844,134.51 of these expenses was offset by program specific charges for services, grants or contributions. General revenues primarily equalization aid state and local share of \$11,167,658.00 and unrestricted state aid of \$1,342,774.28 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,692,884.82 in revenues, \$12,926,407.81 in expenditures and (\$680,791.02) other financing sources. The General Fund Balance decreased by \$914,314.01 since June 30, 2011. The General Fund Balance, as of June 30, 2012, consists of a few components, namely \$459,863.93 in Committed for Other Purposes, \$45,367.09 Assigned for Other Purposes, \$610,093.26 Reserved for Debt Service, and \$148,306.66 in Unassigned Fund Balance. There is no fund balance in the special revenue fund. The capital projects fund had a June 30, 2012 ending fund balance of \$6,357,700.74. For Proprietary Funds, the Food Service Enterprise Fund had revenues of \$675,952.60 consisting of operating revenues, non-operating revenues and a board contribution. The expenditures were \$1,027,915.73. The Enterprise Fund has a balance in Net Assets of \$(272,241.66) which resulted in revenues exceeding expenditures for the 2011-12 fiscal year.

Overview of Financial Highlights

The financial section of the annual report consists of four parts:

1. Independent Auditor's Report
2. Required Supplementary Information, including the MD&A (this section)
3. Basic Financial Statements (Statement of Net Assets and the Statement of Activities)
4. Supplementary Information

The district-wide financial statements are designed to be corporate-like in that all government and business-type activities are consolidated into columns, which add to a total for the Charter School. The focus of the Statement of Net Assets is designed to be similar to a bottom line for the Charter School and its government and business type activities. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations.

The statement of activities is focused on both the gross and net costs of various activities (including governmental and business-type), which are provided by the Charter School's general and other revenues. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business type activities.

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012
Unaudited**

Overview of Financial Highlights (Cont'd)

The basic financial statements include two kinds of statements that present different views for the Charter School. The first two statements are district-wide financial statements that provide both long-term and short-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's operations in more detail than the district-wide statements.

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

Proprietary fund statements offer short-term and long-term financial information about those types of activities that operate like a business.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The statements are followed by required supplementary information that further explains and supports the information in the financial statements including; budget schedules, reconciliations and individual fund statements.

Reporting the Charter School's Most Significant Funds

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities include all assets and liabilities of the Charter School using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes in to account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and Statement of Activities, the Charter School reports governmental and business-type activities. Governmental activities are the activities where most of the Charter School's programs and services are reported including, but not limited to, Instruction, Administration and Support Services.

Fund Financial Statements

The Fund financial reports provide detailed information about the Charter School's major funds. The Charter School uses several funds to account for a variety of financial transactions. However, these fund financial statements focus on the Charter School's most significant funds. The Charter School's major governmental funds are the General Fund, the Special Revenue Fund, and the Capital Projects Fund.

Government Funds

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

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012
Unaudited (Cont'd)**

The Charter School as a Whole

The statement of Net Assets provides the perspective of the Charter School as a whole. In total, assets of governmental activities decreased \$65,088.81. Capital assets net of accumulated depreciation increased by \$4,140,989.17 primarily due to construction in progress. Accumulated depreciation, as of June 30, 2012, was \$7,137,009.58. Cash and cash equivalents decreased by \$1,009,559.48. This resulted from increased expenses relating to the STEM building and financing costs from the new loans for the STEM building. Finally, receivables decreased by \$470,431.68 mostly due to federal grants which are reimbursement type grants.

There was a decrease of \$351,963.13 in the assets of the business-type activities. This resulted from the ability not to participate in the Fresh Fruits and Vegetables Program or the After School Snack Program. Also, the increased expenses related to increased enrollment due to the STEM program.

Below is a table summary of the Charter School's net assets for 2012.

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 8,176,349.58	\$ 2,765,006.54	\$ 130,567.98	\$ 272,997.13	\$ 8,306,917.56	\$ 3,038,003.67
Capital Assets	<u>18,382,402.68</u>	<u>14,241,413.51</u>	<u>71,483.00</u>	<u>87,857.62</u>	<u>18,453,885.68</u>	<u>14,329,271.13</u>
Total Assets	<u>26,558,752.26</u>	<u>17,006,420.05</u>	<u>202,050.98</u>	<u>360,854.75</u>	<u>26,760,803.24</u>	<u>17,367,274.80</u>
Long-term Liabilities	18,443,385.39	8,974,224.46			18,443,385.39	8,974,224.46
Other Liabilities	<u>1,098,036.31</u>	<u>1,104,736.38</u>	<u>474,292.64</u>	<u>272,997.13</u>	<u>1,572,328.95</u>	<u>\$1,377,733.51</u>
Total Liabilities	<u>19,541,421.70</u>	<u>10,078,960.84</u>	<u>474,292.64</u>	<u>272,997.13</u>	<u>20,015,714.34</u>	<u>10,351,957.97</u>
Net Assets						
Invested in capital assets, net of related	(512,995.84)	4,847,133.82	71,483.00	87,857.62	(441,512.84)	4,934,991.44
Restricted	6,955,011.41	370,916.10			6,955,011.41	370,916.10
Unrestricted	<u>575,314.99</u>	<u>1,709,406.29</u>	<u>(343,724.66)</u>	<u></u>	<u>231,590.33</u>	<u>1,709,406.29</u>
Total Net Assets	<u>\$ 7,017,330.56</u>	<u>\$ 6,927,459.21</u>	<u>\$ (272,241.66)</u>	<u>\$ 87,857.62</u>	<u>\$ 6,745,088.90</u>	<u>\$ 7,015,316.83</u>

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012
Unaudited (Cont'd)**

The Charter School as a Whole (Cont'd)

Table 2 shows the changes in net assets for fiscal year ended June 30, 2012.

**Change in Net Assets
Governmental and Business-Type Activities
For the Fiscal Years Ended June 30, 2012 and 2011**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services			\$ 189,619.42	\$ 77,400.96	\$ 189,619.42	\$ 77,400.96
Operating Grants and Contributions	\$ 1,844,134.51	\$ 1,225,257.26	486,275.38	518,191.92	2,330,409.89	1,743,449.18
General revenues:						
Equalization Aid/Local Levy						
State and Local Share	11,167,658.00	10,770,723.00			11,167,658.00	10,770,723.00
Federal and State Aid not Restricted	1,342,774.28	979,962.66			1,342,774.28	979,962.66
Unrestricted Investment Earnings	56,369.54	3,610.87	57.80	193.11	56,427.34	3,803.98
Miscellaneous Income	232,666.46	173,212.44			232,666.46	173,212.44
Transfers		(41,997.91)		41,997.91		
Total revenues	<u>\$ 14,643,602.79</u>	<u>\$ 13,110,768.32</u>	<u>\$ 675,952.60</u>	<u>\$ 637,783.90</u>	<u>\$ 15,319,555.39</u>	<u>\$ 13,748,552.22</u>
Expenses						
Instruction	\$ 6,162,700.29	\$ 5,218,477.56			\$ 6,162,700.29	\$ 5,218,477.56
Administration	3,275,635.42	2,969,821.70			3,275,635.42	2,969,821.70
Support Services:	4,478,028.68	3,652,161.40			4,478,028.68	3,652,161.40
Interest on Long Term Debt	786,648.55	406,797.79			786,648.55	406,797.79
Unallocated Amortization and Depreciation Costs	5,678.66	8,616.02			5,678.66	8,616.02
Food Services			\$ 1,027,915.73	\$ 640,235.95	1,027,915.73	640,235.95
Total Expenses	<u>\$ 14,708,691.60</u>	<u>\$ 12,255,874.47</u>	<u>\$ 1,027,915.73</u>	<u>\$ 640,235.95</u>	<u>\$ 15,736,607.33</u>	<u>\$ 12,896,110.42</u>
Net Increase/Decrease in Net Assets	\$ (65,088.81)	\$ 854,893.85	\$ (351,963.13)	\$ (2,452.05)	\$ (417,051.94)	\$ 852,441.80
Net Assets Beginning July 1	6,927,459.21	6,072,565.35	87,857.62	90,309.67	7,015,316.83	6,162,875.02
Prior Period Adjustment (Note 6)	154,960.16		(8,136.15)		146,824.01	
Net Assets -- July 1 (Restated)	7,082,419.37	6,072,565.35	79,721.47	90,309.67	7,162,140.84	6,162,875.02
End of Year Net Assets June 30	<u>\$ 7,017,330.56</u>	<u>\$ 6,927,459.21</u>	<u>\$ (272,241.66)</u>	<u>\$ 87,857.62</u>	<u>\$ 6,745,088.91</u>	<u>\$ 7,015,316.82</u>

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012
Unaudited (Cont'd)**

Governmental Activities

The local levy and federal and state aid made up 98.0% of revenues for governmental activities for the Charter School in the fiscal year ended June 30, 2012.

Instructional expense comprises \$6,162,700.29 of Charter School's governmental expenses. Administration Expenses are \$3,275,635.42 and support service expenses make up \$4,478,028.68 of the governmental expenses.

The Statement of Activities shows the cost of the governmental activities' program services and the changes for services and grants offsetting those services. Table A-3 below shows the total cost of services and the net cost of services for the fiscal year ended June 30, 2012. The table shows the cost of these services supported by general revenues.

**Table A-3
LEAP Academy University Charter School, Inc.
Net Cost of Governmental Activities**

Governmental Activities:	Source	<u>2012</u>		<u>2011</u>	
		Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	A-2	\$ 6,162,700.29	\$ 5,313,758.92	\$ 5,218,477.56	\$ 4,651,683.25
Adminstration	A-2	3,275,635.42	3,275,635.42	2,969,821.70	2,969,821.70
Support Services	A-2	4,478,028.68	3,482,835.54	3,652,161.40	2,993,698.45
Interest on Long Term Debt	A-2	786,648.55	786,648.55	406,797.79	406,797.79
Unallocated Amortization and Depreciation Costs	A-2	5,678.66	5,678.66	8,616.02	8,616.02
Total Governmental Activities		\$ 14,708,691.60	\$ 12,864,557.09	\$ 12,255,874.47	\$ 11,030,617.21

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Administrative expenses include expenses associated with establishing and administering policy for the Charter School.

Support Services are expenditures for the maintenance of the plant.

Interest on long-term debt includes actual interest disbursed during the fiscal year as well as the accrual of interest expense at fiscal year end.

Unallocated amortization and depreciation is used to report the depreciation expense on capital assets with usage that cannot be specifically identified to one particular function and also includes the amortization of bond issuance costs.

The dependence upon the revenues received from sending districts and federal and state aid is apparent. The revenues from sending districts and federal and state governments are the primary financial support for the LEAP Academy University Charter School, Inc.

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012
Unaudited (Cont'd)**

Governmental Activities (Cont'd)

The Charter School's Funds

The School Charter School's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$14,537,019.33, expenditures of \$19,321,980.66, and net other financing sources of \$10,228,348.06. The fund balance in the General Fund was \$1,263,630.94, a net decrease of \$914,314.01. There was no fund balance in the Special Revenue Fund. There was a fund balance of \$6,357,700.74 in the Capital Projects Fund. The net assets of the Enterprise Fund were \$(272,241.66), a net decrease of \$351,963.13.

General Funds Budgetary Highlights

The Charter School's budget is prepared in accordance with New Jersey Law. The most significant budgeted fund is the General Fund. During the course of the 2012 fiscal year, the Charter School modified its General Fund budget to accommodate revised revenue calculations provided from the State of New Jersey. Revenue calculations are based on enrollment counts performed during the year and are dependent on the sending district the student's residency is reported in.

For the General Fund, the final budget basis revenue was \$12,108,425.00 which was the same as the original budget basis revenue estimate.

During the fiscal year ended June 30, 2012, the Charter School anticipated General Fund Revenue from the following sources:

Source	<u>Final Budget</u>
Equalization Aid/Local Levy:	
State Share	\$ 11,488,407.00
Categorical Aid:	
Special Education Aid	192,285.00
Security Aid	307,733.00
Revenue from Other Sources	<u>120,000.00</u>
	<u>\$ 12,108,425.00</u>

Overall the general fund expenditures for the year were over budget by \$171,393.84 as a result of normal operations and increases to general fund appropriations for capital expenditures along with T.P.A.F. Pension benefit payments.

Enterprise Fund

The Charter School's food service operations are provided by a managing agent. During the year changes were made in the nutrition program that added costs to the food service program. These costs were over and above the standard reimbursement rates allowable under the federal government's Child Nutrition Program. In the Enterprise Fund revenues exceeded expenditures for the fiscal year ended June 30, 2012.

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012
Unaudited (Cont'd)**

Capital Assets

At the end of fiscal year 2012, the Charter School had \$18,382,402.68 net of accumulated depreciation invested in land, land improvements, buildings and improvements, equipment and vehicles for the Governmental Activities. The investment in capital assets net of accumulated depreciation for the Business-Type Activities was \$71,483.00.

**Table A-4
Capital Assets (Net of Accumulated Depreciation)
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u> (Restated Note 6)	<u>2012</u>	<u>2011</u> (Restated Note 6)	<u>2012</u>	<u>2011</u> (Restated Note 6)
Land	\$ 47,000.00	\$ 47,000.00			\$ 47,000.00	\$ 47,000.00
Construction in Progress	6,142,299.26	1,590,880.92			6,142,299.26	1,590,880.92
Buildings & Bldg Improvements	17,953,000.00	17,953,000.00			17,953,000.00	17,953,000.00
Equipment	1,185,998.00	1,185,998.00	\$ 151,616.00	\$ 151,616.00	1,337,614.00	1,337,614.00
Vehicles	191,115.00	191,115.00			191,115.00	191,115.00
Total Capital Assets	<u>25,519,412.26</u>	<u>20,967,993.92</u>	<u>151,616.00</u>	<u>151,616.00</u>	<u>25,671,028.26</u>	<u>21,119,609.92</u>
Less: Accumulated Depreciation	<u>(7,137,009.58)</u>	<u>(6,571,620.25)</u>	<u>(80,133.00)</u>	<u>(71,894.53)</u>	<u>(7,217,142.58)</u>	<u>(6,643,514.78)</u>
Net Capital Assets	<u>\$ 18,382,402.68</u>	<u>\$ 14,396,373.67</u>	<u>\$ 71,483.00</u>	<u>\$ 79,721.47</u>	<u>\$ 18,453,885.68</u>	<u>\$ 14,476,095.14</u>

Debt Administration

The Charter School's outstanding debt at the close of the fiscal year was \$18,966,586.19. This debt is for bonds issued for the construction of a high school, the mortgage on the lower school facility and a capital lease for a school bus.

Economic Factors and Next Year's Budgets and Rates

The Charter School maintained its budget through the revenue received from sending districts for their equalization aid/local levy state and local share categorical aid specific for their students and from federal aid and miscellaneous revenue sources. Approximately 76.3% of total revenue is from the local and state levy, 9.2% is from categorical and other state aid, 12.6% is from federal grants.

Contacting the School District's Financial Management

This financial report is designed to provide our parents, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have any questions about this report or need additional information, contact the School Business Administrator, at LEAP Academy University Charter School, 549 Cooper St. Camden, New Jersey 08102.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 131,191.42	\$ 11,457.39	\$ 142,648.81
Receivables	511,735.49	100,916.74	612,652.23
Interfund Receivables	389,826.97	13,322.00	403,148.97
Deferred Assets:			
Bond Issuance Costs	91,804.97		91,804.97
Restricted Assets:			
Restricted Cash and Cash Equivalents	6,441,792.64		6,441,792.64
Deposits Held by Trustee for Debt Service	390,916.98		390,916.98
Deposits Held by Trustee for Sinking Fund	219,081.11		219,081.11
Inventories		4,871.85	4,871.85
Capital Assets, net	<u>18,382,402.68</u>	<u>71,483.00</u>	<u>18,453,885.68</u>
Total Assets	<u>26,558,752.26</u>	<u>202,050.98</u>	<u>26,760,803.24</u>
LIABILITIES:			
Accounts Payable	131,081.67	107,741.78	238,823.45
Interfunds Payable	13,322.00	366,550.86	379,872.86
Deferred Revenue	318,809.26		318,809.26
Accrued Interest Payable	111,622.58		111,622.58
Noncurrent Liabilities:			
Due within One Year	523,200.80		523,200.80
Due beyond One Year	<u>18,443,385.39</u>		<u>18,443,385.39</u>
Total Liabilities	<u>19,541,421.70</u>	<u>474,292.64</u>	<u>20,015,714.34</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt (Deficit)	(512,995.84)	71,483.00	(441,512.84)
Restricted for:			
Debt Service	597,310.67		597,310.67
Capital Projects	6,357,700.74		6,357,700.74
Unrestricted (Deficit)	<u>575,314.99</u>	<u>(343,724.66)</u>	<u>231,590.33</u>
Total Net Assets (Deficit)	<u>\$ 7,017,330.56</u>	<u>\$ (272,241.66)</u>	<u>\$ 6,745,088.90</u>

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 6,162,700.29		\$ 848,941.37		\$ (5,313,758.92)		\$ (5,313,758.92)
Administration	3,275,635.42				(3,275,635.42)		(3,275,635.42)
Support Services	4,478,028.68		995,193.14		(3,482,835.54)		(3,482,835.54)
Interest on Long-Term Debt	786,648.55				(786,648.55)		(786,648.55)
Unallocated Amortization and Depreciation	5,678.66				(5,678.66)		(5,678.66)
Total Governmental Activities	14,708,691.60	-	1,844,134.51	-	(12,864,557.09)	-	(12,864,557.09)
Business-Type Activities:							
Food Service	1,027,915.73	\$ 189,619.42	486,275.38			\$ (352,020.93)	(352,020.93)
Total Business-Type Activities	1,027,915.73	189,619.42	486,275.38	-	-	(352,020.93)	(352,020.93)
Total Primary Government	\$ 15,736,607.33	\$ 189,619.42	\$ 2,330,409.89	-	(12,864,557.09)	(352,020.93)	(13,216,578.02)
General Revenues:							
Equalization Aid - Local and State Share					11,167,658.00		11,167,658.00
Categorical Aid and Other State Aid - Not Restricted					1,342,774.28		1,342,774.28
Investment Earnings					56,369.54		56,369.54
Miscellaneous Income					232,666.46	57.80	232,724.26
Transfers					-		-
Total General Revenues and Transfers					12,799,468.28	57.80	12,799,526.08
Change in Net Assets					(65,088.81)	(351,963.13)	(417,051.94)
Net Assets -- July 1					6,927,459.21	87,857.62	7,015,316.83
Prior Period Adjustment (Note 6)					154,960.16	(8,136.15)	146,824.01
Net Assets -- July 1 (Restated)					7,082,419.37	79,721.47	7,162,140.84
Net Assets -- June 30					\$ 7,017,330.56	\$ (272,241.66)	\$ 6,745,088.90

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

FUND FINANCIAL STATEMENTS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Balance Sheet
 Governmental Funds
 June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash and Cash Equivalents	\$ 131,191.42		\$ 6,441,792.64			\$ 6,572,984.06
Deposits Held for Debt Service	390,916.98					390,916.98
Deposits Held for Sinking Fund	219,081.11					219,081.11
Receivables	46,602.54					46,602.54
Due from Other Funds:						
General Fund		\$ 853.97				853.97
Fiduciary Fund	23,276.11					23,276.11
Food Service Enterprise Fund	366,550.86					366,550.86
Capital Project Fund	84,091.90					84,091.90
Intergovernmental Accounts Receivable:						
Local	102,244.15					102,244.15
Federal		346,783.02				346,783.02
State	16,105.78					16,105.78
Total Assets	<u>\$ 1,380,060.85</u>	<u>\$ 347,636.99</u>	<u>\$ 6,441,792.64</u>	<u>-</u>	<u>-</u>	<u>\$ 8,169,490.48</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 115,575.94	\$ 15,505.73				\$ 131,081.67
Payable to Other Funds:						
General Fund			\$ 84,091.90			84,091.90
Fiduciary Fund		13,322.00				13,322.00
Special Revenue Fund	853.97					853.97
Deferred Revenue		318,809.26				318,809.26
Total Liabilities	<u>116,429.91</u>	<u>347,636.99</u>	<u>84,091.90</u>	<u>-</u>	<u>-</u>	<u>548,158.80</u>

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Balance Sheet
 Governmental Funds
 June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Restricted:						
Debt Service Reserve	\$ 390,916.98					\$ 390,916.98
Capital Projects			\$ 6,357,700.74			6,357,700.74
Sinking Fund Reserve	219,176.28					219,176.28
Committed:						
Other Purposes	459,863.93					459,863.93
Assigned:						
Other Purposes	45,367.09					45,367.09
Unassigned:						
General Fund	148,306.66					148,306.66
Total Fund Balances	<u>1,263,630.94</u>	<u>-</u>	<u>6,357,700.74</u>	<u>-</u>	<u>-</u>	<u>7,621,331.68</u>
Total Liabilities and Fund Balances	<u>\$ 1,380,060.85</u>	<u>\$ 347,636.99</u>	<u>\$ 6,441,792.64</u>	<u>-</u>	<u>-</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,519,412.26, and the accumulated depreciation is \$7,137,009.58.

18,382,402.68

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

91,804.97

Accrued interest payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.

(111,622.58)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(18,966,586.19)

Net assets of governmental activities

\$ 7,017,330.56

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Equalization Aid -Local and State Share	\$ 11,167,658.00					\$ 11,167,658.00
Categorical Aid	695,724.00					695,724.00
Revenue from Other Sources	182,452.54					182,452.54
State Sources	647,050.28					647,050.28
Federal Sources		\$ 1,844,134.51				1,844,134.51
Total Revenues	12,692,884.82	1,844,134.51	-	-	-	14,537,019.33
EXPENDITURES:						
Instruction	4,855,862.25	848,941.37				5,704,803.62
Administration	4,110,918.29					4,110,918.29
Support Services	3,446,361.35	995,193.14				4,441,554.49
Capital Outlay	513,265.92		\$ 4,551,438.34			5,064,704.26
Total Expenditures	12,926,407.81	1,844,134.51	4,551,438.34	-		19,321,980.66
Excess (Deficiency) of Revenues over Expenditures	(233,522.99)	-	(4,551,438.34)	-	-	(4,784,961.33)
OTHER FINANCING SOURCES (USES):						
Transfer to Capital Projects -- Capital Reserve	(909,139.08)		909,139.08			
Loan Proceeds			10,000,000.00			10,000,000.00
Deposits Held for Sinking Fund:						
Transfer from Capital Projects Fund	97,411.68					97,411.68
Sinking Fund Deposits	121,764.60					121,764.60
Interest on Sinking Fund Deposits	89.83					89.83
Payment of Account Fees	(185.00)					(185.00)
Deposits Held for Debt Service:						
Interest Earn on Deposit Held for Debt Service	29.70					29.70
Bond Principal Deposited	279,237.25					279,237.25
Interest on Bonds Deposited	316,570.00					316,570.00
Payment of Interest on Bonds by Trustee	(316,570.00)					(316,570.00)
Payment of Bond Principal by Trustee	(270,000.00)					(270,000.00)
Total Other Financing Sources and Uses	(680,791.02)	-	10,909,139.08	-	-	10,228,348.06
Net Change in Fund Balances	(914,314.01)		6,357,700.74			5,443,386.73
Fund Balance -- July 1	2,177,944.95	-	-	-	-	2,177,944.95
Fund Balance -- June 30	\$ 1,263,630.94	-	\$ 6,357,700.74	-	-	\$ 7,621,331.68

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2012

Total Net Change in Fund Balances - Governmental Funds		\$ 5,443,386.73
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>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.</p>		
Depreciation Expense		\$ (565,389.33)
Capital Outlays (B-2)	\$ 5,064,704.26	
Less: Capital Outlay expensed in accordance with Charter School Policy	(14,404.75)	
Less : Principal on Mortgage, Bonds and Leases (Included on B-2)	<u>(498,881.17)</u>	
		<u>4,551,418.34</u>
		3,986,029.01
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
		498,881.17
<p>Payment to the Trustee to accumulated fund for a future debt payment is an expenditure in the governmental funds, but the payemnts create an asset in the governmental activities is not reported in the statement of activities. The subsequent activity of the trustee reduces the assets. The net effect is an decrease in the reconciliation</p>		
		(121,764.60)
<p>Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.</p>		
		(5,678.66)
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a increase in the reconciliation. (+)</p>		
		126,419.27
<p>Loan Proceeds</p>		
		(10,000,000.00)
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-);when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
		<u>7,638.27</u>
Change in Net Assets of Governmental Activities		<u>\$ (65,088.81)</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities - Enterprise Fund Food Service
ASSETS:	
Current Assets:	
Cash	\$ 11,457.39
Accounts Receivable:	
State	1,599.71
Federal	99,317.03
Interfund Receivable -- Special Revenue Fund	13,322.00
Inventories	4,871.85
Total Current Assets	130,567.98
Noncurrent Assets:	
Furniture, Machinery and Equipment	151,616.00
Less Accumulated Depreciation	(80,133.00)
Total Noncurrent Assets	71,483.00
Total Assets	202,050.98
LIABILITIES :	
Current Liabilities:	
Accounts Payable	107,741.78
Due to General Fund	366,550.86
Total Current Liabilities	474,292.64
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	71,483.00
Unrestricted	(343,724.66)
Total Net Assets (Deficit)	\$ (272,241.66)

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities <u>Enterprise Fund</u> Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 39,108.48
Daily Sales - Non-Reimbursable Programs	<u>150,510.94</u>
Total Operating Revenues	<u>189,619.42</u>
OPERATING EXPENSES:	
Salaries	279,963.84
Employee Benefits	165,884.76
Other Purchased Services	59,253.53
General Supplies	51,500.04
Depreciation	8,238.47
Cost of Sales	<u>463,075.09</u>
Total Operating Expenses	<u>1,027,915.73</u>
Operating Income (Loss)	<u>(838,296.31)</u>
NONOPERATING REVENUES (EXPENSES):	
State Sources:	
State School Lunch Program	7,694.20
Federal Sources:	
National School Lunch Program	363,607.50
National School Breakfast Program	109,414.23
Food Distribution Program	5,559.45
Interest and Investment Revenue	<u>57.80</u>
Total Nonoperating Revenues (Expenses)	<u>486,333.18</u>
Change in Net Assets	<u>(351,963.13)</u>
Net Assets -- July 1	87,857.62
Prior Period Adjustment (Note 5)	<u>(8,136.15)</u>
Net Assets -- July 1 (Restated)	<u>79,721.47</u>
Net Assets -- June 30	<u><u>\$ (272,241.66)</u></u>

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Fund
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 189,619.42
Payments to Employees	(279,963.84)
Payments for Employee Benefits	(165,884.76)
Payments to Suppliers	(618,709.08)
Net Cash Provided by (used for) Operating Activities	(874,938.26)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State Sources	7,595.18
Federal Sources	472,451.36
Operating Subsidies and Transfers to other Funds	255,947.74
Net Cash Provided by (used for) Non-Capital Financing Activities	735,994.28
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	57.80
Net Cash Provided by (used for) Investing Activities	57.80
Net Increase (Decrease) in Cash and Cash Equivalents	(138,886.18)
Balance -- July 1	150,343.57
Balance -- June 30	\$ 11,457.39
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (838,296.31)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	8,238.47
(Increase) Decrease in Inventories	4,212.36
Increase (Decrease) in Accounts Payable	(49,092.78)
Total Adjustments	(36,641.95)
Net Cash Provided by (used for) Operating Activities	\$ (874,938.26)

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Trust Funds</u>		<u>Agency Funds</u>	
	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Student Activity</u>	<u>Payroll</u>
ASSETS:				
Cash and Cash Equivalents		\$ 2,487.44	\$ 21,671.15	\$ 24,759.31
Intrafund Accounts Receivable:				
Due from Payroll Agency Fund	\$ 5,004.56			
Total Assets	<u>\$ 5,004.56</u>	<u>\$ 2,487.44</u>	<u>\$ 21,671.15</u>	<u>\$ 24,759.31</u>
LIABILITIES:				
Payroll Deductions and Withholdings				\$ 1,483.20
Intrafund Accounts Payable:				
Due Unemployment Trust Fund				5,004.56
Interfund Accounts Payable:				
Due General Fund	\$ 5,004.56			18,271.55
Due Payroll Fund				
Payable to Student Groups			\$ 16,592.61	
Payable to Parent Unit			5,078.54	
Total Liabilities	<u>5,004.56</u>	<u>-</u>	<u>\$ 21,671.15</u>	<u>\$ 24,759.31</u>
NET ASSETS:				
Held in Trust for Unemployment Claims and Other Purposes	<u>-</u>			
Held in Trust for Alternative Route Program				
Held in Trust for Students				
Reserved for Scholarships		<u>\$ 2,487.44</u>		

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Alternative Route Program</u>	<u>Student College Fund Escrow</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS:			
Reimbursed -- Bank Fees	_____	\$ _____ 52.50	_____
Total Contributions	_____ -	_____ 52.50	_____ -
Investment Earnings:			
Interest	\$ _____ 3.55	_____ 10.87	\$ _____ 2.62
Net Investment Earnings	_____ 3.55	_____ 10.87	_____ 2.62
Total Additions	_____ 3.55	_____ 63.37	_____ 2.62
DEDUCTIONS:			
Bank Fees		52.50	
Program Expenditures	_____ 6,313.32	_____ 6,544.42	_____
Change in Net Assets	(6,309.77)	(6,533.55)	2.62
Net Assets -- July 1	_____ 6,309.77	_____ 6,533.55	_____ 2,484.82
Net Assets -- June 30	===== -	===== -	\$ _____ 2,487.44

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity - The LEAP Academy University Charter School, Inc. (hereafter referred to as the "Charter School") is a K-12 charter school located in the County of Camden, State of New Jersey. It was created on October 15, 1996 through the approval of its New Jersey Charter Schools Application by the State of New Jersey, Department of Education. As a charter school, the LEAP Academy University Charter School, Inc. functions independently through a Board of Trustees (the "Board"). In accordance with the bylaws of the Charter School, the Board is to consist of no less than twelve and no more than twenty five individuals. At least three trustees shall be public members representative of the corporate or philanthropic sectors and the broader elected and qualified. The Board's responsibility is to supervise and control the operations of the Charter School. The purpose of the Charter School is to educate students in grades K-12 at its three schools located in Camden, NJ. The Charter School has an approximate enrollment at June 30, 2012 of 860.

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

Component Units - GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of June 30, 2012, there are no organizations which are considered units of the Charter School.

Basis of Presentation - The financial statements of the Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Charter School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations, issued on or before November 30, 1989, to its business-type activities and enterprise funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Charter School's accounting policies are described in this note.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation (Cont'd)**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Charter School that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities and for the business-type activities of the Charter School. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. The policy of the Charter School is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental 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. Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Financial Statements (Cont'd)****Governmental Funds (Cont'd)**

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.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Since the debt service payments for the Charter School are recorded in the general fund, no debt service fund is maintained.

Permanent Fund - The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Charter School's programs, that is, for the benefit of the Charter School or its students as a whole. The Charter School does not maintain a permanent fund.

Proprietary Funds - Proprietary funds are used to account for the Charter School's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations

1. that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or
2. where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Charter School's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the Charter School.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Financial Statements (Cont'd)**

Proprietary Funds (Cont'd) - Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Pension trust funds are used to account for resources held in trust for employees and their beneficiaries based on defined benefit pension agreements, defined contribution agreements, other postemployment benefit agreements, and other employee benefit arrangements. Investment trust funds are used to report the external portion of an investment pool as defined in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. Agency funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Charter School has six fiduciary funds, an unemployment compensation trust fund, a private-purpose scholarship fund, a student college fund escrow fund, a student activity fund, an alternative route program and payroll fund.

Measurement Focus

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Charter School are included on the statement of net assets.

For the fund financial statements, all governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Charter School finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

For fund financial statements, all governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds, like the government-wide financial statements, use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and the presentation of expenses versus expenditures.

Recognition of Revenue - Revenue resulting from exchange transactions, which are defined as transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. For the governmental fund financial statements, which are prepared on the modified accrual basis, however, such revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include revenues from sending districts, grants, entitlements, and donations. Revenues from sending districts are susceptible to accrual as districts are required to remit to the Charter School the entire balance as reported to them by the New Jersey Department of Education. The Charter School records the entire amount as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The Charter School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of the restricted formula aids recorded in the special revenue fund, 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 fiscal 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.

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

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund financial statements is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets / Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to New Jersey Department of Education for review. 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. 6A:23A-16.2(f)1. Transfers of appropriations may be made by Board of Trustees resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgets / Budgetary Control (Cont'd) - Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1 and Exhibit C-2 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Charter School does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the revenue recognition policy for the one or more June state aid payments.

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. Encumbrances are a component of fund balance 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 governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

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

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

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents and Investments (Cont'd) - N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Tuition Receivable - The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the district of residence of the Charter School or are non-resident students. The Charter School recognizes an intergovernmental accounts receivable for amounts due from sending districts.

Revenues from District of Residence, Region of Residence and Non-Resident Districts - The Charter School's primary source of revenue is from the district of residence, region of residence or non-resident districts from which its students are enrolled in the Charter School. The amounts are calculated from the most recent budget data of the student's district.

Local Levy – Equalization Aid State and Local Share – The charter school's funding is pursuant to the *School Funding Reform Act of 2008*, which states the school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation.

Categorical Aid – The Charter School receives categorical aid from the district of resident and non-resident districts based on the actual students enrolled in the Charter School. The categorical aids received by the Charter School are Special Education Aid, and Security Aid.

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

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

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure / expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring costs of operations.

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. These amounts are eliminated in the government-wide financial statements, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and / or interfunds payable on the statement of net assets.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds, however, are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000.00. The Charter School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	10-20 Years	N/A
Buildings and Improvements	10-50 Years	N/A
Furniture and Equipment	5-20 Years	12 Years
Vehicles	5-10 Years	4-6 Years

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In the proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

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 balances of any borrowings 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.

It is the Charter School's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance - The Charter School reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Charter School's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's highest level of decision-making authority, which, for the Charter School, is the Board of Trustees. Such formal action consists of an affirmative vote by the Board of Trustees, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Trustees removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Trustees or by the business administrator, to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Trustees.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd) -**

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Charter School to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Charter School to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Charter School, these revenues are sales for the food service program. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Interfund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. All of the Charter School's bank balances of \$7,588,511.03 were insured and collateralized as of June 30, 2012.

Note 3: TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2012, the Charter School transferred \$909,139.08 to the capital projects fund. The transfer was made from the general fund to supplement a capital project previously approved by the Board of Trustees.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds.

Accounts receivable as of fiscal year end for the Charter School's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Funds	Total
Intergovernmental	\$ 118,349.93	\$ 346,783.02	\$ 100,916.74	\$ 566,049.69
Other	<u>46,602.54</u>	<u> </u>	<u> </u>	<u>46,602.54</u>
Total	<u>\$ 164,952.47</u>	<u>\$ 346,783.02</u>	<u>\$ 100,916.74</u>	<u>\$ 612,652.23</u>

All receivables are deemed to be collectable within one year.

Note 5: INVENTORY

Inventory in the food service fund at June 30, 2012 consisted of the following:

Food	<u>\$ 4,871.85</u>
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Note 6: CAPITAL ASSETS

During the fiscal year, the Charter School contracted with a professional appraiser to inventory and value the Charter School's capital assets. The beginning balances have been adjusted as a result of the appraisal. This adjustment has no effect on the fund balances of the Governmental Funds. The effect on Net Assets of the Governmental Activities and Business Type Activities is as follows:

Government Activities:

Net Assets July 1, 2011	\$ 6,924,459.21
Decrease in Capital Assets Net of Related Debt	<u>154,960.16</u>
Governmental Activities Net Assets, July 1, 2011	<u>\$ 7,079,419.37</u>

Business Type Activities:

Net Assets July 1, 2011	\$ 87,857.62
Decrease in Capital Assets Net of Related Debt	<u>(8,136.15)</u>
Business Type Activities Net Assets, July 1, 2011	<u>\$ 79,721.47</u>

Note 6: CAPITAL ASSETS (CONT'D)

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

	Balance July 1, 2011 (Restated)	Additions	Retirements	Balance June 30, 2012
Government Activities:				
Capital Assets that are not being Depreciated:				
Land	\$ 47,000.00			\$ 47,000.00
Construction in Progress	1,590,880.92	\$ 4,551,418.34		6,142,299.26
Total Capital Assets not being Depreciated	1,637,880.92	4,551,418.34	-	6,189,299.26
Building and Improvements	17,953,000.00			17,953,000.00
Equipment	1,185,998.00			1,185,998.00
Vehicles	191,115.00			191,115.00
Totals at Historical Cost	19,330,113.00		-	19,330,113.00
Less Accumulated Depreciation for:				
Building and Improvements	(5,712,237.00)	(448,825.00)		(6,161,062.00)
Equipment	(771,411.00)	(90,616.00)		(862,027.00)
Vehicles	(87,972.25)	(25,948.33)		(113,920.58)
Total Accumulated Depreciation	(6,571,620.25)	(565,389.33)*	-	(7,137,009.58)
Total Capital Assets being Depreciated, net of Accumulated Depreciation	12,758,492.75	(565,389.33)	-	12,193,103.42
Government Activities Capital Assets, net	<u>\$ 14,396,373.67</u>	<u>\$ 3,986,029.01</u>	<u>-</u>	<u>\$ 18,382,402.68</u>
Business-Type Activities:				
Equipment	\$ 151,616.00			\$ 151,616.00
Less Accumulated Depreciation for: Equipment	(71,894.53)	\$ (8,238.47)		(80,133.00)
Business-Type Activities Capital Assets, net	<u>\$ 79,721.47</u>	<u>\$ (8,238.47)</u>	<u>-</u>	<u>\$ 71,483.00</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 448,825.00
Administration	90,616.00
Support Services	25,948.33
Total Depreciation Expense	<u>\$ 565,389.33</u>

Note 7: LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	Principal			Principal	Due Within
	Outstanding		Reductions	Outstanding	One Year
	<u>July 1, 2011</u>	<u>Additions</u>		<u>June 30, 2012</u>	
Governmental Activities:					
General Obligation Bonds	\$ 7,310,000.00		\$ (270,000.00)	\$ 7,040,000.00	\$ 285,000.00
Mortgage Payable	2,017,554.27		(213,177.35)	1,804,376.92	221,862.54
Loans Payable		\$ 10,000,000.00		10,000,000.00	
Capital Leases Payable	66,725.42		(15,703.82)	51,021.60	16,338.26
Compensated Absences	78,825.94	71,187.67	(78,825.94)	71,187.67	
Governmental Activity					
Long-term Liabilities	<u>\$ 9,473,105.63</u>	<u>\$ 10,071,187.67</u>	<u>\$ (577,707.11)</u>	<u>\$ 18,966,586.19</u>	<u>\$ 523,200.80</u>

Bonds Payable - Bonds and loans are authorized in accordance with State law by the Board of Trustees of the Charter School. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Charter School are general obligation bonds.

On October 2, 2003, the Delaware River Port Authority issued Charter School Project Bonds on behalf of the Charter School in the amount of \$8,500,000.00 at interest rates varying from 4.00% to 4.75% for the construction of a high school. The issue is an obligation of the Charter School and is guaranteed by Rutgers University. The final maturity of these bonds is September 1, 2028. The bonds will be paid from general revenue.

Principal and interest due on bonds outstanding is as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30,</u>			
2013	\$ 285,000.00	\$ 305,470.00	\$ 590,470.00
2014	295,000.00	293,870.00	588,870.00
2015	310,000.00	281,770.00	591,770.00
2016	325,000.00	269,070.00	594,070.00
2017	335,000.00	255,870.00	590,870.00
2018-2022	1,925,000.00	1,053,403.75	2,978,403.75
2023-2027	2,420,000.00	568,415.00	2,988,415.00
2028-2029	1,145,000.00	54,981.25	1,199,981.25
	<u>\$ 7,040,000.00</u>	<u>\$ 3,082,850.00</u>	<u>\$ 10,122,850.00</u>

Bonds Authorized but not Issued - As of June 30, 2012, the Charter School had no authorizations to issue additional bonded debt.

Note 7: LONG-TERM OBLIGATIONS (CONT'D)

Mortgage Payable – The Charter School has a mortgage with the Delaware River Port Authority, the proceeds of which were used to purchase the elementary school building. On December 1, 2001, the date of the initial payment the amount of the mortgage payable was \$3,681,361.40. The mortgage agreement requires a monthly payment of \$24,166.62, which includes principal and interest at a rate of 4% per annum. The final payment is due on August 1, 2019.

Principal and interest due on the outstanding mortgage is as follows:

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 221,862.54	\$ 68,136.90	\$ 289,999.44
2014	230,901.53	59,097.91	289,999.44
2015	240,308.82	49,690.62	289,999.44
2016	250,099.37	39,900.07	289,999.44
2017	260,288.81	29,710.63	289,999.44
2018-2020	600,915.85	27,416.27	628,332.12
	<u>\$ 1,804,376.92</u>	<u>\$ 273,952.40</u>	<u>\$ 2,078,329.32</u>

Loans Payable – On September 27, 2011, the Charter School entered into a loan agreement with Chase NMTC TRF Charter School Investment Fund, LLC in the amount of \$10,000,000.00 to purchase and renovate a facility for the Charter School's S.T.E.M. program. The loan will be serviced by TRF NMTC Fund XV, LP c/o The Reinvestment Fund, Inc. and is made up of three loans, Loan A: \$5,472,174.00, Loan B: \$2,562,608.00 and Loan C: \$1,965,218.00 respectively. The terms of the loans require monthly interest only payments at a rate of 4.635% beginning on October 1, 2011 and continuing until September 1, 2018. On October 1, 2018, the Charter School expects to refinance the combined principal of Loan A and B for \$8,034,782.00. The amortization schedule for the refinanced loans calls for monthly payments of \$53,740.00 for principal and interest for 23 years. On October 1, 2018, the Charter School will also begin making monthly payments of \$11,665.00 for 23 years on Loan C. In addition, the Charter School must maintain a sinking fund with monthly deposits of \$24,352.92 through September 1, 2018. The balance in the sinking fund at June 30, 2012 is \$219,176.28.

Principal and interest due on the outstanding loans is as follows:

Loan A: \$5,472,174.00

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$ 257,509.01	\$ 257,509.01
2014		257,158.00	257,158.00
2015		257,158.00	257,158.00
2016		257,510.50	257,510.50
2017		257,510.50	257,510.50
2018-2019		342,760.00	342,760.00
	<u>-</u>	<u>\$ 1,629,606.01</u>	<u>\$ 1,629,606.01</u>

Note 7: LONG-TERM OBLIGATIONS (CONT'D)**Loans Payable (Cont'd)****Loan B: \$2,562,608.00**

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$ 120,591.50	\$ 120,591.50
2014		120,427.00	120,427.00
2015		120,427.00	120,427.00
2016		120,591.50	120,591.50
2017		120,591.50	120,591.50
2018-2019		160,513.50	160,513.50
	-	\$ 763,142.00	\$ 763,142.00
	-	\$ 763,142.00	\$ 763,142.00

Loan C: \$1,965,218.00

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013		\$ 92,479.50	\$ 92,479.50
2014		92,353.00	92,353.00
2015		92,353.00	92,353.00
2016		92,479.50	92,479.50
2017		92,479.50	92,479.50
2018-2022	\$ 190,191.00	446,156.50	636,347.50
2023-2027	317,874.00	382,016.00	699,890.00
2028-2032	401,842.00	298,048.00	699,890.00
2033-2037	508,156.50	191,733.50	699,890.00
2038-2042	547,154.50	59,417.50	606,572.00
	\$ 1,965,218.00	\$ 1,839,516.00	\$ 3,804,734.00
	\$ 1,965,218.00	\$ 1,839,516.00	\$ 3,804,734.00

Note 7: LONG-TERM OBLIGATIONS (CONT'D)**Loans Payable (Cont'd)****Refinance Loan A and B: \$8,034,782.00**

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 112,186.00	\$ 319,529.50	431,715.50
2020	174,269.50	470,615.50	644,885.00
2021	185,018.00	459,866.50	644,884.50
2022	196,429.50	448,455.00	644,884.50
2023	208,545.00	436,340.00	644,885.00
2024-2028	1,252,285.00	1,972,140.00	3,224,425.00
2029-2033	1,689,145.00	1,535,280.00	3,224,425.00
2034-2038	2,278,403.50	946,021.50	3,224,425.00
2039-2042	1,938,500.50	209,325.00	2,147,825.50
	<u>\$ 8,034,782.00</u>	<u>\$ 6,797,573.00</u>	<u>\$ 14,832,355.00</u>

Capital Leases Payable - The Charter School is leasing a school bus for \$82,115.00 under a capital lease. The lease is for a term of five years at an interest rate of 4.0%. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2012.

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 16,338.26	\$ 1,879.10	\$ 18,217.36
2014	16,998.32	1,219.04	18,217.36
2015	17,685.02	532.34	18,217.36
	<u>\$ 51,021.60</u>	<u>\$ 3,630.48</u>	<u>\$ 54,652.08</u>

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid.

Note 8: OPERATING LEASES

At June 30, 2012, the Charter School had operating lease agreements in effect for copy machines and mail machines. The future minimum rental payments under the operating lease agreements are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2013	\$ 31,569.00
2014	31,848.00
2015	31,848.00
2016	30,348.00
2017	16,848.00
2018	279.00
	<u>\$ 142,740.00</u>

Rental payments under operating leases for the fiscal year ending June 30, 2012 were \$38,973.80.

Note 9: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. In addition, Charter School employees can participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. As of June 30, 2012, the Charter School had no employees participating in this plan. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Charter School and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

Note 9: PENSION PLANS (CONT'D)

Public Employees' Retirement System - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase will be phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Charter School is billed annually for its normal contribution plus any accrued liability. The Charter School's contributions, equal to the required contribution for each fiscal year, were as follows:

Public Employees Retirement System

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Paid by Charter School</u>
2012	\$ 47,810.00	\$ 80,725.00	\$ 128,535.00	\$ 128,535.00
2011	56,715.00	75,501.00	132,216.00	132,216.00
2010	43,287.00	42,236.00	85,523.00	85,523.00

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. As of June 30, 2012, the Charter School had no employees enrolled in the plan.

Note 10: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a Board of Trustees 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.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2012, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$104,615.00 and \$210,303.00, respectively.

Note 12: RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributions Method". Under this plan, the Charter School is provided with an experience rate by the State of New Jersey.

Note 13: DEFERRED COMPENSATION

The Charter School offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

AXA Advisors
Lincoln

Note 14: COMPENSATED ABSENCES

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

Charter School employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. Charter School employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Charter School employees are entitled to two personal days which may be carried forward to subsequent years. Vacation days not used during the year may not be accumulated and carried forward. Benefits paid in any future year will be calculated according to formulas outlined in the Charter Schools' agreements with the various employee unions and included in the current years' budget.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, the liability for compensated absences in the governmental activities was \$78,825.94.

Note 15: INTERFUND BALANCES AND TRANSFERS

The following interfund balances were recorded on the various balance sheets as June 30, 2012:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General Fund	\$ 476,885.27	\$ 853.97
Special Revenue Fund	853.97	
Capital Projects Fund		84,091.90
Proprietary Fund		366,550.86
Fiduciary Funds	5,004.56	31,247.07
	<u>\$ 482,743.80</u>	<u>\$ 482,743.80</u>

The interfund receivable in the General Fund represents interest earned and excess transfers received in the payroll agency fund as well as the payment of obligations of the special revenue fund and food services enterprise fund. The interfund receivable in the proprietary fund represents an amount collected for a grant which was deposited into the wrong account. The interfund payable in the Fiduciary Fund represents activity in the Payroll Agency Fund and the Student Activity Fund which are due back to the general fund. All of these interfunds are expected to be liquidated within one year.

Note 16: DEFICIT NET ASSETS**Investment in Capital Assets Net of Related Debt**

The Charter School has a deficit in the Net Assets Investment in Capital Asset, Net of Related Debt in the amount of \$512,995.84 in the Governmental Activities. The Capital Project for the purchase and renovation of a school facility for the S.T.E.M. program was incomplete at June 30, 2012. As a result, the debt of \$10,000,000.00 exceeded the value recorded as construction in progress at fiscal year-end. When the project is complete, the deficit will be eliminated.

Food Service Enterprise Fund Unrestricted Net Assets

The Food Service Enterprise Fund has a deficit in unrestricted net assets of \$343,724.66 as of June 30, 2012. The Charter School anticipates that the deficit will be fully funded by its operations in fiscal year 2013.

Note 17: FUND BALANCES**RESTRICTED**

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the Charter School's fund balance are summarized as follows:

General Fund -

For Legally Restricted Appropriations – In accordance with the Charter School's debt service agreements, amounts have been legally restricted for future debt service of \$390,916.98 and \$219,176.28.

Capital Projects Fund - On September 27, 2011, the Charter School received a loan of \$10,000,000.00 approved by the Charter School's Board of Trustees. The loan proceeds were designated for the acquisition and renovation of 528-532 Cooper Street, Camden, New Jersey for a state-of-the art Science, Technology, Engineering and Mathematics (S.T.E.M.) building. As of June 30, 2012, the restricted fund balance amount was \$6,357,700.74.

COMMITTED

As stated in note 1, the committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's highest level of decision-making authority, which is the Board of Trustees. Specific commitments of the Charter School's fund balance are summarized as follows:

General Fund – During the fiscal year ended June 30, 2012, the Board of Trustees entered into various contract agreements that had not been paid in full at fiscal year-end. These amounts were encumbered to commit a portion of unassigned balance for the future payment of these contract agreements. As of June 30, 2012, \$459,863.93 has been committed for this purpose.

Note 17: FUND BALANCES (CONT'D)**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the Charter School's fund balance are summarized as follows:

General Fund -

Other Purposes - As of June 30, 2012, the Charter School had \$45,367.09 of encumbrances outstanding for purchase orders and contracts signed by the Charter School, but not completed, as of the close of the fiscal year.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Charter School's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2012, \$148,306.66 of general fund balance was unassigned.

Note 18: LITIGATION

The Charter School is a defendant in legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Charter School, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 19: SUBSEQUENT EVENTS

As of October 9, 2012, the Charter School had completed construction on their new S.T.E.M. (Science, Technology, Engineering and Mathematics) Building on 528-532 Cooper Street, Camden, New Jersey. Also, on July 26, 2012, the Charter School entered into an agreement with TD Bank, N.A. for a \$1,000,000.00 line of credit that had been paid back by October 31, 2012. The line of credit has been used to bridge the Charter School's cash flow from the ending of the previous school year and the current school year.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Levy/Equalization Aid:					
Local Share				\$ 891,985.00	\$ 891,985.00
State Share	\$ 11,488,407.00	-	\$ 11,488,407.00	10,275,673.00	(1,212,734.00)
Total - Local Levy	11,488,407.00	-	11,488,407.00	11,167,658.00	(320,749.00)
Categorical Aid:					
Special Education Aid	192,285.00		192,285.00	158,064.00	(34,221.00)
Security Aid	307,733.00		307,733.00	329,236.00	21,503.00
Non-Public Aid				208,424.00	208,424.00
Total - Categorical Aid	500,018.00	-	500,018.00	695,724.00	195,706.00
Other State Aid:					
TPAF Pension On Behalf Payments				104,615.00	104,615.00
TPAF Pension On Behalf Payments- Post Retirement Medical				210,303.00	210,303.00
TPAF Social Security Reimbursed				332,132.28	332,132.28
Total - Other State Aid	-	-	-	647,050.28	647,050.28
Revenue from Other Sources:					
Rutgers Preschool Contract	120,000.00		120,000.00	126,083.00	6,083.00
Interest and Other Revenue				56,369.54	56,369.54
Total - Revenue from Other Sources	120,000.00	-	120,000.00	182,452.54	62,452.54
Total Revenues	12,108,425.00	-	12,108,425.00	12,692,884.82	584,459.82

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 3,836,384.00	\$ (16,067.97)	\$ 3,820,316.03	\$ 3,818,678.40	\$ 1,637.63
Other Salaries for Instruction	416,219.00	165,780.28	581,999.28	581,999.28	
Purchased Professional and Technical Services	144,000.00	(84,540.60)	59,459.40	2,834.40	56,625.00
Other Purchased Services	160,000.00	(159,831.87)	168.13	38.13	130.00
General Supplies	365,000.00	(165,452.18)	199,547.82	142,101.80	57,446.02
Textbooks	170,000.00	22,839.38	192,839.38	157,245.64	35,593.74
Miscellaneous	263,360.00	(108,130.40)	155,229.60	152,964.60	2,265.00
Total Instructional Expenses	5,354,963.00	(345,403.36)	5,009,559.64	4,855,862.25	153,697.39
Administration:					
Salaries - Administration	905,176.00	101,051.77	1,006,227.77	1,006,227.77	
Salaries of Secretarial and Clerical Assistants	221,115.00	173,169.33	394,284.33	394,284.00	0.33
Total Benefits Costs	1,684,157.00	48,632.66	1,732,789.66	1,709,887.68	22,901.98
Purchased Professional and Technical Services	22,000.00	(16,451.17)	5,548.83	5,548.83	
Other Purchased Services	118,000.00	29,552.02	147,552.02	147,177.02	375.00
Communications	84,000.00	(41,742.81)	42,257.19	40,895.79	1,361.40
Office Supplies and Materials	40,582.00	1,732.15	42,314.15	41,914.09	400.06
Judgments Against Charter School	10,000.00	3,422.23	13,422.23	13,422.23	
Interest on Loans	7,000.00	(3,400.00)	3,600.00	3,600.00	
Interest on Lease Purchase Agreements	2,200.00	1,333.97	3,533.97	2,513.54	1,020.43
Interest on Mortgage	393,392.00	317,462.29	710,854.29	710,854.29	
Miscellaneous	10,000.00	24,593.05	34,593.05	34,593.05	
Total Administrative Expenses	3,497,622.00	639,355.49	4,136,977.49	4,110,918.29	26,059.20

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
Support Services:					
Salaries	\$ 439,034.00	\$ 321,186.12	\$ 760,220.12	\$ 754,394.40	\$ 5,825.72
Purchased Professional and Technical Services	266,649.00	132,554.41	399,203.41	280,388.34	118,815.07
Other Purchased Services	824,081.00	(19,157.36)	804,923.64	730,153.02	74,770.62
Rental of Land and Buildings	70,500.00	115,196.49	185,696.49	185,126.13	570.36
Insurance for Property, Liability and Fidelity	150,000.00	64,779.88	214,779.88	135,320.33	79,459.55
Maintenance Supplies	35,000.00	2,857.94	37,857.94	37,602.04	255.90
Transportation - Other than to and from School	28,000.00	123,240.67	151,240.67	151,115.67	125.00
Energy Costs (Heat and Electricity)	380,363.00	(88,005.61)	292,357.39	292,357.39	
Miscellaneous	100,000.00	138,216.36	238,216.36	232,853.75	5,362.61
Total Support Services Expenses	2,293,627.00	790,868.90	3,084,495.90	2,799,311.07	285,184.83
Capital Outlay:					
Instructional Equipment	50,000.00	(34,451.66)	15,548.34	5,147.50	10,400.84
Lease Purchase Agreements - Principal	16,018.00		16,018.00	15,703.82	314.18
Mortgage Principal	896,278.00	(403,863.40)	492,414.60	492,414.60	
Total Capital Outlay	962,296.00	(438,315.06)	523,980.94	513,265.92	10,715.02
Non-budgeted Expenditures					
TPAF Pension On Behalf Payments				104,615.00	(104,615.00)
TPAF Pension On Behalf Payments- Post Retirement Medical				210,303.00	(210,303.00)
TPAF Social Security Reimbursed				332,132.28	(332,132.28)
	-	-	-	647,050.28	(647,050.28)

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Total Expenditures	\$ 12,108,508.00	\$ 646,505.97	\$ 12,755,013.97	\$ 12,926,407.81	\$ (171,393.84)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(83.00)	(646,505.97)	(646,588.97)	(233,522.99)	413,065.98
Other Financing Sources (Uses):					
Transfer to Capital Projects -- Capital Reserve				(909,139.08)	(909,139.08)
Deposits Held for Sinking Fund:					
Transfer from Capital Projects Fund				97,411.68	97,411.68
Sinking Fund Deposits				121,764.60	121,764.60
Interest on Sinking Fund Deposits				89.83	89.83
Payment of Account Fees				(185.00)	(185.00)
Deposits Held for Debt Service:					
Interest Earn on Deposit Held for Debt Service				29.70	29.70
Bond Principal Deposited				279,237.25	279,237.25
Interest on Bonds Deposited				316,570.00	316,570.00
Payment of Interest on Bonds by Trustee				(316,570.00)	(316,570.00)
Payment of Bond Principal by Trustee				(270,000.00)	(270,000.00)
Total Other Financing Sources (Uses)	-	-	-	(680,791.02)	(680,791.02)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(83.00)	(646,505.97)	(646,588.97)	(914,314.01)	(267,725.04)
Fund Balances, July 1				2,177,944.95	2,177,944.95
Fund Balances, June 30 (Carried Forward)	\$ (83.00)	\$ (646,505.97)	\$ (646,588.97)	\$ 1,263,630.94	\$ 1,910,219.91
Recapitulation:					
Restricted Fund Balance:					
Debt Service Reserve				\$ 390,916.98	
Sinking Fund Reserve				219,176.28	
Committed Fund Balance:					
Year-End Encumbrances				459,863.93	
Assigned Fund Balance:					
Year-End Encumbrances				45,367.09	
Unassigned Fund Balance				148,306.66	
				<u>\$ 1,263,630.94</u>	

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Required Supplementary Information

Budgetary Comparison Schedule

Special Revenue Fund

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Federal Sources:					
Reading First	\$ 21,801.78	\$ 1,953.66	\$ 23,755.44	\$ 25,201.78	\$ 1,446.34
Twenty-First Century Community Learning Centers	500,000.00	153,310.65	653,310.65	575,160.48	(78,150.17)
Title I, Part A	696,456.51	412,825.41	1,109,281.92	690,770.37	(418,511.55)
ARRA, Title I, Part A		203,070.60	203,070.60	203,068.62	(1.98)
Title I, School Improvement				65,342.91	65,342.91
Title II, Part A	65,812.00	3,131.00	68,943.00	61,145.92	(7,797.08)
Title II, Part D				8,102.00	8,102.00
Title IV				13,449.30	13,449.30
I.D.E.I.A., Part B	209,365.00	30,009.67	239,374.67	222,941.39	(16,433.28)
ARRA, I.D.E.I.A., Part B	7,302.00		7,302.00	7,302.00	
I.D.E.I.A., Part B, Preschool Incentive				11,047.43	11,047.43
Total - Federal Sources	<u>1,500,737.29</u>	<u>804,300.99</u>	<u>2,305,038.28</u>	<u>1,883,532.20</u>	<u>(421,506.08)</u>
Total Revenue	<u>1,500,737.29</u>	<u>804,300.99</u>	<u>2,305,038.28</u>	<u>1,883,532.20</u>	<u>(421,506.08)</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	435,696.00	(178,282.22)	257,413.78	217,425.16	39,988.62
Purchased Professional and Technical Services	117,534.00	59,127.96	176,661.96	163,996.46	12,665.50
Purchased Professional Educational Services	40,346.00	135,267.54	175,613.54	173,761.39	1,852.15
Other Purchased Services (400-500 series)	2,000.00	3,360.00	5,360.00	5,360.00	
General Supplies	22,613.00	437,198.95	459,811.95	277,800.73	182,011.22
Textbooks	31,955.29	3,154.00	35,109.29	35,109.29	
Other Objects	2,555.00	2,576.75	5,131.75	4,902.25	229.50
Total Instruction	<u>652,699.29</u>	<u>462,402.98</u>	<u>1,115,102.27</u>	<u>878,355.28</u>	<u>236,746.99</u>

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Required Supplementary Information

Budgetary Comparison Schedule

Special Revenue Fund

For the Fiscal Year Ended June 30, 2012

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
Support Services:					
Support Services - Salaries	\$ 292,267.00	\$ (44,974.88)	\$ 247,292.12	\$ 245,857.43	\$ 1,434.69
Salaries of Other Professional Staff	12,238.00	48,076.72	60,314.72	31,591.72	28,723.00
Personal Services - Employee Benefits	116,840.00	66,506.53	183,346.53	151,992.37	31,354.16
Purchased Professional and Technical Services	29,501.00	6,600.00	36,101.00	19,580.00	16,521.00
Purchased Professional - Educational Services	302,722.00	166,055.73	468,777.73	455,942.57	12,835.16
Other Purchased Services (400-500 series)	64,346.00	47,361.79	111,707.79	90,591.74	21,116.05
Travel	3,656.00	9,092.12	12,748.12	1,543.86	11,204.26
Supplies and Materials	26,468.00	41,180.00	67,648.00	8,077.23	59,570.77
Total Support Services	<u>848,038.00</u>	<u>339,898.01</u>	<u>1,187,936.01</u>	<u>1,005,176.92</u>	<u>182,759.09</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		<u>2,000.00</u>	<u>2,000.00</u>		<u>2,000.00</u>
Total Facilities Acquisition and Construction Services		<u>2,000.00</u>	<u>2,000.00</u>		<u>2,000.00</u>
Total Expenditures	<u>1,500,737.29</u>	<u>804,300.99</u>	<u>2,305,038.28</u>	<u>1,883,532.20</u>	<u>421,506.08</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Fiscal Year Ended June 30, 2012

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

	General	Special Revenue
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-series)	\$ 12,692,884.82	\$ 1,883,532.20
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		<u>(39,397.69)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 12,692,884.82</u>	<u>\$ 1,844,134.51</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 12,926,407.81	\$ 1,883,532.20
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>(39,397.69)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 12,926,407.81</u>	<u>\$ 1,844,134.51</u>

N-1 The general fund budget uses GAAP basis therefore no reconciliation is necessary.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2012

	No Child Left Behind											Total Carried Forward	
	Title I, Part A					Title I School Improvement	Title II Part A			Title II Part D			Title IV Part A
	2008-2009	2009-2010	2010-2011	2011-2012	ARRA	2007-2008	2008-2009	2010-2011	2011-2012	2008-2009	2010-2011		2008-2009
REVENUES:													
Federal Sources	\$2,851.51	\$29,924.18	\$281,679.09	\$376,315.59	\$203,068.62	\$ 65,342.91	\$ 14,763.17	\$ 1,680.00	\$ 44,702.75	\$ 6,651.00	\$ 1,451.00	\$13,449.30	\$ 1,041,879.12
Total Revenues	<u>2,851.51</u>	<u>29,924.18</u>	<u>281,679.09</u>	<u>376,315.59</u>	<u>203,068.62</u>	<u>65,342.91</u>	<u>14,763.17</u>	<u>1,680.00</u>	<u>44,702.75</u>	<u>6,651.00</u>	<u>1,451.00</u>	<u>13,449.30</u>	<u>1,041,879.12</u>
EXPENDITURES:													
Instruction:													
Salaries for Instruction		2,585.76		138,493.70									141,079.46
Purchased Professional and Technical Services													
Purchased Professional Educational Services			115,179.05	900.00									116,079.05
Other Purchased Services (400-500 series)					203,068.62	8,717.91	14,763.17			6,651.00		13,449.30	258,980.61
General Supplies			479.61	11,851.00									3,205.51
Textbooks	2,851.51			354.00									1,490.00
Other Objects		1,490.00											
Total Instruction	<u>2,851.51</u>	<u>4,075.76</u>	<u>115,658.66</u>	<u>151,598.70</u>	<u>203,068.62</u>	<u>8,717.91</u>	<u>14,763.17</u>			<u>6,651.00</u>		<u>13,449.30</u>	<u>520,834.63</u>
Support Services:													
Support Services - Salaries													
Salaries of Other Professional Staff		21,448.42	10,143.30										31,591.72
Personal Services - Employee Benefits			12,630.00	10,601.74									23,231.74
Purchased Professional and Technical Services				480.00									480.00
Purchased Professional - Educational Services			127,607.42	211,270.40		56,625.00	1,680.00	44,702.75		1,451.00			443,336.57
Other Purchased Services (400-500 series)		4,400.00	15,639.71										20,039.71
Travel													
Supplies and Materials				2,364.75									2,364.75
Total Support Services	<u>-</u>	<u>25,848.42</u>	<u>166,020.43</u>	<u>224,716.89</u>	<u>-</u>	<u>56,625.00</u>	<u>-</u>	<u>1,680.00</u>	<u>44,702.75</u>	<u>-</u>	<u>1,451.00</u>	<u>-</u>	<u>521,044.49</u>
Total Expenditures	<u>2,851.51</u>	<u>29,924.18</u>	<u>281,679.09</u>	<u>376,315.59</u>	<u>203,068.62</u>	<u>65,342.91</u>	<u>14,763.17</u>	<u>1,680.00</u>	<u>44,702.75</u>	<u>6,651.00</u>	<u>1,451.00</u>	<u>13,449.30</u>	<u>1,041,879.12</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2012

	Total Brought Forward	I.D.E.I.A. Preschool		I.D.E.I.A. Part B, Basic			Twenty-First Century Community Learning Centers		Reading First		Total
		2007-2008	2008-2009	2010-2011	2011-2012	ARRA	2010-2011	2011-2012	2006-2007	2007-2008	
REVENUES:											
Federal Sources	\$ 1,041,879.12	\$ 11,047.43	\$ 1,576.40	\$ 28,169.80	\$ 193,195.19	\$ 7,302.00	\$ 152,806.18	\$ 422,354.30	\$ 4,944.44	\$ 20,257.34	\$ 1,883,532.20
Total Revenues	1,041,879.12	11,047.43	1,576.40	28,169.80	193,195.19	7,302.00	152,806.18	422,354.30	4,944.44	20,257.34	1,883,532.20
EXPENDITURES:											
Instruction:											
Salaries for Instruction	141,079.46				52,109.45		700.00	23,536.25			217,425.16
Purchased Professional and Technical Services				8,385.00			35,953.00	119,658.46			163,996.46
Purchased Professional Educational Services	116,079.05				57,082.34				600.00		173,761.39
Other Purchased Services (400-500 series)								5,360.00			5,360.00
General Supplies	258,980.61	11,047.43	1,576.40				445.00	5,751.29			277,800.73
Textbooks	3,205.51					7,302.00			4,944.44	19,657.34	35,109.29
Other Objects	1,490.00						314.25	3,098.00			4,902.25
	520,834.63	11,047.43	1,576.40	8,385.00	109,191.79	7,302.00	37,412.25	157,404.00	4,944.44	20,257.34	878,355.28
Support Services - Salaries											
Salaries of Other Professional Staff	31,591.72			6,916.27	62,500.00		25,562.56	150,878.60			245,857.43
Personal Services - Employee Benefits	23,231.74			12,868.53	21,397.40		45,566.00	48,928.70			151,992.37
Purchased Professional and Technical Services	480.00						6,600.00	12,500.00			19,580.00
Purchased Professional - Educational Services	443,336.57				106.00		12,500.00				455,942.57
Other Purchased Services (400-500 series)	20,039.71						24,957.88	45,594.15			90,591.74
Travel							207.49	1,336.37			1,543.86
Supplies and Materials	2,364.75							5,712.48			8,077.23
Total Support Services	521,044.49	-	-	19,784.80	84,003.40	-	115,393.93	264,950.30	-	-	1,005,176.92
Total Expenditures	1,041,879.12	11,047.43	1,576.40	28,169.80	193,195.19	7,302.00	152,806.18	422,354.30	4,944.44	20,257.34	1,883,532.20
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	-	-	-	-	-	-

CAPITAL PROJECTS FUND

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC
CAPITAL PROJECTS FUND
 Summary Statement of Project Expenditures
 For the Fiscal Year Ended June 30, 2012

<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2012</u>
			<u>Prior Years</u>	<u>Current Year</u>	
S.T.E.M. Project	11/18/2010	\$ 12,500,000.00	\$ 1,590,860.92	\$ 4,551,438.34	\$ 6,357,700.74
Total		<u>\$ 12,500,000.00</u>	<u>\$ 1,590,860.92</u>	<u>\$ 4,551,438.34</u>	<u>\$ 6,357,700.74</u>
Designated for Subsequent Years Expenditures					<u>\$ 6,357,700.74</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
CAPITAL PROJECTS FUND

Summary Statement of Revenues, Expenditures, and Changes in Fund Balance -- Budgetary Basis
 For the Fiscal Year Ended June 30, 2012

Revenues and Other Financing Sources

Loan Proceeds	\$ 10,000,000.00	
Transfers from General Fund	<u>909,139.08</u>	
 Total Revenues		 \$ 10,909,139.08

Expenditures and Other Financing Uses

Expenditures:		
Construction Services	4,330,214.24	
Interest on Current Loans	123,600.00	
Amount Paid into Sinking Fund	97,411.68	
Miscellaneous Expense	<u>212.42</u>	
 Total Expenditures		 <u>4,551,438.34</u>
 Excess (Deficiency) Revenue over Expenditures		 6,357,700.74

Fund Balance -- July 1		<u>-</u>
Fund Balance -- June 30		<u>\$ 6,357,700.74</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
CAPITAL PROJECTS FUND
Statement of Project Revenues, Expenditures, Project Balance and Project Status--Budgetary Basis
S.T.E.M. Project
From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Loan Proceeds		\$ 10,000,000.00	\$ 10,000,000.00	\$ 10,000,000.00
Transfers from General Fund	\$ 1,590,860.92	909,139.08	2,500,000.00	2,500,000.00
Total Revenues	<u>1,590,860.92</u>	<u>10,909,139.08</u>	<u>12,500,000.00</u>	<u>12,500,000.00</u>
Expenditures and Other Financing Uses				
Construction Services	1,590,860.92	4,330,214.24	5,921,075.16	11,879,352.00
Interest on Current Loans		123,600.00	123,600.00	123,600.00
Amount Paid into Sinking Fund		97,411.68	97,411.68	97,411.48
Miscellaneous Expense		212.42	212.42	399,636.52
Total Expenditures	<u>1,590,860.92</u>	<u>4,551,438.34</u>	<u>6,142,299.26</u>	<u>12,500,000.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>\$ 6,357,700.74</u>	<u>\$ 6,357,700.74</u>	<u>-</u>
Additional Project Information:				
Project Number		N/A		
Grant Date		N/A		
Loan Authorization Date		Sept. 27, 2011		
Loans Authorized	\$ 10,000,000.00			
Charter School Equity Utilized	2,500,000.00			
Original Authorized Cost	12,500,000.00			
Additional Authorized Cost	-			
Revised Authorized Cost	12,500,000.00			
Percentage Increase over Original Authorized Cost	-			
Percentage Completion	49.14%			
Original Target Completion Date	9/12/2012			
Revised Target Completion Date	N/A			

PROPRIETARY FUNDS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Enterprise Fund
Statement of Net Assets
June 30, 2012

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash	\$ 11,457.39
Accounts Receivable:	
State	1,599.71
Federal	99,317.03
Interfund Accounts Receivable:	
Due Special Revenue Fund	13,322.00
Inventories	<u>4,871.85</u>
Total Current Assets	<u>130,567.98</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	151,616.00
Less Accumulated Depreciation	<u>(80,133.00)</u>
Total Noncurrent Assets	<u>71,483.00</u>
Total Assets	<u>202,050.98</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	107,741.78
Due to General Fund	<u>366,550.86</u>
Total Current Liabilities	<u>474,292.64</u>
NET ASSETS:	
Invested in Capital Assets	71,483.00
Unrestricted	<u>(343,724.66)</u>
Total Net Assets	<u>\$ (272,241.66)</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Enterprise Fund
 Statement of Revenues, Expenses and Changes in Fund Net Assets
 For the Fiscal Year Ended June 30, 2012

	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 39,108.48
Daily Sales - Non-Reimbursable Programs	150,510.94
	189,619.42
OPERATING EXPENSES:	
Salaries	279,963.84
Employee Benefits	165,884.76
Other Purchased Services	59,253.53
General Supplies	51,500.04
Depreciation	8,238.47
Cost of Sales	463,075.09
	1,027,915.73
Total Operating Expenses	1,027,915.73
Operating Income / (Loss)	(838,296.31)
NONOPERATING REVENUES (EXPENSES):	
State Sources:	
State School Lunch Program	7,694.20
Federal Sources:	
National School Lunch Program	363,607.50
National School Breakfast Program	109,414.23
Food Distribution Program	5,559.45
Interest and Investment Revenue	57.80
	486,333.18
Total Nonoperating Revenues (Expenses)	486,333.18
Change in Net Assets	(351,963.13)
Net Assets -- July 1	87,857.62
Prior Period Adjustment (Note 6)	(8,136.15)
	79,721.47
Net Assets -- July 1 (Restated)	79,721.47
Net Assets -- June 30	\$ (272,241.66)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Enterprise Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 189,619.42
Payments to Employees	(279,963.84)
Payments for Employee Benefits	(165,884.76)
Payments to Suppliers	<u>(618,709.08)</u>
Net Cash Provided by (used for) Operating Activities	<u>(874,938.26)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State Sources	7,595.18
Federal Sources	472,451.36
Operating Subsidies and Transfers to Other Funds	<u>255,947.74</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>735,994.28</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest and Dividends	<u>57.80</u>
Net Cash Provided by (used for) Investing Activities	<u>57.80</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(138,886.18)
Balance -- July 1	<u>150,343.57</u>
Balance -- June 30	<u><u>\$ 11,457.39</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (838,296.31)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation	8,238.47
(Increase) Decrease in Inventories	4,212.36
Increase (Decrease) in Accounts Payable	<u>(49,092.78)</u>
Total Adjustments	<u>(36,641.95)</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (874,938.26)</u></u>

FIDUCIARY FUNDS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Fiduciary Funds
 Combining Statement of Fiduciary Net Assets
 June 30, 2012

	<u>Trust Funds</u>		<u>Agency Funds</u>		<u>Total</u>
	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS:					
Cash and Cash Equivalents		\$ 2,487.44	\$ 21,671.15	\$ 24,759.31	\$ 48,917.90
Intrafund Accounts Receivable:					
Due from Payroll Agency Fund	\$ 5,004.56				5,004.56
Total Assets	\$ 5,004.56	\$ 2,487.44	\$ 21,671.15	\$ 24,759.31	53,922.46
LIABILITIES:					
Payroll Deductions and Withholdings				\$ 1,483.20	1,483.20
Intrafund Accounts Payable:					
Due Unemployment Trust Fund				5,004.56	5,004.56
Interfund Accounts Payable:					
Due General Fund	\$ 5,004.56			18,271.55	23,276.11
Payable to Student Groups			\$ 16,592.61		16,592.61
Payable to Parent Unit			5,078.54		5,078.54
Total Liabilities	\$ 5,004.56	-	\$ 21,671.15	\$ 24,759.31	51,435.02
NET ASSETS:					
Held in Trust for Students					
Held in Trust for Alternative Route Program					
Reserved for Scholarships		\$ 2,487.44			2,487.44
Total Net Assets	-	\$ 2,487.44			\$ 2,487.44

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Fiduciary Funds
 Combining Statement of Changes in Fiduciary Net Assets
 For the Fiscal Year Ended June 30, 2012

	Alternative Route Program	Student College Fund Escrow	Private Purpose Scholarship Fund	Total
ADDITIONS:				
Reimbursed -- Bank Fees	_____	\$ 52.50	_____	\$ 52.50
Total Contributions	_____ -	_____ 52.50	_____ -	_____ 52.50
Investment Earnings: Interest	\$ 3.55	_____ 10.87	\$ 2.62	_____ 17.04
Total Additions	_____ 3.55	_____ 63.37	_____ 2.62	_____ 69.54
DEDUCTIONS:				
Bank Fees		52.50		52.50
Program Expenditures	6,313.32	6,544.42		12,857.74
Total Deductions	_____ 6,313.32	_____ 6,596.92	_____ -	_____ 12,910.24
Change in Net Assets	(6,309.77)	(6,533.55)	2.62	(12,840.70)
Net Assets -- July 1	_____ 6,309.77	_____ 6,533.55	_____ 2,484.82	_____ 15,328.14
Net Assets -- June 30	_____ -	_____ -	\$ 2,487.44	\$ 2,487.44

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2012

	Balance <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
LEAP Academy University Charter School:				
Student Groups	\$ 26,526.60	\$ 29,752.71	\$ 39,686.70	\$ 16,592.61
Parent Unit	4,612.57	34,309.48	33,843.51	5,078.54
Interfund Payable -- General Fund	22,951.22		22,951.22	
Interfund Payable -- Payroll Fund	<u>250.00</u>		<u>250.00</u>	
	<u>\$ 54,340.39</u>	<u>\$ 64,062.19</u>	<u>\$ 96,731.43</u>	<u>\$ 21,671.15</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 June 30, 2012

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 63,784.25	\$ 8,120,821.92	\$ 8,159,846.86	\$ 24,759.31
Interfund Accounts Receivable:				
Due General Fund	9,864.58		9,864.58	
Due Student Activity Fund	250.00		250.00	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 73,898.83</u>	<u>\$ 8,120,821.92</u>	<u>\$ 8,169,961.44</u>	<u>\$ 24,759.31</u>
LIABILITIES:				
Interfund Accounts Payable:				
Due General Fund	\$ 68,732.27	\$ 87,845.70	\$ 138,306.42	\$ 18,271.55
Intrafund Accounts Payable				
Due Unemployment Trust Fund	5,004.56			5,004.56
Payroll Deductions and Withholdings	162.00	3,220,736.77	3,219,415.57	1,483.20
Net Payroll		4,812,239.45	4,812,239.45	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 73,898.83</u>	<u>\$ 8,120,821.92</u>	<u>\$ 8,169,961.44</u>	<u>\$ 24,759.31</u>

LONG-TERM DEBT

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Serial Bonds
 For the Fiscal Year Ended June 30, 2012

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2011</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
			<u>Date</u>	<u>Amount</u>				
Serial Bonds:								
Charter School Project Bonds	10/2/03	\$ 8,500,000.00	9/1/2012	\$ 285,000.00	4.00%			
			9/1/2013	295,000.00				
			9/1/2014	310,000.00				
			9/1/2015	325,000.00				
			9/1/2016	335,000.00				
			9/1/2017	350,000.00				
			9/1/2018	370,000.00				
			9/1/2019	385,000.00	4.10%			
			9/1/2020	400,000.00	4.25%			
			9/1/2021	420,000.00	4.35%			
			9/1/2022	440,000.00	4.45%			
			9/1/2023	460,000.00	4.50%			
			9/1/2024	485,000.00	4.60%			
			9/1/2025	505,000.00	4.75%			
			9/1/2026	530,000.00				
			9/1/2027	560,000.00				
			9/1/2028	585,000.00				
						<u>\$ 7,310,000.00</u>	<u>\$ 270,000.00</u>	<u>\$ 7,040,000.00</u>
						<u>\$ 7,350,724.00</u>	<u>\$ 270,000.00</u>	<u>\$ 7,081,090.00</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC
 Schedule of Obligations Under Capital Leases
 For the Fiscal Year Ended June 30, 2012

<u>SERIES</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>		<u>Amount Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2012</u>
				<u>Principal</u>	<u>Interest</u>				
2011 IC Corp 54 Passenger Bus	March 30, 2010	June 30, 2010 to December 31, 2014	4.00%	\$ 82,115.00	\$ 8,971.80	\$ 66,725.42		\$ 15,703.82	\$ 51,021.60
						<u>\$ 66,725.42</u>	<u>-</u>	<u>\$ 15,703.82</u>	<u>\$ 51,021.60</u>

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the Charter School's financial position has changed over time. Please refer to the following exhibits for a historical view of the Charter School's financial performance. Note that Exhibits J-1, J-2 and J-3 are only presented for the last nine fiscal years as the Charter School's first year of implementation of the Governmental Accounting Standards Board Statement No. 34 was for the fiscal year ended June 30, 2004; thus, ten year comparative financial information is unavailable.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Net Assets by Component
 Last Nine Fiscal Years (accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,							Fiscal Year Ending July 31,	
	2012	2011	2010	2009	2008	2007	2006 (1)	2005	2004
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ (512,995.84)	\$ 4,847,133.82	\$ 3,286,633.42	\$ 3,112,842.13	\$ 3,251,012.41	\$ 3,425,178.43	\$ 3,980,887.54	\$ 4,201,973.80	\$ 2,786,382.22
Restricted	6,955,011.41	370,916.10	368,286.58	365,752.47	352,093.37	362,413.34		136,615.60	
Unrestricted	575,314.99	1,709,409.29	2,417,645.35	1,549,213.43	475,014.33	178,375.06	320,396.94	(143,834.34)	(261,609.45)
Total Governmental Activities Net Assets	\$ 7,017,330.56	\$ 6,927,459.21	\$ 6,072,565.35	\$ 5,027,808.03	\$ 4,078,120.11	\$ 3,965,966.83	\$ 4,301,284.48	\$ 4,194,755.06	\$ 2,524,772.77
Business-type Activities									
Invested in Capital Assets, Net of Related Debt	\$ (272,241.66)	\$ 87,857.62	\$ 90,309.67	\$ 85,992.06	\$ 94,756.72	\$ 103,802.54	\$ 34,705.81	\$ 40,119.85	\$ 45,533.89
Unrestricted (Deficit)						(63,514.15)	(14,030.38)	(21,664.93)	(57,549.58)
Total Business-type Activities Net Assets	\$ (272,241.66)	\$ 87,857.62	\$ 90,309.67	\$ 85,992.06	\$ 94,756.72	\$ 40,288.39	\$ 20,675.43	\$ 18,454.92	\$ (12,015.69)
District-wide									
Invested in Capital Assets, Net of Related Debt	\$ (785,237.50)	\$ 4,934,991.44	\$ 3,376,943.09	\$ 3,198,834.19	\$ 3,345,769.13	\$ 3,528,980.97	\$ 4,015,593.35	\$ 4,242,093.65	\$ 2,831,916.11
Restricted	6,955,011.41	370,916.10	368,286.58	365,752.47	352,093.37	362,413.34		136,615.60	
Unrestricted (Deficit)	575,314.99	1,709,409.29	2,417,645.35	1,549,213.43	475,014.33	114,860.91	306,366.56	(165,499.27)	(319,159.03)
Total District-wide Net Assets	\$ 6,745,088.90	\$ 7,015,316.83	\$ 6,162,875.02	\$ 5,113,800.09	\$ 4,172,876.83	\$ 4,006,255.22	\$ 4,321,959.91	\$ 4,213,209.98	\$ 2,512,757.08

Source: Charter Schools Records

(1) Change in fiscal year to June 30. For 2006, the amounts reported are for an eleven month period.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Changes in Net Assets
 Last Nine Fiscal Years (accrual basis of accounting)
 Unaudited

	2012	2011	Fiscal Year Ending June 30,			2007	2006 (1)	Fiscal Year Ending July 31,	
			2010	2009	2008			2005	2004
Expenses									
Governmental Activities									
Instruction	\$ 6,162,700.29	\$ 5,218,477.56	\$ 4,766,178.72	\$ 4,273,627.54	\$ 4,119,025.29	\$ 4,602,168.06	\$ 3,529,394.65	\$ 3,359,642.57	\$ 3,613,647.98
Administration	3,275,635.42	2,969,821.70	3,170,749.46	2,631,365.92	2,692,493.55	2,133,831.62	1,849,790.72	1,977,888.10	1,855,866.13
Support Services	4,478,028.68	3,652,161.40	3,129,000.76	3,180,982.01	2,713,035.73	2,951,983.26	2,041,076.66	1,889,782.43	2,185,490.46
Interest on Long Term Debt	786,648.55	406,797.79	432,223.95	444,170.33	455,366.18	487,270.65	448,953.64	652,296.85	443,507.65
Unallocated Amortization and Depreciation	5,678.66	8,616.02	18,847.55	29,439.32	29,439.32	29,439.33	370,597.81	231,792.36	133,274.62
Total Governmental Activities Expenses	\$ 14,708,691.60	\$ 12,255,874.47	\$ 11,517,000.44	\$ 10,559,585.12	10,009,360.07	10,204,692.92	8,239,813.48	8,111,402.31	8,231,786.84
Business-type Activities:									
Food Service	1,027,915.73	1,027,915.73	680,342.86	564,600.54	608,639.88	645,744.03	547,608.26	525,014.16	564,371.79
Total Business-type Activities Expense	1,027,915.73	1,027,915.73	680,342.86	564,600.54	608,639.88	645,744.03	547,608.26	525,014.16	564,371.79
Total District Expenses	\$ 15,736,607.33	\$ 13,283,790.20	\$ 12,197,343.30	\$ 11,124,185.66	\$ 10,617,999.95	\$ 10,850,436.95	\$ 8,787,421.74	\$ 8,636,416.47	\$ 8,796,158.63
Program Revenues									
Governmental Activities:									
Operating Grants and Contributions	\$ 1,844,134.51	\$ 1,225,257.26	\$ 1,500,923.91	\$ 1,432,949.12	\$ 1,164,496.05	\$ 1,163,938.67	\$ 965,988.36	953,811.92	1,258,005.13
Capital Grants and Contributions			258,960.42						
Total Governmental Activities Program Revenues	1,844,134.51	1,225,257.26	1,759,884.33	1,432,949.12	1,164,496.05	1,163,938.67	965,988.36	953,811.92	1,258,005.13
Business-type activities:									
Charges for services									
Food Service	189,619.42	77,400.96	53,084.59	43,366.14	56,294.63	59,930.99	65,552.41	63,890.21	56,871.20
Operating Grants and Contributions	486,275.38	518,191.92	539,501.54	440,686.82	461,037.20	435,685.92	393,667.95	360,132.35	335,810.01
Total Business-type Activities Program Revenues	675,894.80	595,592.88	592,586.13	484,052.96	517,331.83	495,616.91	459,220.36	424,022.56	392,681.21
Total District Program Revenues	\$ 2,520,029.31	\$ 1,820,850.14	\$ 2,352,470.46	\$ 1,917,002.08	\$ 1,681,827.88	\$ 1,659,555.58	\$ 1,425,208.72	\$ 1,377,834.48	\$ 1,650,686.34
Net (Expense)/Revenue									
Governmental Activities	\$ (12,864,557.09)	\$ (11,030,617.21)	\$ (9,757,116.11)	\$ (9,126,636.00)	\$ (8,844,864.02)	\$ (9,040,754.25)	\$ (7,273,825.12)	\$ (7,157,590.39)	\$ (6,973,781.71)
Business-type Activities	(352,020.93)	(432,322.85)	(87,756.73)	(80,547.58)	(91,308.05)	(150,127.12)	(88,387.90)	(100,991.60)	(171,690.58)
Total District-wide Net Expense	\$ (13,216,578.02)	\$ (11,462,940.06)	\$ (9,844,872.84)	\$ (9,207,183.58)	\$ (8,936,172.07)	\$ (9,190,881.37)	\$ (7,362,213.02)	\$ (7,258,581.99)	\$ (7,145,472.29)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Local Levy	\$ 11,167,658.00	\$ 10,770,723.00	\$ 9,853,628.00	\$ 9,029,352.00	\$ 6,809,193.00	\$ 6,560,406.00	\$ 5,773,255.00	\$ 5,330,241.99	\$ 4,843,542.00
Categorical Aid and Other State Aid - Not Restricted	1,342,774.28	979,962.66	927,862.52	926,792.65	2,166,141.05	2,127,210.50	1,677,268.68	1,392,691.17	1,595,701.54
Loan Proceeds	56,369.54								
Investment Earnings		3,610.87	3,633.08	10,824.65	28,537.43	45,142.77	22,174.87	44,087.49	35,288.65
Miscellaneous Income	232,666.46	173,212.44	108,690.12	180,515.80	97,141.79	429,065.38	182,895.39	196,842.64	89,968.23
Donated Capital Assets								1,994,054.00	
Special Items							(185,784.40)		(232,669.80)
Transfers		(41,997.91)	(91,940.30)	(71,161.19)	(143,995.97)	(90,000.00)	(89,455.00)	(130,344.61)	(108,551.48)

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Changes in Net Assets
 Last Nine Fiscal Years (accrual basis of accounting)
 Unaudited

	2012	2011	Fiscal Year Ending June 30,			2007	2006 (1)	Fiscal Year Ending July 31,	
			2010	2009	2008			2005	2004
Total Governmental Activities	\$ 12,799,468.28	\$ 11,885,511.06	\$ 10,801,873.42	\$ 10,076,323.91	\$ 8,957,017.30	\$ 9,071,824.65	\$ 7,380,354.54	\$ 8,827,572.68	\$ 6,223,279.14
Business-type Activities:									
Investment Earnings	-	193.11	134.04	621.73	1,780.41	1,597.57	1,153.41	1,117.60	141.18
Transfers	-	41,997.91	91,940.30	71,161.19	143,995.97	90,000.00	89,455.00	130,344.61	108,551.48
Total Business-type Activities	-	42,191.02	92,074.34	71,782.92	145,776.38	91,597.57	90,608.41	131,462.21	108,692.66
Total District-wide	<u>\$ 12,799,468.28</u>	<u>\$ 11,927,702.08</u>	<u>\$ 10,893,947.76</u>	<u>\$ 10,148,106.83</u>	<u>\$ 9,102,793.68</u>	<u>\$ 9,163,422.22</u>	<u>\$ 7,470,962.95</u>	<u>\$ 8,959,034.89</u>	<u>\$ 6,331,971.80</u>
Change in Net Assets									
Governmental Activities	\$ (65,088.81)	\$ 854,893.85	\$ 1,044,757.31	\$ 949,687.91	\$ 112,153.28	\$ 31,070.40	\$ 106,529.42	\$ 1,669,982.29	\$ (750,502.57)
Business-type Activities	(352,020.93)	(390,131.83)	4,317.61	(8,764.66)	54,468.33	(58,529.55)	2,220.51	30,470.61	(62,997.92)
Total District	<u>\$ (417,109.74)</u>	<u>\$ 464,762.02</u>	<u>\$ 1,049,074.92</u>	<u>\$ 940,923.25</u>	<u>\$ 166,621.61</u>	<u>\$ (27,459.15)</u>	<u>\$ 108,749.93</u>	<u>\$ 1,700,452.90</u>	<u>\$ (813,500.49)</u>

Source: Charter Schools Records

(1) Change in fiscal year to June 30. For 2006, the amounts reported are for an eleven month period.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Fund Balances, Governmental Funds
Last Nine Fiscal Years (modified accrual basis of accounting)
Unaudited

	<u>2012</u>	<u>2011 (2)</u>	<u>2010</u>	<u>Fiscal Year Ending June 30,</u>		<u>2008</u>	<u>2007</u>	<u>2006 (1)</u>	<u>Fiscal Year Ending July 31,</u>	
				<u>2009</u>					<u>2005</u>	<u>2004</u>
Fund Balances										
Restricted:										
Debt Service Reserve	\$ 390,916.98	\$ 381,650.03								
Capital Projects	6,357,700.74									
Sinking Fund Reserve	505,231.02									
Committed:										
Other Purposes	459,863.93	421,098.46								
Assigned:										
Other Purposes	45,367.09	47,467.41	\$ 507,231.21	\$ 437,054.99	\$ 385,501.99	\$ 496,557.42	\$ 169,118.43	\$ 40,952.98	\$ 253,962.77	
Unassigned:										
General Fund	<u>148,306.66</u>	<u>1,327,729.05</u>	<u>2,385,028.34</u>	<u>1,598,022.82</u>	<u>545,303.74</u>	<u>121,086.94</u>	<u>10,986.68</u>	<u>24,775.45</u>	<u>77,232.49</u>	
Total General Fund	<u>\$ 7,907,386.42</u>	<u>\$ 2,177,944.95</u>	<u>\$ 2,385,028.34</u>	<u>\$ 2,035,077.81</u>	<u>\$ 545,303.74</u>	<u>\$ 121,086.94</u>	<u>\$ 10,986.68</u>	<u>\$ 24,775.45</u>	<u>\$ 77,232.49</u>	
All Other Governmental Funds										
Reserved										
Unreserved, Reported in:										
Special Revenue Fund								\$ 5,060.00		
Capital Projects Fund								54,913.58	\$ 5,368,472.45	
Debt Service Fund										
Permanent Fund										
Total All Other Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 59,973.58</u>	<u>\$ 5,368,472.45</u>

Source: Charter Schools Records

- (1) Change in fiscal year to June 30. For 2006, the amounts reported are for an eleven month period.
(2) Beginning for the fiscal year ended June 30, 2011, the School District began reporting fund balances under GASB 54.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years (modified accrual basis of accounting)
 Unaudited

	2012	2011	2010	2009	2008	2007	2006 (1)	2005	2004	2003
Revenues										
Equalization Aid - Local Levy	\$ 11,167,658.00	\$ 10,770,723.00	\$ 9,853,628.00	\$ 9,029,352.00	\$ 6,809,193.00	\$ 6,560,406.00	\$ 5,773,255.00	\$ 5,330,241.99	\$ 4,843,542.00	\$ 553,600.60
Revenue From Other Sources	182,452.54	172,010.81	180,044.94	190,603.97	119,920.77	319,555.21	205,070.36	257,090.13	127,733.79	262,264.04
State Sources	1,342,774.28	979,962.66	927,862.52	926,792.65	2,174,633.55	2,127,210.50	1,680,968.68	1,395,502.67	1,708,878.58	4,982,967.96
Federal Sources	1,844,134.51	1,225,257.26	1,759,884.33	1,432,949.12	1,162,252.55	1,163,938.67	962,288.36	934,840.42	1,142,328.09	675,993.87
Total Revenue	14,537,019.33	13,147,953.73	12,721,419.79	11,579,697.74	10,265,999.87	10,171,110.38	8,621,582.40	7,917,675.21	7,822,482.46	6,474,826.47
Expenditures										
Instruction	5,761,428.62	4,724,651.78	4,274,367.77	3,736,005.77	3,576,770.86	4,053,251.68	3,491,066.06	3,335,643.10	3,587,682.21	3,151,141.99
Administration	3,258,950.46	3,368,388.38	3,160,929.04	2,626,142.81	2,673,666.76	2,135,521.44	1,835,550.61	1,951,906.92	1,834,828.08	1,545,878.41
Support Services	4,509,327.75	3,686,375.81	3,219,889.61	3,241,944.15	2,830,641.09	3,039,653.54	2,100,220.68	1,983,395.66	2,323,125.00	1,758,554.02
General Fund Debt	1,225,086.25	881,954.58	882,201.87	878,816.67	867,599.58	867,597.19	853,131.40	599,970.02	487,834.77	290,001.00
Capital Outlay	4,567,187.58	1,205,710.28	258,960.42				101,426.15	5,373,679.37	2,612,866.07	212,787.98
Total Expenditures	19,321,980.66	13,867,080.83	11,796,348.71	10,482,909.40	9,948,678.29	10,096,023.85	8,381,394.90	13,244,595.07	10,846,336.13	6,958,363.40
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,784,961.33)	(719,127.10)	925,071.08	1,096,788.34	317,321.58	75,086.53	240,187.50	(5,326,919.86)	(3,023,853.67)	(483,536.93)
Other Financing Sources (Uses)										
Trustee Payment of Bond Payments	440,251.95	(587,170.00)	(587,370.00)	(582,070.00)	(581,270.00)	(585,170.00)		(247,045.84)	(152,960.92)	
Deposits Held with Trustee for Debt Service	(430,985.00)	591,982.50	592,221.66	589,553.74	583,358.79	947,583.34				
Trustee Payments made from Sinking Fund	(185.00)									
Deposits Held with Trustee for Sinking Fund	219,266.11									
Bond Proceeds									8,358,056.63	(3,764.57)
Loan Proceeds	10,000,000.00									
Adjustment to Prior Year Federal Grant Receivable			(72,741.00)							
Recognition of Prior Year State Aid Adjustment					(6,249.00)					
Payment of Prior Year Bills							(185,784.40)		(32,217.48)	
Total Other Financing Sources (Uses)	10,228,348.06	4,812.50	(67,889.34)	7,483.74	(4,160.21)	362,413.34	(185,784.40)	(247,045.84)	8,172,878.23	(3,764.57)
Net Change in Fund Balances	\$ 5,443,386.73	\$ (714,314.60)	\$ 857,181.74	\$ 1,104,272.08	\$ 313,161.37	\$ 437,499.87	\$ 54,403.10	\$ (5,573,965.70)	\$ 5,149,024.56	\$ (487,301.50)
Debt Service as a Percentage of Noncapital Expenditures	9.1%	7.5%	8.3%	4.4%	9.6%	9.4%	11.5%	8.3%	6.3%	4.5%

Source: Charter Schools Records

(1) Change in fiscal year to June 30. For 2006, the amounts reported are for an eleven month period.

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the Charter School's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the Charter School's outstanding debt and its debt capacity.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		Total Charter School	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds	Mortgages Payable	Capital Leases	Loan Payable	Capital Leases			
2012	\$ 7,040,000.00	\$ 1,804,376.92	\$ 51,021.60	\$ 10,000,000.00		\$ 18,895,398.52	Unavailable	Unavailable
2011	7,310,000.00	2,017,554.27	66,725.42			9,394,279.69	0.28%	121.46
2010	7,570,000.00	2,222,386.42	82,115.00			9,874,501.42	0.30%	123.58
2009	7,820,000.00	2,419,200.11				10,239,200.11	0.32%	129.96
2008	8,055,000.00	2,608,309.19				10,663,309.19	0.34%	134.33
2007	8,280,000.00	2,790,015.26				11,070,015.26	0.36%	139.85
2006 (1)	8,500,000.00	2,964,608.17				11,464,608.17	0.38%	144.89
2005	8,500,000.00	3,118,640.95	6,005.30			11,624,646.25	0.41%	146.17
2004	8,500,000.00	3,280,369.27	117,319.71			11,897,688.98	0.43%	149.80
2003		3,435,766.47	31,753.35	17,044.95		3,484,564.77	0.13%	43.71

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

(1) Change in fiscal year to June 30. For 2006, the amounts reported are for an eleven month period.

(2) See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Charter School CAFR Exhibits I-1, I-2 and Notes to the Financial Statements

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the Charter School operates and (2) to provide information that facilitates comparisons of financial statement information over time and among charter schools. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the Charter School operates.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Demographic and Economic Statistics (1)
 Last Ten Fiscal Years
 Unaudited

<u>Year</u>	<u>Population (2)</u>	<u>Personal Income (3)</u>	<u>Per Capita Personal Income (4)</u>	<u>Unemployment Rate (5)</u>
2012	Unavailable	Unavailable	Unavailable	Unavailable
2011	77,344	\$ 3,304,135,680.00	\$ 42,720.00	19.6%
2010	79,904	3,298,596,928.00	41,282.00	18.6%
2009	78,790	3,248,826,860.00	41,234.00	17.8%
2008	79,383	3,117,052,878.00	39,266.00	11.8%
2007	79,159	3,108,257,294.00	39,266.00	11.8%
2006	79,128	2,999,742,480.00	37,910.00	10.7%
2005	79,530	2,854,729,350.00	35,895.00	10.1%
2004	79,424	2,746,481,920.00	34,580.00	14.9%
2003	79,713	2,651,573,232.00	33,264.00	16.4%

Source:

- (1) Data provided for Camden, New Jersey
- (2) Population information provided by the NJ Dept of Labor and Workforce Development
- (3) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (4) Per Capita personal income is based upon the US Bureau of Economic Analysis CA04 data table.
- (5) Unemployment data provided by the NJ Dept. of Education

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Principal Employers
Current Year and Nine Years Ago
Unaudited

<u>Employer (1)</u>	<u>2012</u>			<u>2003 (2)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Cooper Health Care/ Cooper Health System	10,680	1	38.98%			
On Time Staffing LLC	10,000	2	36.50%			
Our Lady of Lourdes Healthcare Services Inc	2,163	3	7.89%			
L-3 Communications Corporations/ Ilex Systems	1,260	4	4.60%			
Diocese of Camden New Jersey (Inc.)	1,200	5	4.38%			
Campbell Soup Company	822	6	3.00%			
Mafco Consolidated Group Inc.	730	7	2.66%			
Delaware River Port Authority	623	8	2.27%			
Consolidated Rail Corporation	200	9	0.73%			
Waste Management, Inc.	190	10	0.69%			
	<u>27,868</u>		<u>101.71%</u>	<u>-</u>		<u>-</u>

(1) Source: D&B Regional Business Directory (2011)

(2) Data was not available from sources contacted.

Operating Information

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the Charter School's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the Charter School's operations.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Full-time Equivalent Charter School Employees by Function/Program
 Last Ten Fiscal Years (2)
 Unaudited

<u>Function/Program</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006 (1)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Instruction	78	64	63	63	64	76	76			
Administration	15	14	10	10	15	13	9			
Support Services	30	24	22	18	14	11	9			
Total	123	102	95	91	93	100	94	-	-	-

Source: Charter School Personnel Records

(1) Change in fiscal year to June 30. 2006 was an eleven month period.

(2) The full-time equivalent charter school employees by function/program were not available for any fiscal year prior to 2005-06.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Operating Statistics
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Enrollment	Operating Expenditures (2)	Cost Per Pupil	Percentage Change	Teaching Staff (3)	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) (4)	Average Daily Attendance (ADA) (4)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary (K-5)	Middle School (6-8)	High School (9-12)				
2012	860	\$ 13,529,706.83	\$ 15,732.22	0.30%	78	1:20	1:20	1:20	861	815	15.30%	94.59%
2011	751	11,779,415.97	15,684.97	13.50%	64	1:20	1:20	1:20	747	707	-3.23%	94.65%
2010	771	10,655,186.42	13,819.96	4.15%	60	1:20	1:20	1:20	772	721	1.97%	93.44%
2009	757	10,045,050.36	13,269.55	13.83%	60	1:20	1:20	1:20	757	704	-1.17%	93.00%
2008	779	9,081,078.71	11,657.35	-2.23%	60	1:20	1:20	1:20	766	713	6.24%	93.08%
2007	774	9,228,426.66	11,923.03	15.59%	69	1:20	1:20	1:20	721	756	3.95%	104.85%
2006 (1)	720	7,426,837.35	10,315.05	-2.11%	69	1:20	1:20	1:18	693.6	651.9	2.00%	93.99%
2005	690	7,270,945.68	10,537.60	-0.41%	70	1:18	1:18	1:16	680	659	8.28%	96.91%
2004	732	7,745,635.29	10,581.47	-5.59%	65	1:18	1:18	1:16	628	553	9.60%	88.06%
2003	576	6,455,574.42	11,207.59	31.60%	52	1:18	1:18	1:15	573	488	7.50%	85.17%

Sources: District records and enrollment counts.

Note: Enrollment based on annual October enrollment count.

- (1) Change in fiscal year to June 30. For 2006, the amounts and information reported are for an eleven month period.
- (2) Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- (3) Teaching staff includes only full-time equivalents of certificated staff.
- (4) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- (5) Enrollment amount is from the end of the school year. Data for October 15 count is not available.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 School Building Information
 Last Ten Fiscal Years
 Unaudited

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>District Building</u>										
<u>Elementary</u>										
Leap Academy- Lower School (2000)										
Square Feet	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Capacity (students) (1)	420	420	420	420	420	405	-	-	-	-
Enrollment	419	423	422	420	420	422	432	432	732	576
<u>High School</u>										
Leap Academy- Upper School (2005)										
Square Feet	56,736	56,736	56,736	56,736	56,736	56,736	56,736	56,736	56,736	
Capacity (students) (1)	380	380	380	380	380	375	-	-		
Enrollment	440 *	328	349	337	346	352	270	247		

Number of Schools at June 30, 2012

Elementary = 1

High School = 1

Source: District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October enrollment count.

(1) The capacity information was not available.

* Please note that during 2011-12, 100 STEM High School 9th and 10th graders were housed at a satellite facility on the Camden County College campus in Blackwood, NJ. Therefore, the breakout of students housed at Upper School was 340 and students housed at STEM High School was 100.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Required Maintenance
 Last Ten Fiscal Years
 Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

<u>*School Facilities</u>	<u>Project #</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006 (1)</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
High School	N/A	\$ 62,384.90	\$ 48,518.20	\$ 47,568.18	37,265.08	\$ 36,114.99	\$ 53,399.28	\$ 36,114.99	\$ 36,802.72		
Lower School	N/A	65,973.87	51,309.44	50,304.75	39,408.92	38,192.67	54,173.14	38,192.67	\$ 38,919.97	\$ 96,262.68	\$ 140,188.85
Total School Facilities		<u>128,358.77</u>	<u>99,827.64</u>	<u>97,872.93</u>	<u>76,674.00</u>	<u>74,307.66</u>	<u>107,572.42</u>	<u>74,307.66</u>	<u>75,722.69</u>	<u>96,262.68</u>	<u>140,188.85</u>
Other Facilities		-	-	-	-	-	-	-	-	-	-
Grand Total		<u>\$ 128,358.77</u>	<u>\$ 99,827.64</u>	<u>\$ 97,872.93</u>	<u>\$ 76,674.00</u>	<u>\$ 74,307.66</u>	<u>\$ 107,572.42</u>	<u>\$ 74,307.66</u>	<u>\$ 75,722.69</u>	<u>\$ 96,262.68</u>	<u>\$ 140,188.85</u>

(1) Change in fiscal year to June 30. For 2006, amounts reported are for an eleven month period.

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Insurance Schedule

June 30, 2012

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group Burlington and Camden County Educators Insurance Consortium		
Property		
Blanket Real and Personal Property (per occurrence)	\$ 300,000,000.00	
Blanket Extra Expense	50,000,000.00	
Blanket Valuable Papers and Records	10,000,000.00	
Demolition and Increased Cost of Construction (Per occurrence)	10,000,000.00	
Loss of Rents	Not covered	
Loss of Business Income/Tuition	Not covered	
Builder's Risk	Not covered	
Fire Department Service Charge	10,000.00	
Arson Reward	10,000.00	
Pollutant Cleanup and Removal	250,000.00	
Fine Arts	Not covered	
Sublimits: Flood Zones Prefix A & V (Per occurrence)	10,000,000.00	
All Other Flood Zones (Per occurrence/NJSBAIG annual aggregate)	50,000,000.00	
Earthquake (per occurrence, NJSBAIG annual aggregate)	50,000,000.00	
Terrorism (per occurrence, NJSBAIG annual aggregate)	1,000,000.00	
Deductibles (per occurrence):		
Real & Personal		\$ 1,000.00
Extra Expense		1,000.00
Valuable Papers		1,000.00
Flood Deductibles (Zones Prefix A & V):		
Per building		500,000.00
Per building contents		500,000.00
Flood Deductibles (All other flood zones):		
Per member/ per occurrence subject to a maximum retained deductible of \$1,000,000 to NJSBAIG		10,000.00
Electronic Data Processing		
Blanket Hardware/ Software (per occurrence)	758,801.00	
Blanket Extra Expense	Included	
Coverage Extensions:		
Transit	25,000.00	
Loss of Income	10,000.00	
Terrorism	Included in property	
Deductible (per occurrence)		1,000.00
Flood Deductibles (Zones Prefix A & V):		
Per building contents		500,000.00
Flood Deductibles (All other flood zones):		
Per member/ per occurrence subject to a maximum retained deductible of \$1,000,000 to NJSBAIG		10,000.00

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Insurance Schedule

June 30, 2012

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Equipment Breakdown		
Combined Single Limit per Accident for Property Damage and Business Income	\$ 100,000,000.00	
Sublimits:		
Property Damage	Included	
Off Premises Property Damage	100,000.00	
Business Income	Included	
Extra Expense	10,000,000.00	
Service Interruption	10,000,000.00	
Perishable Goods	500,000.00	
Data Restoration	100,000.00	
Contingent Business Income	100,000.00	
Demolition	1,000,000.00	
Ordinance or Law	1,000,000.00	
Expediting Expenses	500,000.00	
Hazardous Substances	500,000.00	
Newly Acquired Locations (60 days notice)	250,000.00	
Terrorism	Included	
Interruption of Service Waiting Period 24 hours		
Deductibles:		
Per accident for property damage		\$ 1,000.00
12 hours per accident for business interruption/extra expense		
Newly Acquired Locations waiting period 60 days		
Crime		
Public Employees Dishonesty with Faithful Performance	100,000.00	1,000.00
Theft, Disappearance and Destruction -		
Loss of Money & Securities On or Off Premises	10,000.00	500.00
Theft, Disappearance and Destruction -		
Money Orders & Counterfeit Paper Currency	10,000.00	500.00
Forgery or Alteration	25,000.00	500.00
Computer Fraud	100,000.00	1,000.00
Comprehensive General Liability		
Bodily Injury and Property Damage (Combined single limit)	6,000,000.00	
Bodily Injury form Products and Completed Operations (annual aggregate)	6,000,000.00	
Sexual Abuse		
Per occurrence	6,000,000.00	
Annual pool aggregate	17,000,000.00	
Personal injury and advertising injury (per occurrence, annual aggregate)	6,000,000.00	
Employees Benefits Liability (per occurrence/ annual aggregate)	6,000,000.00	
Deductible (each claim)		1,000.00
Premises Medical Payments		
Per accident	10,000.00	
Limit per person	5,000.00	
Terrorism (per occurrence/annual NJSBAIG aggregate)	1,000,000.00	

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Insurance Schedule

June 30, 2012

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Automobile		
Liability:		
Symbol 1 Any Auto		
Combined Single Limit for Bodily Injury and Property Damage (per accident)	\$ 6,000,000.00	
Symbol 6:		
Uninsured/ underinsured motorists - private passenger auto (Combined)	1,000,000.00	
Uninsured/ underinsured motorists - all other vehicles:		
Bodily Injury per person	15,000.00	
Bodily Injury per accident	30,000.00	
Property damage per accident	5,000.00	
Symbol 5:		
Personal Injury Protection (including pedestrians)	250,000.00	
Medical Payments:		
Private passenger vehicles	10,000.00	
All other vehicles	5,000.00	
Terrorism (per occurrence/annual NJSBAIG aggregate)	1,000,000.00	
Physical Damage (scheduled vehicles only):		
Symbol 7:		
Comprehensive		\$ 1,000.00
Collision		1,000.00
Hired Car Physical Damage	75,000.00	1,000.00
Replacement cost	Not covered	
Garage Keepers	Included	
Public Officials Bonds (Ohio Casualty Insurance Company)		
Treasurer	181,000.00	
School Business Administrator	50,000.00	

Source: Charter Schools Records

SINGLE AUDIT SECTION

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

The Members of the Board of Trustees
LEAP Academy University Charter School, Inc.
County of Camden
Camden, New Jersey 081022

Compliance

We have audited the LEAP Academy University Charter School, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the Charter School's 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 Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB 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 LEAP Academy University Charter School, Inc.'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 LEAP Academy University Charter School, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and New Jersey Circular 04-04-OMB and which are described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no.: 2012-02.

Internal Control Over Compliance

Management of the LEAP Academy University Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no. 2012-02. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

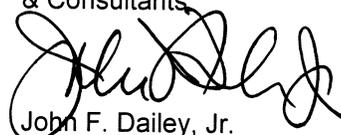
The LEAP Academy University Charter School, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Charter School's response and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



John F. Dailey, Jr.
Certified Public Accountant
Public School Accountant No. CS 00140

Voorhees, New Jersey
December 4, 2012

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
Special Revenue Fund:					
U.S. Department of Education					
Passed-through State Department of Education:					
Reading First	84.357A	07000047	\$ 152,421.00	7/1/06	6/30/07
Reading First	84.357A	08000067	213,089.00	7/1/07	6/30/08
Total Reading First					
Comprehensive School Reform	84.332A	07000294	326,375.00	1/1/07	9/30/08
Twenty-First Century Community Learning Centers					
Twenty-First Century Community Learning Centers	84.287C	10000167	500,000.00	9/1/09	8/31/10
Twenty-First Century Community Learning Centers	84.287C	11000167	500,000.00	9/1/10	8/31/11
Twenty-First Century Community Learning Centers	84.287C	12000167	500,000.00	9/1/11	8/31/12
Total 21st Century Community Learning Centers					
No Child Left Behind (N.C.L.B.):					
Title I Cluster:					
Title I, Part A (P.L. 103-382)	84.010	NCLB710909	610,019.00	9/1/08	8/31/09
Title I, Part A (P.L. 103-382)	84.010	NCLB710910	640,058.00	9/1/09	8/31/10
Title I, Part A (P.L. 103-382)	84.010	NCLB710911	629,375.00	9/1/10	8/31/11
Title I, Part A (P.L. 103-382)	84.010	NCLB070912	693,605.00	9/1/11	8/31/12
ARRA, Title I, Part A	84.389A	NCLB710910	384,166.00	7/1/09	8/31/11
Total Title I Cluster					
Title I School Improvement Cluster:					
Title I, School Improvement, Part A	84.377	NCLB710908	51,327.00	9/1/07	8/31/08
ARRA, Title I, School Improvement, Part A,	84.388	NCLB710910	29,951.00	7/1/09	8/31/11
Total Title I, School Improvement Cluster					
Title II, Part A					
Title II, Part A	84.367	NCLB710909	84,008.00	9/1/08	8/31/09
Title II, Part A	84.367	NCLB710910	78,088.00	9/1/09	8/31/10
Title II, Part A	84.367	NCLB710911	72,297.00	9/1/10	8/31/11
Title II, Part A	84.367	NCLB710912	65,812.00	9/1/11	8/31/12
Total Title IIA					
Title II, Part D					
Title II, Part D	84.318	NCLB710909	5,065.00	9/1/08	8/31/09
Title II, Part D	84.318	NCLB710910	6,369.00	9/1/09	8/31/10
Title II, Part D	84.318	NCLB710911	1,451.00	9/1/10	8/31/11
Total Title IID					
Title IV					
Title IV	84.186	NCLB710909	8,501.00	9/1/08	8/31/09
Title IV	84.186	NCLB710910	8,459.00	9/1/09	8/31/10
Total Title IV					
Title V	84.298	NCLB710909	2,444.00	9/1/07	8/31/08
Total No Child Left Behind (N.C.L.B.)					
I.D.E.I.A. Part B Cluster:					
I.D.E.I.A. Part B, Basic Regular	84.027	IDEA710909	192,810.00	9/1/08	8/31/09
I.D.E.I.A. Part B, Basic Regular	84.027	IDEA710910	188,116.00	9/1/09	8/31/10
I.D.E.I.A. Part B, Basic Regular	84.027	IDEA710911	193,047.00	9/1/10	8/31/11
I.D.E.I.A. Part B, Basic Regular	84.027	IDEA710912	209,365.00	9/1/11	8/31/12
ARRA, I.D.E.I.A. Part B, Basic Regular	84.391	IDEA710910	226,548.00	7/1/09	8/31/11
I.D.E.I.A. Preschool Incentive	84.173	IDEA710909	2,714.00	9/1/07	8/31/08
Total I.D.E.I.A. Part B Cluster					
Total U.S. Department of Education					
Total Special Revenue Fund					

Balance June 30, 2011	Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments (A)	Repayment of Prior Years' Balances	Balance, June 30, 2012		Due to Grantor at June 30, 2012
						(Accounts Receivable)	Deferred Revenue	
\$ 4,944.44			\$ (4,944.44)	\$ 80.00			\$ 80.00	
20,257.34			(20,257.34)					
25,201.78	-	-	(25,201.78)	80.00	-	-	80.00	-
45,702.66	-	-	-	-	-	-	45,702.66	-
(121,515.26)						\$ (121,515.26)		
116,747.64		\$ 238,612.00	(152,806.18)	11,016.69			213,570.15	
		293,953.00	(422,354.30)			(128,401.30)		
(4,767.62)	-	532,565.00	(575,160.48)	11,016.69	-	(249,916.56)	213,570.15	-
2,851.51			(2,851.51)					
(26,876.45)			(29,924.18)			(56,800.63)		
(363,525.07)		629,375.00	(281,679.09)	9,876.35		(5,952.81)		
		363,643.00	(376,315.59)			(12,672.59)		
(121,990.40)		328,903.00	(203,068.62)	14,236.21			18,080.19	
(509,540.41)	-	1,321,921.00	(893,838.99)	24,112.56	-	(75,426.03)	18,080.19	-
65,342.91			(65,342.91)					
		29,951.00					29,951.00	
65,342.91	-	29,951.00	(65,342.91)	-	-	-	29,951.00	-
14,763.17			(14,763.17)					
(638.00)		638.00						
(72,297.00)		72,297.00	(1,680.00)			(1,680.00)		
			(44,702.75)			(44,702.75)		
(58,171.83)	-	72,935.00	(61,145.92)	-	-	(46,382.75)	-	-
6,651.00			(6,651.00)					
(365.00)						(365.00)		
		1,451.00	(1,451.00)				-	
6,286.00	-	1,451.00	(8,102.00)	-	-	(365.00)	-	-
13,449.30			(13,449.30)					
		8,459.00					8,459.00	
13,449.30	-	8,459.00	(13,449.30)	-	-	-	8,459.00	-
917.39	-	-					917.39	-
(481,716.64)	-	1,434,717.00	(1,041,879.12)	24,112.56	-	(122,173.78)	57,407.58	-
1,576.40			(1,576.40)					
(36,004.52)						(36,004.52)		
(171,642.20)		193,047.00	(28,169.80)	8,813.87			2,048.87	
		150,141.00	(193,195.19)			(43,054.19)		
7,302.00			(7,302.00)					
11,047.43			(11,047.43)					
(187,720.89)	-	343,188.00	(241,290.82)	8,813.87	-	(79,058.71)	2,048.87	-
(603,300.71)	-	2,310,470.00	(1,883,532.20)	44,023.12	-	(451,149.05)	318,809.26	-
(603,300.71)	-	2,310,470.00	(1,883,532.20)	44,023.12	-	(451,149.05)	318,809.26	-

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
Enterprise Fund:					
U.S. Department of Agriculture					
Passed-through State Department of Education:					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	N/A	\$ 5,559.45	07/01/11	06/30/12
Non-Cash Assistance Subtotal					
Cash Assistance:					
National School Lunch Program	10.555	N/A	340,206.70	07/01/10	06/30/11
National School Lunch Program	10.555	N/A	363,607.50	07/01/11	06/30/12
School Breakfast Program	10.553	N/A	100,674.86	07/01/10	06/30/11
School Breakfast Program	10.553	N/A	109,414.23	07/01/11	06/30/12
Cash Assistance Subtotal					
Total Child Nutrition Cluster					
Passed-through State Department of Agriculture:					
Fresh Fruits and Vegetables Program	10.582	N/A	20,027.63	07/01/10	06/30/11
Total U.S. Department of Agriculture					
Total Enterprise Fund					
Total Federal Financial Assistance					

(A) See Note 5 to the Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

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

<u>Balance June 30, 2011</u>	<u>Carryover / (Walkover) Amount</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Adjustments (A)</u>	<u>Repayment of Prior Years' Balances</u>	<u>Balance, June 30, 2012</u>		<u>Due to Grantor at June 30, 2012</u>
						<u>(Accounts Receivable)</u>	<u>Deferred Revenue</u>	
		\$ 5,559.45	\$ (5,559.45)					
-	-	5,559.45	(5,559.45)	-	-	-	-	-
\$ (72,683.22)		72,683.22						
		287,580.58	(363,607.50)			\$ (76,026.92)		
(22,251.10)		22,251.10						
		86,124.12	(109,414.23)			(23,290.11)		
(94,934.32)	-	468,639.02	(473,021.73)	-	-	(99,317.03)	-	-
(94,934.32)	-	474,198.47	(478,581.18)	-	-	(99,317.03)	-	-
(3,812.34)		3,812.34				-		
(98,746.66)	-	478,010.81	(478,581.18)	-	-	(99,317.03)	-	-
(98,746.66)	-	478,010.81	(478,581.18)	-	-	(99,317.03)	-	-
<u>\$ (702,047.37)</u>	<u>-</u>	<u>\$ 2,788,480.81</u>	<u>\$ (2,362,113.38)</u>	<u>\$ 44,023.12</u>	<u>-</u>	<u>\$ (550,466.08)</u>	<u>\$ 318,809.26</u>	<u>-</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2012

<u>State Grantor/ Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance June 30, 2011</u>
			<u>From</u>	<u>To</u>	
General Fund:					
Current Expense:					
District Local Levy/Equalization Aid (State and Local Share)	11-495-034-5120-078	\$ 10,770,723.00	7/1/10	6/30/11	\$ (160,265.93)
District Local Levy/Equalization Aid (State and Local Share)	12-495-034-5120-078	11,167,658.00	7/1/11	6/30/12	
District Special Education Aid	12-495-034-5120-089	158,064.00	7/1/11	6/30/12	
District Security Aid	12-495-034-5120-085	329,236.00	7/1/11	6/30/12	
Non-Public State Aid	12-495-034-5120-071	208,424.00	7/1/11	6/30/12	
T.P.A.F. Social Security Aid	11-495-034-5095-002	280,687.66	7/1/10	6/30/11	(14,332.67)
T.P.A.F. Social Security Aid	12-495-034-5095-002	332,132.28	7/1/11	6/30/12	
Total General Fund					<u>(174,598.60)</u>
Enterprise Fund:					
National School Lunch Program -- (State Share)	11-100-010-3350-023	6,955.83	7/1/10	6/30/11	(1,500.69)
National School Lunch Program -- (State Share)	12-100-010-3350-023	7,694.20	7/1/11	6/30/12	
Total Enterprise Fund					<u>(1,500.69)</u>
Total State Financial Assistance					<u>\$ (176,099.29)</u>

(A) See Note 5 to the Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

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

Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments (A)	Repayment of Prior Years' Balances	Balance, June 30, 2012		Due to Grantor at June 30, 2012
					(Accounts Receivable)	Deferred Revenue	
	\$ 160,265.93						
	11,065,413.85	\$ (11,167,658.00)			\$ (102,244.15)		
	158,064.00	(158,064.00)					
	329,236.00	(329,236.00)					
	208,424.00	(208,424.00)					
	14,332.67						
	316,026.50	(332,132.28)			(16,105.78)		
-	12,251,762.95	(12,195,514.28)	-	-	(118,349.93)	-	-
	1,500.69						
	6,094.49	(7,694.20)			(1,599.71)		
-	7,595.18	(7,694.20)	-	-	(1,599.71)	-	-
-	\$ 12,259,358.13	\$ (12,203,208.48)	-	-	\$ (119,949.64)	-	-

LEAP ACADEMY UNIVERISTY CHARTER SCHOOL, INC.
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012

Note 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the LEAP Academy University Charter School, Inc. (hereafter referred to as the "Charter School"). The Charter School is defined in Note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: BASIS OF ACCOUNTING

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

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile revenues from the budgetary basis to the GAAP basis is \$39,397.69 for the special revenue fund. See Exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Note 3: RELATIONSHIP TO FINANCIAL STATEMENTS (CONT'D)

Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General		\$ 12,510,432.28	* \$ 12,510,432.28
Special Revenue	\$ 1,844,134.51		1,844,134.51
Food Service	<u>478,581.18</u>	<u>7,694.20</u>	<u>486,275.38</u>
	<u>\$ 1,844,134.51</u>	<u>\$ 12,510,432.28</u>	<u>\$ 14,354,566.79</u>

* Includes Equalization Aid and Categorical Aid passed through sending school districts.

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: ADJUSTMENTS

Amounts reported in the column entitled "adjustments" represent favorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in fiscal year 2010-2011.

Note 6: OTHER

Revenues and expenditures reported under the food distribution program represent current year value received and current year distribution, respectively. TPAF social security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2012.

Note 7: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? X yes no

Were significant deficiencies identified that were not considered to be a material weakness? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over compliance:

Material weaknesses identified? yes X no

Were significant deficiencies identified that were not considered to be a material weakness? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.287C	Twenty-First Century Community Learning Center
84.010	Title I, Part A
84.389	ARRA, Title I, Part A
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution Program

Dollar threshold used to determine Type A programs \$ 300,000.00

Auditee qualified as low-risk auditee? yes X no

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over compliance:

Material weaknesses identified? _____ yes X no

Were significant deficiencies identified that were not considered to be a material weakness? X yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) or New Jersey Circular 04-04-OMB? X yes _____ no

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
495-034-5120-078	District Local Levy/Equalization Aid (State/Local Share)
495-034-5120-089	District Special Education Aid
495-034-5120-085	District Security Aic

Dollar threshold used to determine Type A programs \$ 366,096.00

Auditee qualified as low-risk auditee? _____ yes X no

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding No. 2012-1

Criteria or Specific Requirement

Good internal control practices for the Food Service Enterprise Fund include but are not limited to the following:

- 1) There should be no deficits in operations.
- 2) Receipts received for daily sales should be deposited in a timely manner.
- 3) Amounts reported through the SNEARS system should agree to meal count supporting documentation.

Condition

The following conditions were noted in the Food Service Enterprise Fund:

- 1) As of June 30, 2012, there was a deficit in unrestricted net assets of the Food Service Enterprise Fund in the amount of \$343,724.66.
- 2) There were several receipts collected for food service daily sales that were not deposited timely.
- 3) Amounts reported through the SNEARS system were over-reported for June 2012.

Context

During the auditor's review of Food Service Enterprise Fund financial information, the following was noted:

- 1) Expenditures exceeded revenues during fiscal year 2012, resulting in a deficit in operations.
- 2) Of 37 food service receipts tested, 24 receipts were noted as not being deposited timely.
- 3) The auditor's comparison of amounts reported through the SNEARS system for June 2012 to the meal counts recorded by the Charter School noted an over reporting of meals by 1,063 meals.

Effect

The Charter School must implement policies and procedures to fund the deficit in the unrestricted net assets of the Food Service Enterprise Fund. The Charter School's food service deposits could be exposed to theft or improper recording. Also, due to inaccurate amounts being reported through the SNEARS system will result in monies due back to the Department of Agriculture.

Cause

The revenues generated by the Food Service Enterprise Fund were not sufficient to cover the expenditures incurred in providing the Charter School with a food service program. Also, a lack of internal controls over the deposit of food service receipts collected and over the reporting of meal counts through the SNEARS system.

Recommendation

The Charter School fund the deficit in unrestricted net assets of the Food Service Enterprise Fund and take appropriate corrective action to ensure the elimination of future deficits. The Charter School should also establish internal control procedures to ensure the timely deposit of food service deposits and over the accurate reporting of meal counts through the SNEARS system.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

None.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

Finding No. 2012-2

Information on the State Program

District Local Levy / Equalization Aid State and Local Share (GMIS No. 495-034-5120-078); District Special Education Aid (GMIS No. 495-034-5120-089); District Security Aid (GMIS No. 495-034-5120-085)

Criteria or Specific Requirement

The reporting of low income status for a student should be supported by an application for free or reduced lunch which has met the low income level requirements or other factors for eligibility.

Condition

Our audit of enrollment as of October 14, 2011 disclosed several instances where the reporting for low income was not in agreement with the application for free or reduced lunch on file.

Questioned Costs

None.

Context

The audit of enrollment for October 14th included the low income status for 737 students. The results were that 46 of these were not properly reported. There were applications reported as low income in error and applications which were not reported as low income when they should have been.

Effect

The enrollment counts made twice during the fiscal year are the foundation for most of the Charter School's revenue. The October 14th count is the only opportunity for the Charter School to provide low income reporting. Inaccuracy can have a material effect on the revenues where low income status is a factor.

Cause

Information reported for enrollment was not properly reviewed with supporting records.

Recommendation

That the reporting of students with low income status be supported by complete and accurate documentation as required by the New Jersey Department of Education.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2011-2

Condition

The Office of School Funding and the Office of Charter Schools performed an audit of the Charter School's fiscal policies and procedures and subsequently issued a report dated February 11, 2011. The report disclosed the following:

1. The school lacked evidence or documentation to confirm that they are adhering to the travel and expense reimbursement policy.

Current Status

The condition has been resolved.

Finding No. 2011-3

Condition

Instructional expenditures were not at least 60% of General Fund expenditures.

Current Status

The condition has been resolved.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

FEDERAL AWARDS**OFAC Finding****Program**

2009-2010 Title I Part A, 2008-2009 Title I Part A Carryover (CFDA No. 84.010) and 2008-09 Title I School Improvement Carryover (CFDA No. 84.377)

Condition

The State of New Jersey Department of Education Office of Fiscal Accountability and Compliance performed an audit of the School District's Title I for the fiscal year 2009-2010 Title I, 2008-2009 carryover of Title I and 2008-09 Title I School Improvement Carryover and issued a report dated May 21, 2012. The report disclosed the following:

- 1) The LEA reported significantly less Title I, Part A expenditures on its 2009-10 Final Report compared to the sum of reimbursements requested via the department's Electronic Web-Enabled Grant (EWEG) system.
- 2) The LEA improperly charged excess administrative expenses to the Title I grant.
- 3) Adequate documentation was not provided which demonstrates that certain charges to the Title I, Part A program represent allowable costs.
- 4) Amusement and/or entertainment costs of \$17,966.55 were incorrectly charged to the Title I, Part A program.
- 5) Appropriations recorded by the district for the Title I Part A program were not consistent with the SEA approved budget.
- 6) Certain records were not maintained in accordance with departmental and federal guidelines.
- 7) Title I funded personnel did not prepare detailed time and activity reports to demonstrate the percentage of time chargeable to the federal program as required by OMB Circular A-87.
- 8) Appointments of Title I, Part A funded personnel recorded in the board of education meeting minutes did not contain all of the required information.

Current Status

A corrective action plan has been prepared on all findings in the report dated May 21, 2012 and was approved at the June 19, 2012 Board of Trustees meeting.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

STATE FINANCIAL ASSISTANCE PROGRAMS

Finding No. 2011-1

Program

Equalization Aid (GMIS No. 495-034-5120-078); Special Education Aid (GMIS No. 495-034-5120-089) and Security Aid (GMIS No. 495-034-5120-085).

Condition

The general ledger for each fund was not properly maintained and as a result numerous audit adjustments were needed in order to achieve proper presentation in the financial statements.

Current Status

The condition has been resolved.

Finding No. 2011-4

Program

Equalization Aid (GMIS No. 495-034-5120-078); Special Education Aid (GMIS No. 495-034-5120-089) and Security Aid (GMIS No. 495-034-5120-085).

Condition

The Charter School did not maximize participation in the Special Education Medicaid Initiative (SEMI) and did not comply with any of the program requirements set forth in N.J.A.C. 6A:23A-5.3(e).

Current Status

The condition has been resolved.

