

***FOUNDATION ACADEMY CHARTER SCHOOL***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2013***

***FOUNDATION ACADEMY CHARTER SCHOOL***

***Foundation Academy Charter School  
Board of Trustees  
Trenton, New Jersey***

***Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Prepared By  
Foundation Academy Charter School  
Finance Department**

**And  
Barre & Company, CPA's**

**STATE BOARD OF EDUCATION**

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

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***INTRODUCTORY SECTION***

***Foundation Academy Charter School  
363 West State Street  
Trenton, New Jersey 08618  
609-920-9200***

September 11, 2013

Honorable President and  
Members of the Board of Trustees  
Foundation Academy Charter School  
County of Mercer  
Trenton, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Foundation Academy Charter School (Charter School) for the fiscal year ended June 30, 2013. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

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

## **Charter School Organization**

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

The Executive Director is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The Middle School Principal/Deputy Executive Director and the High School Principal are responsible to the Executive Director for the instructional program of the school. The Business Administrator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

### **1. REPORTING ENTITY AND ITS SERVICES:**

Foundation Academy Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the school are included in this report. Foundation Academy Charter School, Board of Trustees, constitutes the Charter School’s reporting entity.

During the sixth year of operation, the 2012-2013 school year, Foundation Academy Charter School provided a full range of educational services to students in grades 5-11. These services included regular, as well as special education instruction. Two Hundred and Twenty Five middle school students were enrolled in nine classes of twenty-five. One hundred and eighteen high school students were enrolled in grades 9-11. As a college-preparatory school, Foundation Academy Charter School’s mission is to ensure that all students secure the academic knowledge and skills to prepare them for the nation’s finest colleges, and to instill in them the core values of caring, respect, responsibility and honesty. Foundation Academy Charter School’s program is modeled after some of the highest performing urban charters schools in the country and includes standardized classroom procedures, regular testing to track student progress, more time on task, a focus on values and building community, clear and innovative rewards and consequences designed to teach and emphasize positive academic and social behavior, school uniforms, 90-120 minutes of homework each night, and an overall rigorous academic program. Foundation Academy Charter School provides a longer school day and a longer school year which includes a two-week summer session.

## **REPORTING ENTITY AND ITS SERVICES (CONTINUED):**

Language arts and math classes are taught for more minutes each week than most schools. In addition, all students are provided with general music instruction and learn to master a musical instrument.

### Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2012-2013	338.5	11.5%
2011-2012	303.5	52.2%
2010-2011	199.4	7.4%

**2. ECONOMIC CONDITION AND OUTLOOK:** Trenton continues to experience a period of development and expansion which is expected to continue through the Twenty-first century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Trenton will continue to prosper.

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2013.

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

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

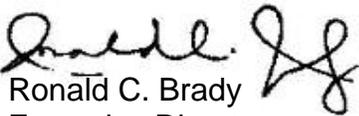
**8. OTHER INFORMATION:**

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

9. **ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, anti-bullying specialists, anti-bullying coordinators, administrative staff and board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2011-2012, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

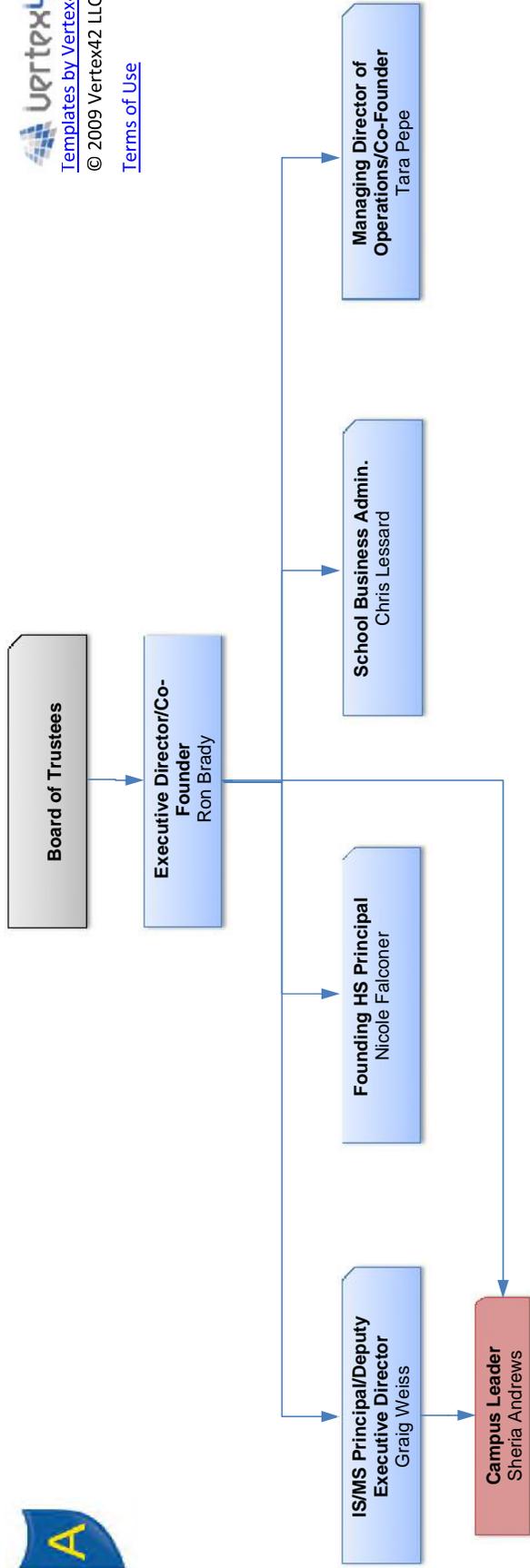
10. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Foundation Academy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development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

Respectfully submitted,

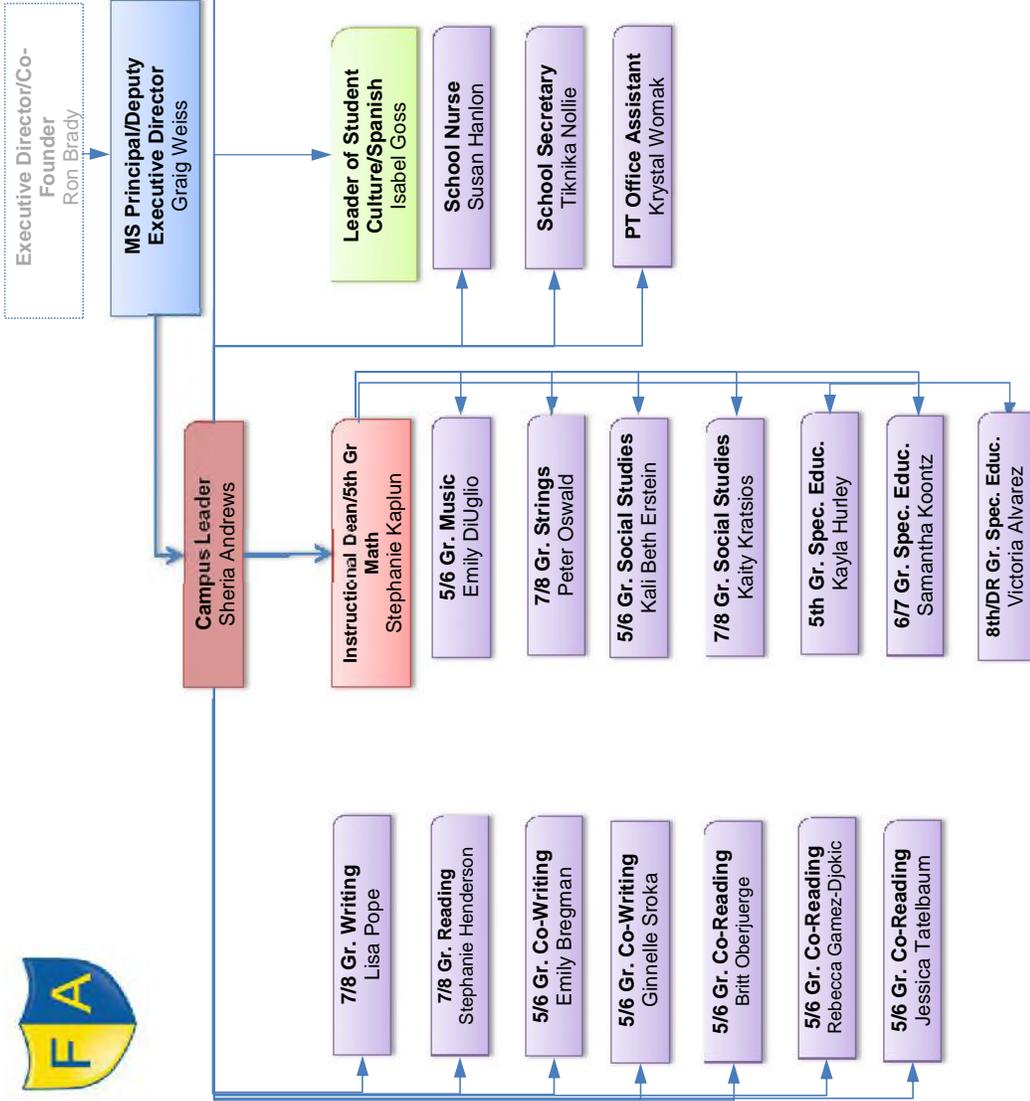
  
Ronald C. Brady  
Executive Director



# Senior Management Team



# Middle School





# High School

Executive Director/Co-Founder  
Ron Brady

**Founding HS Principal**  
Nicole Falconer

**Team Leader & ELA**  
Jill Spiegel

**History & Geo.**  
Marc Dral

**ELA**  
Mariealaena Miscannon

**Physical Education**  
Kevin Ovalle

**Science**  
Krystle Yanoff

**Interim PT Leader of Student Culture**  
Jenn Rak

**HS Secretary**  
Rebecca Wilson

**PT Secretary**  
Vacant

**PT Office Asst.**  
Vacant

**PTSchool Nurse**  
Vacant

**Sr. Math Consultant**  
Kerry Maxwell

**9th Gr. Math**  
Andrew Chung

**Team Leader & Special Educator**  
Liz Ramamurthy

**Music Director**  
Marlene Rice

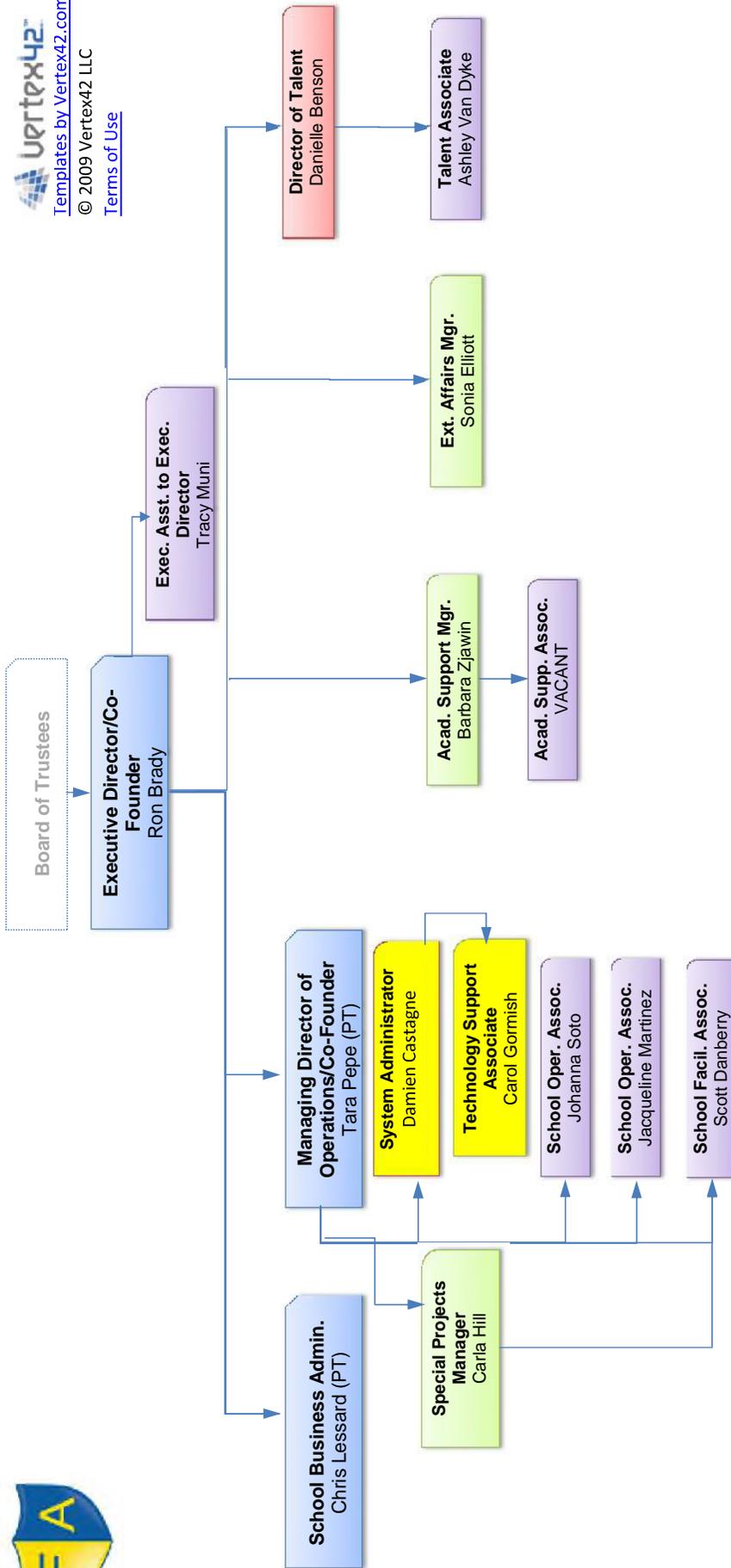
**College Counselor**  
Inessa Shor

**History & Comp.**  
Michelle Cardenas

**Spanish Teacher**  
Vianney Anzures



# Home Office



**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2013**

**MEMBERS OF THE BOARD OF TRUSTEES**

Meghan Mackay, Board President

Todd Kent, Board Vice President

Reid McCarthy, Member

Grecia Montero, Board Secretary/Treasurer

Anne-Mindy Fernandez-Sheinbaum, Member

Kirk Norris, Member

Jane Rohlf, Member

**OTHER OFFICIALS**

Ronald Brady, Executive Director

Graig Weiss, Middle School Principal/Deputy Executive Director

Nicole Falconer, High School Principal

Sheria Andres, Middle School Campus Leader

Christopher Lessard, Business Administrator

Tara Pepe, Director of Operations

Monique Bonnier, Treasurer

Hope Blackburn, Board Counsel

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, New Jersey 07083

***Attorney***

Hope R. Blackburn  
Schwartz Simon Edelstein & Celso LLC  
100 South Jefferson Road  
Suite 200  
Whippany, New Jersey 07981

***Official Depository***

Wells Fargo Bank  
Trenton Financial Center  
One W State Street  
Trenton, New Jersey 08608

***FINANCIAL SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*(908) 686-3484*  
*FAX – (908) 686-6055*

**Independent Auditor's Report**

Honorable President  
Members of the Board of Trustees  
Foundation Academy Charter School  
County of Mercer  
Trenton, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Foundation Academy Charter School (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

The Charter School's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Foundation Academy Charter School, in the County of Mercer, State of New Jersey, as of June 30, 2013, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 18 and 67, respectively, 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit

*Organizations,*” and New Jersey OMB’s Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,*” respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013 on our consideration of the Foundation Academy Charter School’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School’s internal control over financial reporting and compliance.



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

September 11, 2013

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The discussion and analysis of Foundation Academy Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- ❖ General revenues accounted for \$5,882,373 or 97% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$200,256 or 3% of total revenues of \$6,082,629.
- ❖ The Charter School had \$6,569,132 in expenses; only \$200,256 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,882,373 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$5,558,776 in revenues and \$6,042,287 in expenditures. The General Fund's fund balance decreased \$483,511 over 2012. This decrease was anticipated by the Board of Trustees.

**Using this Comprehensive Annual Financial Report (CAFR)**

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(CONTINUED)**

**Using this Comprehensive Annual Financial Report (CAFR) (Continued)**

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

**Reporting the Charter School as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(CONTINUED)**

**Statement of Net Position and the Statement of Activities (Continued)**

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

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**Enterprise Fund**

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 41 of this report.

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(CONTINUED)**

**The Charter School as a Whole**

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

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

The Charter School's combined Net Position were \$896,537 for 2013 and \$1,383,040 for 2012.

**Governmental Activities**

The Charter School's total revenues were \$5,882,373 for 2013 and \$5,037,485 for 2012, this includes \$151,877 for 2013 and \$133,805 for 2012 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$6,367,018 for 2013 and \$4,661,923 for 2012. Instruction comprises 47% for 2013 and 49% for 2012 of Charter School expenses.

**Business-Type Activities**

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

- ❖ Food service expenses exceeded revenues by \$1,858 for 2013 and revenues exceeded expenditures for 2012 by \$1,939 .
- ❖ Charges for services represent \$26,549 for 2013 and \$12,229 for 2012 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$166,707 for 2013 and \$146,732 for 2012.

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(CONTINUED)**

**Governmental Activities**

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

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

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

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

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$5,882,373 for 2013 and \$5,037,485 for 2012 and expenditures were \$6,364,622 for 2013 and \$4,660,789 for 2012. The net change in fund balance was most significant in the general fund, a decrease of 483,511 in 2013 and an increase of \$375,562 in 2012.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2013, and the amount and percentage of increases and decreases in relation to prior year revenues.

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2012	Percent of Increase/ (Decrease)
Local Sources	\$ 591,515	10.06%	\$ 129,687	28.08%
Intermediate Sources	11,824	0.20%	(43,094)	-78.47%
State Sources	4,967,261	84.46%	679,563	15.85%
Federal Sources	310,511	5.28%	81,261	35.45%
<b>Total</b>	<b><u>\$ 5,881,111</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 847,417</u></b>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2013, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2012	Percent of Increase/ (Decrease)
Instruction	\$ 2,423,994	38.09%	\$ 500,584	26.03%
Administration	2,374,095	37.30%	838,175	54.57%
Support Services	1,411,944	22.18%	347,583	32.66%
Capital Outlay	154,589	2.43%	17,491	12.76%
<b>Total</b>	<b><u>\$ 6,364,622</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 1,703,833</u></b>	

**FOUNDATION ACADEMY CHARTER SCHOOL  
TRENTON, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights**

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

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

**Capital Assets (Net of Depreciation)**

At the end of fiscal year 2013, the Charter School had \$22,731 invested in building improvements.

**For the Future**

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

In conclusion, Foundation Academy Charter School has committed itself to financial stability for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Ronald C. Brady, Executive Director at Foundation Academy Charter School, 363 West State Street, Trenton, New Jersey 08618.

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 928,923	\$ 29,652	\$ 958,575
Interfund Receivables	169,420		169,420
Other Receivables	320,939	15,559	336,498
Other Assets	112,049		112,049
Capital Assets, Net	22,731		22,731
<b>Total Assets</b>	<b>1,554,062</b>	<b>45,211</b>	<b>1,599,273</b>
<b>LIABILITIES:</b>			
Interfund Payable	113,551	33,000	146,551
Accounts Payable	243,461	11,869	255,330
Deferred Revenue	133,517		133,517
Other Current Liabilities	167,338		167,338
<b>Total Liabilities</b>	<b>657,867</b>	<b>44,869</b>	<b>702,736</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	22,731		22,731
Restricted for:			
Encumbrances	16,290		16,290
Unrestricted	857,174	342	857,516
<b>Total Net Position</b>	<b>\$ 896,195</b>	<b>\$ 342</b>	<b>\$ 896,537</b>

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

**FOUNDATION ACADEMY CHARTER SCHOOL**

Statement of Activities

For The Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 2,423,994	\$ 553,764	\$ -	\$ -	\$ -	\$ (2,977,758)	\$ (2,977,758)
Administration	1,426,032	324,238				(1,750,270)	(1,750,270)
Support Services	1,413,206	70,061				(1,483,267)	(1,483,267)
Capital Outlay	154,589					(154,589)	(154,589)
Unallocated Depreciation	1,134					(1,134)	(1,134)
<b>Total Governmental Activities</b>	<b>5,418,955</b>	<b>\$ 948,063</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(6,367,018)</b>	<b>(6,367,018)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Service	202,114		26,549	173,707		(1,858)	(1,858)
Total Business-Type Activities	202,114		26,549	173,707		(1,858)	(1,858)
Total Primary Government	\$ 5,621,069		\$ 26,549	\$ 173,707	\$ -	\$ (6,367,018)	\$ (6,368,876)
<b>GENERAL REVENUES</b>							
General Purposes			\$ 527,651			\$ -	\$ 527,651
Federal and State Aid Not Restricted			5,290,858				5,290,858
Miscellaneous Income			63,864				63,864
Total General Revenues			5,882,373				5,882,373
Change in Net Position			(484,645)			(1,858)	(486,503)
Net Position - Beginning			1,380,840			2,200	1,383,040
Net Position - Ending			\$ 896,195			\$ 342	\$ 896,537

**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2013

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 928,923	\$ -	\$ 928,923
Receivables:			
Interfund Receivables	169,420		169,420
Receivables From Other Governments	14,164	277,706	291,870
Receivables, Net	29,069		29,069
Other Assets	112,049		112,049
<b>Total Current Assets</b>	<u>1,253,625</u>	<u>277,706</u>	<u>1,531,331</u>
<b>Total Assets</b>	<u>\$ 1,253,625</u>	<u>\$ 277,706</u>	<u>\$ 1,531,331</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 113,551	\$ 113,551
Accounts Payable	212,823	30,638	243,461
Deferred Revenue		133,517	133,517
Other Current Liabilities	167,338		167,338
<b>Total Current Liabilities</b>	<u>380,161</u>	<u>277,706</u>	<u>657,867</u>
<b>Total Liabilities</b>	<u>380,161</u>	<u>277,706</u>	<u>657,867</u>
Fund Balances:			
Reserved For:			
Encumbrances	16,290		16,290
Unreserved:			
General Fund	857,174		857,174
<b>Total Fund Balances</b>	<u>873,464</u>	<u>-</u>	<u>873,464</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,253,625</u>	<u>\$ 277,706</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$27,267 and the accumulated depreciation is \$4,536.

	<u>22,731</u>
Net Position of Governmental Activities	<u>\$ 896,195</u>

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ 527,651	\$ -	\$ 527,651
Contributions/Donations	63,273		63,273
Miscellaneous	591		591
<b>Total Local Sources</b>	<b>591,515</b>	<b>-</b>	<b>591,515</b>
Intermediate Sources		11,824	11,824
State Sources	4,967,261		4,967,261
Federal Sources		310,511	310,511
<b>Total Revenues</b>	<b>5,558,776</b>	<b>322,335</b>	<b>5,881,111</b>
<b>EXPENDITURES:</b>			
Instruction	2,194,832	229,162	2,423,994
Administration	2,374,095		2,374,095
Support Services	1,318,771	93,173	1,411,944
Capital Outlay	154,589		154,589
<b>Total Expenditures</b>	<b>6,042,287</b>	<b>322,335</b>	<b>6,364,622</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(483,511)</b>	<b>-</b>	<b>(483,511)</b>
<b>FUND BALANCES, JULY 1</b>	<b>1,356,975</b>	<b>-</b>	<b>1,356,975</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 873,464</b>	<b>\$ -</b>	<b>\$ 873,464</b>

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Fiscal Year Ended June 30, 2013

Total net change in fund balances - governmental fund (from B-2) \$ (483,511)

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

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

Depreciation Expense	(1,134)	
Capital Outlay	-	(1,134)
	-	(1,134)

Change in net position of governmental activities \$ (484,645)

***PROPRIETARY FUNDS***

**FOUNDATION ACADEMY CHARTER SCHOOL**

Proprietary Fund  
Statement of Net Position  
June 30, 2013

	Business-Type Activities
	Food Service
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 29,652
Receivables From Other Governments	9,723
Other Receivables	5,836
<b>Total Assets</b>	<b>\$ 45,211</b>
<b>LIABILITIES AND NET POSITION:</b>	
Liabilities:	
Interfund Accounts Payable	\$ 33,000
Accounts Payable	11,869
<b>Total Liabilities</b>	<b>44,869</b>
<b>NET POSITION:</b>	
Unrestricted	342
<b>Total Net Position</b>	<b>342</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 45,211</b>

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities <u>Enterprise Fund</u> <u>Food Service</u>
<b>OPERATING REVENUES:</b>	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 26,549
Total Operating Revenues	<u>26,549</u>
<b>OPERATING EXPENSES:</b>	
Supplies and Materials	900
Cost of Sales	<u>201,214</u>
Total Operating Expenses	<u>202,114</u>
<b>OPERATING LOSS</b>	<u>(175,565)</u>
<b>NONOPERATING REVENUES:</b>	
Board Contributions	7,000
State Source:	
State Lunch Program	2,503
Federal Source:	
Federal Breakfast Program	38,965
Federal Lunch Program	<u>125,239</u>
Total Nonoperating Revenues	<u>173,707</u>
<b>CHANGE IN NET POSITION</b>	(1,858)
<b>TOTAL NET POSITION, JULY 1</b>	<u>2,200</u>
<b>TOTAL NET POSITION, JUNE 30</b>	<u><u>\$ 342</u></u>

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Proprietary Funds  
Statement of Cash Flows  
For The Fiscal Year Ended June 30, 2013

	Business-Type Activities
	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 26,549
Cash Payments to Suppliers and Employees	(172,475)
Net Cash Used by Operating Activities	(145,926)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received from State and Federal Reimbursements	166,707
Operating Transfers In	7,000
Net Cash Provided by Noncapital Financing Activities	173,707
Net Increase in Cash and Cash Equivalents	27,781
Cash and Cash Equivalents, July 1	1,871
Cash and Cash Equivalents, June 30	\$ 29,652
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss Used for Operating Activities	\$ (175,565)
Changes in Assets and Liabilities:	
Increase in Intergovernmental Accounts Receivable	(1,025)
Increase in Other Receivables	(5,836)
Increase in Interfund Accounts Payable	33,000
Increase in Accounts Payable	3,500
Net Cash Used by Operating Activities	\$ (145,926)

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

***FIDUCIARY FUNDS***

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Fiduciary Fund  
 Statement of Fiduciary Net Position  
 June 30, 2013

	Trusts		Payroll Agency	Payroll Account	Student Activity	Agency Fund
	Unemployment Compensation Trust	Flexible Spending Account				
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,627	\$ 6,000	\$ 11,312	\$ 2,174	\$ 10,715	\$ 24,201
<b>Total Assets</b>	<u>\$ 2,627</u>	<u>\$ 6,000</u>	<u>\$ 11,312</u>	<u>\$ 2,174</u>	<u>\$ 10,715</u>	<u>\$ 24,201</u>
<b>LIABILITIES:</b>						
Interfund Payable		\$ 6,000	\$ 11,312	\$ 2,174	\$ 3,383	\$ 16,869
Deposits Payable					5,693	5,693
Due to Student Groups					1,639	1,639
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 6,000</u>	<u>\$ 11,312</u>	<u>\$ 2,174</u>	<u>\$ 10,715</u>	<u>\$ 24,201</u>
<b>NET POSITION:</b>						
Reserved for Claims	<u>2,627</u>	<u>-</u>				
<b>Total Net Position</b>	<u>\$ 2,627</u>	<u>\$ -</u>				

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For Fiscal Year Ended June 30, 2013

	Trusts	
	Unemployment Compensation Trust	Flexible Spending Account
ADDITIONS:		
Contributions	\$ 19,888	\$ 6,520
Total Additions	<u>19,888</u>	<u>6,520</u>
DEDUCTIONS:		
Payment of Claims	<u>19,382</u>	<u>6,520</u>
Total Deductions	<u>19,382</u>	<u>6,520</u>
CHANGE IN NET POSITION	506	-
NET POSITION, JULY 1	<u>2,121</u>	<u>-</u>
NET POSITION, JUNE 30	<u><u>\$ 2,627</u></u>	<u><u>\$ -</u></u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

**A. Reporting Entity**

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the 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 and account groups for the Charter School over which the Board of Trustees' exercises operating control.

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, Basis of Accounting**

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

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

The statement of net position 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 the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

*Fund Financial Statements:* During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental, proprietary,*

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

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

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

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

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

Enterprise (Food Service) Fund: This enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

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

**Basis of Accounting**

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

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation, Basis of Accounting (Continued)**

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**C. Budgets/Budgetary Control**

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

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

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

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

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

Total Revenues & Expenditures (Budgetary Basis)		\$ 322,335
Adjustments:		
Less Encumbrances at June 30, 2013		-
Plus Encumbrances at June 30, 2012		-
Total Revenues and Expenditures (GAAP Basis)		\$ 322,335

**D. Encumbrances Accounting**

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrances Accounting (Continued)**

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

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

**E. Assets, Liabilities, and Equity**

**Interfund Transactions:**

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

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

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Capital Assets:

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

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

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

Deferred Revenue:

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Accrued Liabilities and Long-Term Obligations:

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

Net Assets:

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

Fund Balance Reserves:

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Revenues — Exchange and Non-exchange Transactions:

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

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

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

Operating Revenues and Expenses:

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Allocation of Indirect Expenses

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

Extraordinary and Special Items:

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

Management Estimates:

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

Accrued Salaries and Wages

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

**Deposits**

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

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

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**Deposits (Continued)**

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

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

**Investments**

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

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

As of June 30, 2013, cash and cash equivalents and investments of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 928,923	\$ -	\$ 29,652	\$ 32,828	\$ 991,403

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**Investments (Continued)**

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2013 was \$991,403 and the bank balance was \$1,228,774. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Risk Category**

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

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

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

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

As of June 30, 2013, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**New Jersey Cash Management Fund**

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

As of June 30, 2013, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2013, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 29,069	\$ 29,224
Federal Aid	277,706	287,274
Other	14,164	20,000
Gross Receivables	<u>320,939</u>	<u>336,498</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$ 320,939</u></u>	<u><u>\$ 336,498</u></u>

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to repay expenses paid by another fund. The following interfund balances remained on the fund financial statements at June 30, 2013:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 169,420	\$ -
Special Revenue Fund		113,551
Capital Projects		
Proprietary Fund		33,000
Fiduciary Fund		22,869
Total	\$ 169,420	\$ 169,420

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 27,267	\$ -	\$ -	\$ 27,267
Totals at Historical Cost	27,267	-	-	27,267
Less Accumulated Depreciation For:				
Building and Building Improvements	3,402	1,134	-	4,536
Total Accumulated Depreciation	3,402	1,134	-	4,536
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	23,865	(1,134)	-	22,731
Government Activity Capital Assets, Net	\$ 23,865	\$ (1,134)	\$ -	\$ 22,731

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

Unallocated	\$ 1,134
Total	\$ 1,134

**NOTE 6: RENTAL LEASE**

The school renewed the leased space at 343 South Broad Street, Trenton, NJ under a four year agreement commencing July 1, 2011 and ending June 30, 2015. The lease requires annual rental payments as follows:

Year	Amount
2013	\$ 179,635.50
2014	179,635.50
2015	179,635.50

In addition, the school leased space at 22 Grand Street and 719 Cass Street, Trenton, NJ under a lease agreement for four years commencing July 1, 2011 and ending June 30, 2015. The lease requires annual rental payments as follows:

Year	Amount
2013	\$ 274,721
2014	359,935
2015	389,059

In March 2013, the school sub-leased space at 363 West State Street, Trenton, New Jersey under a lease agreement for three years commencing April 1, 2013 and ending June 30, 2016. The lease requires annual rental payments as follows:

Year	Amount
2014	\$ 304,395
2015	552,680
2016	654,612

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASE**

In June 2013, the school leased an additional copier requiring monthly installments in the amount of \$2,723.33 for 33 months. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 27,233
2015	32,680
2016	29,957

**NOTE 8: PENSION PLANS**

**Description of Plans**

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

**Teachers' Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-

sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS)**

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Significant Legislation**

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Charter Schools' normal contributions to the Fund may be reduced based on the revaluation of assets. From fiscal year 1997 to fiscal year 2003, State and local government employers were not required to make contributions to the pension funds. The use of surplus pension assets replaced the annual payments that would otherwise have been made by employers. Subsequent law, P.L.2003, c.108, led to the resumption of contributions, on a phased-in approach. In 2009, employer contributions to PERS were further amended by P.L.2009, c.19.

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.64% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8: PENSION PLANS (CONTINUED)**

**Contribution Requirements (Continued)**

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/13	\$36,668	100%	\$36,668
06/30/12	\$20,986	100%	\$20,986
06/30/11	\$16,996	100%	\$16,996

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

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/13	\$183,525	100%	\$183,525
06/30/12	\$87,287	100%	\$87,287
06/30/11	None	100%	None

**NOTE 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2012 there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 9: POST-RETIREMENT BENEFITS (CONTINUED)**

The state is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

**NOTE 10: RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**New Jersey Unemployment Compensation Insurance**

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

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2012-2013	\$ -	19,888	\$ 19,382	506
2011-2012	-	12,044	10,800	1,244
2010-2011	-	31,222	30,951	271

**FOUNDATION ACADEMY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 11: FUND BALANCE APPROPRIATED**

General Fund

Of the \$873,464 in General Fund balance at June 30, 2013, \$16,290 is reserved for encumbrances and \$857,174 is unreserved and undesignated.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

**FOUNDATION ACADEMY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Sources:					
"Local Levy" Local Share - Charter School Aid	\$ 534,799	\$ -	\$ 534,799	\$ 527,651	\$ (7,148)
Total Local Sources	534,799	-	534,799	527,651	(7,148)
Categorical Aid:					
"Local Levy" State Share - Charter School Aid	4,648,602		4,648,602	4,324,269	(324,333)
Special Education	187,084		187,084	154,347	(32,737)
Security Aid	147,829		147,829	134,885	(12,944)
Non-Public Student Aid				18,358	18,358
Total Categorical Aid	4,983,515	-	4,983,515	4,631,859	(351,656)
Revenues From Other Sources:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				183,525	183,525
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				151,877	151,877
Contributions/Donations				63,273	63,273
Miscellaneous Revenue				591	591
Total Revenues From Other Sources	-	-	-	399,266	399,266
Total Revenues	5,518,314	-	5,518,314	5,558,776	40,462
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	1,746,195	111,062	1,857,257	1,738,639	118,618
Other Salaries for Instruction	8,000		8,000	3,000	5,000
Purchased Prof/Tech Services	18,500	85,000	103,500	89,025	14,475
Other Purchased Services	53,270	271	53,541	42,122	11,419
General Supplies	249,470	3,226	252,696	244,224	8,472
Textbooks	55,000	(13,324)	41,676	35,077	6,599
Miscellaneous	39,000	13,000	52,000	42,745	9,255
Total Instruction	2,169,435	199,235	2,368,670	2,194,832	173,838
Administration:					
Salaries - General Administration	816,730	(95,001)	721,729	691,904	29,825
Salaries of Secretarial/Clerical Assistants	258,140	92,040	350,180	327,990	22,190
Total Benefits Cost	763,128	(3,784)	759,344	612,661	146,683
Purchases Prof/Tech Services	37,920	135,390	173,310	149,585	23,725
Communications/Telephone	43,837	45,178	89,015	87,521	1,494
Supplies and Materials	56,190	22,200	78,390	71,200	7,190
Interest on Current Loans					
Miscellaneous Expenses	23,350	81,198	104,548	97,832	6,716
Total Administration	1,999,295	277,221	2,276,516	2,038,693	237,823

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 161,583	\$ 83,912	\$ 245,495	\$ 220,320	\$ 25,175
Purchased Prof/Tech Services	38,957	(6,359)	32,598	17,866	14,732
Cleaning, Repair, and Maintenance Services	129,500	139,000	268,500	259,649	8,851
Rental of Land and Buildings	433,226	105,233	538,459	537,923	536
Other Purchased Services	12,075	13,650	25,725	18,628	7,097
Transportation-Other Than To/From School	36,000	9,600	45,600	33,452	12,148
Insurance for Property, Liability and Fidelity	34,910	4,990	39,900	37,646	2,254
Supplies and Materials	36,250	30,473	66,723	65,637	1,086
Energy Costs (Heat and Electricity)	111,360	9,300	120,660	120,650	10
<b>Total Support Services</b>	<b>993,861</b>	<b>389,799</b>	<b>1,383,660</b>	<b>1,311,771</b>	<b>71,889</b>
Capital Outlay:					
Instructional Equipment		28,300	28,300	28,262	38
Miscellaneous Expenses		126,327	126,327	126,327	-
<b>Total Capital Outlay</b>	<b>-</b>	<b>154,627</b>	<b>154,627</b>	<b>154,589</b>	<b>38</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				183,525	(183,525)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				151,877	(151,877)
<b>Total Expenditures</b>	<b>5,162,591</b>	<b>1,020,882</b>	<b>6,183,473</b>	<b>6,035,287</b>	<b>148,186</b>
Excess of Revenues Over Expenditures	355,723	(1,020,882)	(665,159)	(476,511)	188,648
Other Financing Sources (Uses)					
Food Service	15,000		15,000	7,000	8,000
<b>Total Other Financing Sources (Uses)</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>	<b>7,000</b>	<b>8,000</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	340,723	(1,020,882)	(680,159)	(483,511)	196,648
FUND BALANCE, JULY 1	1,356,975	-	1,356,975	1,356,975	-
FUND BALANCE, JUNE 30	<u>\$ 1,697,698</u>	<u>\$ (1,020,882)</u>	<u>\$ 676,816</u>	<u>\$ 873,464</u>	<u>\$ 196,648</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 1,697,698	\$ (1,020,882)	676,816	873,464	196,648
<b>Total</b>	<u><b>\$ 1,697,698</b></u>	<u><b>\$ (1,020,882)</b></u>	<u><b>\$ 676,816</b></u>	<u><b>\$ 873,464</b></u>	<u><b>\$ 196,648</b></u>

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Federal Sources	\$ 250,000	\$ 128,989	\$ 378,989	\$ 310,511	\$ (68,478)
Local Sources		65,341	65,341	11,824	(53,517)
<b>Total Revenues</b>	<b>250,000</b>	<b>194,330</b>	<b>444,330</b>	<b>322,335</b>	<b>(121,995)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers		169,790	169,790	140,840	28,950
Purchased Prof/Tech Services		23,000	23,000	21,714	1,286
General Supplies		80,124	80,124	66,608	13,516
<b>Total Instruction</b>		<b>272,914</b>	<b>272,914</b>	<b>229,162</b>	<b>43,752</b>
Support Services:					
Salaries of Supervisors of Instruction		1,429	1,429		1,429
Personal Services - Employee Benefits	250,000	(218,744)	31,256	28,482	2,774
Purchased Prof/Ed Services		66,390	66,390	50,867	15,523
Other Purchased Professional Services		72,341	72,341	13,824	58,517
<b>Total Support Services</b>	<b>250,000</b>	<b>(78,584)</b>	<b>171,416</b>	<b>93,173</b>	<b>78,243</b>
<b>Total Expenditures</b>	<b>250,000</b>	<b>194,330</b>	<b>444,330</b>	<b>322,335</b>	<b>121,995</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Budgetary Comparison Schedule  
 Budget-To-GAAP Reconciliation  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2013

Note A - Explanation of differences between Budgetary Inflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b> \$ 5,558,776	<b>[C-2]</b> 322,335
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	 	 -
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b> \$ 5,558,776	<b>[B-2]</b> \$ 322,335
 <b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b> \$ 6,042,287	<b>[C-2]</b> 322,335
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	 	 -
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b> \$ 6,042,287	<b>[B-2]</b> \$ 322,335

***OTHER SUPPLEMENTARY INFORMATION***

**SECTION E – SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Special Revenue Fund  
 Combining Schedule of Revenues and Expenditures  
 Budgetary Basis  
 For the Fiscal Year Ended June 30, 2013

	Title I	Title I Carryover	IDEA Part B	KIPP Grant	Idea Basic Part B Carryover	Total
<b>Revenues:</b>						
Federal Sources	\$ 228,726	\$ 8,590	\$ 65,568	\$ -	\$ 7,627	\$ 310,511
Local Sources				11,824		11,824
<b>Total Revenues</b>	<b>\$ 228,726</b>	<b>\$ 8,590</b>	<b>\$ 65,568</b>	<b>\$ 11,824</b>	<b>\$ 7,627</b>	<b>\$ 322,335</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Salaries of Teachers	\$ 132,250	\$ 8,590	\$ -	\$ -	\$ -	\$ 140,840
Purchased Prof/Tech Services	21,714					21,714
General Supplies	45,480		21,128			45,480
Textbooks						21,128
<b>Total Instruction</b>	<b>199,444</b>	<b>8,590</b>	<b>21,128</b>	<b>-</b>	<b>-</b>	<b>229,162</b>
<b>Support Services:</b>						
Personal Services/Employee Benefits	28,482					28,482
Purchased Prof/Ed Services	800		42,440			43,240
Purchased Technical Services				11,824	7,627	7,627
Other Purchased Services			2,000			13,824
<b>Total Support Services</b>	<b>29,282</b>	<b>-</b>	<b>44,440</b>	<b>11,824</b>	<b>7,627</b>	<b>93,173</b>
<b>Total Expenditures</b>	<b>228,726</b>	<b>8,590</b>	<b>65,568</b>	<b>11,824</b>	<b>7,627</b>	<b>322,335</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENT**

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

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

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

***Payroll Agency Fund – This agency fund is used to account for payroll transactions of the Charter School.***

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2013

	Trusts		Agency			Total Agency Fund
	Unemployment Compensation Insurance	Flexible Spending Account	Payroll Agency	Payroll Account	Student Activity	
ASSETS:						
Cash and Cash Equivalents	\$ 2,627	\$ 6,000	\$ 11,312	\$ 2,174	\$ 10,715	\$ 24,201
Total Assets	<u>\$ 2,627</u>	<u>\$ 6,000</u>	<u>\$ 11,312</u>	<u>\$ 2,174</u>	<u>\$ 10,715</u>	<u>\$ 24,201</u>
LIABILITIES:						
Liabilities:						
Interfund Payable	\$ -	\$ 6,000	\$ 11,312	\$ 2,174	\$ 3,383	\$ 16,869
Deposits Payable					5,693	5,693
Due to Student Groups					1,639	1,639
Total Liabilities			<u>\$ 11,312</u>	<u>\$ 2,174</u>	<u>\$ 10,715</u>	<u>\$ 24,201</u>
NET POSITION						
Reserved for Claims	<u>2,627</u>	<u>-</u>				
Total Net Position	<u>2,627</u>	<u>-</u>				
Total Liabilities	<u>\$ 2,627</u>	<u>\$ -</u>				

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 Trust Funds  
 For the Fiscal Year Ended June 30, 2013

	Unemployment Compensation Trust	Flexible Spending Account
	<u>                    </u>	<u>                    </u>
ADDITIONS:		
Contributions	\$ 19,888	\$ 6,520
Total Additions	<u>19,888</u>	<u>6,520</u>
DEDUCTIONS:		
Payment of Claims	<u>19,382</u>	<u>6,520</u>
Total Deductions	<u>19,382</u>	<u>6,520</u>
CHANGE IN NET POSITION	506	-
NET POSITION, JULY 1	<u>2,121</u>	<u>-</u>
NET POSITION, JUNE 30	<u><u>\$ 2,627</u></u>	<u><u>\$ -</u></u>

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Student Groups	\$ 7,655	\$ 3,210	\$ 150	\$ 10,715
Total	<u>\$ 7,655</u>	<u>\$ 3,210</u>	<u>\$ 150</u>	<u>\$ 10,715</u>

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,000	\$ 1,316,200	\$ 1,306,888	\$ 11,312
Total Assets	<u>\$ 2,000</u>	<u>\$ 1,316,200</u>	<u>\$ 1,306,888</u>	<u>\$ 11,312</u>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 2,000	\$ 1,316,200	\$ 1,306,888	\$ 11,312
Totals	<u>\$ 2,000</u>	<u>\$ 1,316,200</u>	<u>\$ 1,306,888</u>	<u>\$ 11,312</u>

**STATISTICAL SECTION  
(UNAUDITED)**

***Foundation Academy Charter School has been in operation for six (6) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for six (6) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.***

## Contents

### **Financial Trends**

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

### **Revenue Capacity (Not Applicable To Charter School)**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

***FINANCIAL TRENDS***

**FOUNDATION ACADEMY CHARTER SCHOOL**

Net Assets/Position by Component

Last Six Fiscal Years

*(accrual basis of accounting)*

	2013	2012	2011	2010	2009	2008
<b>Governmental Activities</b>						
Net Investment in Capital Assets/						
Invested in capital assets, net of related debt	22,731	23,865	\$ 24,999	\$ 26,133	\$ -	\$ -
Restricted	16,290	16,125	-	-	-	-
Unrestricted	857,174	1,340,850	980,279	786,943	429,175	139,058
<b>Total Governmental Activities Net Assets/ Position</b>	<b>\$ 896,195</b>	<b>\$ 1,380,840</b>	<b>\$ 1,005,278</b>	<b>\$ 813,076</b>	<b>\$ 429,175</b>	<b>\$ 139,058</b>
<b>Business-Type Activities</b>						
Unrestricted	\$ 342	\$ 2,200	\$ 261	\$ 4,519	-	-
<b>Total Business-Type Activities Net Assets/Position</b>	<b>\$ 342</b>	<b>\$ 2,200</b>	<b>\$ 261</b>	<b>\$ 4,519</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Charter School-Wide</b>						
Net Investment in Capital Assets/						
Invested in capital assets, net of related debt	\$ 22,731	\$ 23,865	\$ 24,999	\$ 26,133	\$ -	\$ -
Restricted	16,290	16,125	-	-	-	-
Unrestricted	857,516	1,343,050	980,540	791,462	429,175	139,058
<b>Total Charter School-Wide Net Assets/Position</b>	<b>\$ 896,537</b>	<b>\$ 1,383,040</b>	<b>\$ 1,005,539</b>	<b>\$ 817,595</b>	<b>\$ 429,175</b>	<b>\$ 139,058</b>

Source: Charter School's Records

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Changes in Net Assets/Position  
 Last Six Fiscal Years  
 (accrual basis of accounting)

	2013	2012	2011	2010	2009	2008
<b>Expenses</b>						
Governmental Activities:						
Instruction	\$ 2,977,758	\$ 2,302,647	\$ 1,573,592	\$ 1,417,686	\$ 789,263	\$ 597,667
Administration	1,750,270	1,111,613	820,877	567,984	218,468	217,652
Support Services	1,483,267	1,109,430	639,992	556,065	510,443	705,689
Capital Outlay	154,589	137,098	4,070	-	-	16,490
Unallocated	1,134	1,134	1,134	1,134	-	-
Total Governmental Activities Expenses	<u>6,367,018</u>	<u>4,661,922</u>	<u>3,039,665</u>	<u>2,542,869</u>	<u>1,518,174</u>	<u>1,537,498</u>
Business-Type Activities:						
Food Service	202,114	157,022	112,463	109,063	84,786	64,182
Total Business-Type Activities Expenses	<u>202,114</u>	<u>157,022</u>	<u>112,463</u>	<u>109,063</u>	<u>84,786</u>	<u>64,182</u>
Total Charter School Expenses	<u>\$ 6,569,132</u>	<u>\$ 4,818,944</u>	<u>\$ 3,152,128</u>	<u>\$ 2,651,932</u>	<u>\$ 1,602,960</u>	<u>\$ 1,601,680</u>
<b>Program Revenues</b>						
Governmental Activities:						
Operating Grants and Contributions	\$ -	\$ -	\$ -	\$ -	\$ 51,280	\$ 30,016
Total Governmental Activities Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,280</u>	<u>30,016</u>
Business-Type Activities:						
Charges for Services	26,549	12,229	11,904	11,420	7,267	3,313
Operating Grants and Contributions	173,707	146,732	96,301	102,162	77,519	60,869
Total Business-Type Activities Expenses	<u>200,256</u>	<u>158,961</u>	<u>108,205</u>	<u>113,582</u>	<u>84,786</u>	<u>64,182</u>
Total Charter School Program Revenue	<u>\$ 200,256</u>	<u>\$ 158,961</u>	<u>\$ 108,205</u>	<u>\$ 113,582</u>	<u>\$ 136,066</u>	<u>\$ 94,198</u>
<b>Net (Expense)/Revenue</b>						
Governmental Activities	\$ (6,367,018)	\$ (4,661,922)	\$ (3,039,665)	\$ (2,542,869)	\$ (1,466,894)	\$ (1,507,482)
Business-Type Activities	(1,858)	1,939	(4,258)	4,519	-	-
Total Charter School Net Expense	<u>\$ (6,368,876)</u>	<u>\$ (4,659,983)</u>	<u>\$ (3,043,923)</u>	<u>\$ (2,538,350)</u>	<u>\$ (1,466,894)</u>	<u>\$ (1,507,482)</u>
<b>General Revenues and Other Changes in Net Assets/Position</b>						
Governmental Activities:						
General Purposes	\$ 527,651	\$ 433,815	\$ 270,859	\$ 273,060	\$ 162,667	\$ 110,820
Federal and State Aid Not Restricted	5,290,858	4,575,657	2,941,848	2,653,701	1,557,487	1,340,889
Investment Earnings	-	95	75	9	11	-
Miscellaneous Income	63,864	27,918	19,086	-	36,846	195,331
Total Governmental Activities	<u>5,882,373</u>	<u>5,037,485</u>	<u>3,231,868</u>	<u>2,926,770</u>	<u>1,757,011</u>	<u>1,646,540</u>
Total Charter School Wide	<u>\$ 5,882,373</u>	<u>\$ 5,037,485</u>	<u>\$ 3,231,868</u>	<u>\$ 2,926,770</u>	<u>\$ 1,757,011</u>	<u>\$ 1,646,540</u>
<b>Change in Net Assets/Position</b>						
Governmental Activities	\$ (484,645)	\$ 375,563	\$ 192,203	\$ 383,901	\$ 290,117	\$ 139,058
Business-Type Activities	(1,858)	1,939	(4,258)	4,519	-	-
Total Charter School	<u>\$ (486,503)</u>	<u>\$ 377,502</u>	<u>\$ 187,945</u>	<u>\$ 388,420</u>	<u>\$ 290,117</u>	<u>\$ 139,058</u>

Source: Charter School's Records

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Fund Balances - Governmental Funds  
Last Six Fiscal Years  
*(modified accrual basis of accounting)*

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund						
Reserved	\$ 16,290	\$ 16,125	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>857,174</u>	<u>1,340,850</u>	<u>980,279</u>	<u>786,943</u>	<u>429,175</u>	<u>139,058</u>
Total General Fund	<u>\$ 873,464</u>	<u>\$ 1,356,975</u>	<u>\$ 980,279</u>	<u>\$ 786,943</u>	<u>\$ 429,175</u>	<u>\$ 139,058</u>

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Changes in Fund Balances - Governmental Funds  
 Last Six Fiscal Years  
*(modified accrual basis of accounting)*

	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>						
Local Sources:	\$ 591,515	\$ 461,828	\$ 290,020	\$ 273,069	\$ 200,755	\$ 306,151
Intermediate Sources	11,824	58,709	54,918	7,851	-	-
State Sources	4,967,261	4,287,698	2,655,686	2,481,297	1,522,264	1,347,329
Federal Sources	310,511	229,250	231,244	164,553	85,272	22,307
Total Revenues	<u>5,881,111</u>	<u>5,037,485</u>	<u>3,231,868</u>	<u>2,926,770</u>	<u>1,808,291</u>	<u>1,675,787</u>
<b>Expenditures:</b>						
Instruction	2,423,994	1,923,410	1,326,170	1,190,324	672,884	597,667
Administration	2,374,095	1,535,920	1,097,182	826,532	359,595	217,652
Support Services	1,411,944	1,064,361	611,110	524,879	485,695	705,689
Capital Outlay	154,589	137,098	4,070	27,267	-	16,490
Total Expenditures	<u>6,364,622</u>	<u>4,660,789</u>	<u>3,038,532</u>	<u>2,569,002</u>	<u>1,518,174</u>	<u>1,537,498</u>
Net Change in Fund Balance	<u>\$ (483,511)</u>	<u>\$ 376,696</u>	<u>\$ 193,336</u>	<u>\$ 357,768</u>	<u>\$ 290,117</u>	<u>\$ 138,289</u>

Source: Charter School's Records

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
 Last Six Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	Interest	Miscellaneous Revenue	Total
2013	\$ -	\$ 591	\$ 591
2012	95	376	471
2011	75	1,097	1,172
2010	9		9
2009	11	6,396	6,407
2008		17,950	17,950

Source: Charter School's Records

***DEMOGRAPHIC AND ECONOMIC INFORMATION***

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Demographic and Economic Statistics  
 Last Six Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2013	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A
2008	82,804	N/A	\$ 49,847	9.9%

Source: Charter School's Records

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Principal Employers  
This Year and One Year Ago  
(Unaudited)

Employer	2013			Employer	2012		
	Employees	Rank	Percentage of Total Employment		Employees	Rank	Percentage of Total Employment
State of New Jersey	N/A		N/A	State of New Jersey	N/A		N/A
Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A	Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A
Trenton School System	N/A		N/A	Trenton School System	N/A		N/A
City of Trenton	N/A		N/A	City of Trenton	N/A		N/A
County of Mercer	N/A		N/A	County of Mercer	N/A		N/A
St. Francis Medical Center	N/A		N/A	St. Francis Medical Center	N/A		N/A
The Trenton Times	N/A		N/A	The Trenton Times	N/A		N/A
The Hibbert Company	N/A		N/A	The Hibbert Company	N/A		N/A
Mercer Street Friends Center	N/A		N/A	Mercer Street Friends Center	N/A		N/A
Water's Edge Convalescent Center	N/A		N/A	Water's Edge Convalescent Center	N/A		N/A

***OPERATING INFORMATION***

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Full-Time Equivalent Charter School Employees by Function  
Last Six Fiscal Years

<u>Function</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	34	33	19	17.5	11	5.75
Administrative	3.25	3.25	2.25	2.25	1.25	1.25
Support Services	16.25	10.5	7.25	6	5	2.5
Food Service	-	1	0.75	0.5	0.75	1
Total	<u>53.5</u>	<u>47.75</u>	<u>29.25</u>	<u>26.25</u>	<u>18</u>	<u>10.5</u>

Source: Charter School's Records

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 Operating Statistics  
 Last Six Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily		Percent Change in Average Daily Enrollment	Student Attendance Percentage
							Enrollment (ADE)	Attendance (ADA)		
2013	343	\$ 5,887,698	\$ 29,438	39.00%	34	10:1	338.5	323.4	11.53%	95.54%
2012	310	4,235,732	21,179	54.12%	33	9:1	303.5	292.8	52.21%	96.48%
2011	200	2,748,300	13,742	11.35%	18	11:1	199.4	192.1	7.38%	96.34%
2010	192	2,369,331	12,340	5.13%	17.5	11:1	185.7	178.7	55.14%	96.23%
2009	120	1,408,507	11,738	8.10%	11	11:1	119.7	114.68	49.63%	95.81%
2008	85	922,952	10,858	0.00%	5.75	15:1	80	76.87	100%	96.09%

**FOUNDATION ACADEMY CHARTER SCHOOL**  
 School Building Information  
 Last Six Fiscal Years

	2013	2012	2011	2010	2009	2008
<b><u>Charter School Building</u></b>						
<u>Middle</u>						
Foundation Academy Charter School						
Square Feet	28,000	28,000	28,000	28,000	28,000	28,000
Capacity (students)	225	225	200	120	120	192
<u>High School</u>						
Foundation Collegiate Academy						
Square Feet	32,000	32,000	N/A	N/A	N/A	N/A
Capacity (students)	118	85				
Total Enrollment	343	303	199	117	85	186

Number of Schools at June 30, 2013  
 Middle = 1  
 High = 1

**Source:** Charter School Facilities Office

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Insurance Schedule  
June 30, 2013

	Coverage	Deductible
<b>PACKAGE POLICY (NJSBAIG)</b>		
<b>Property Section</b>		
Building Limit	\$ 10,974,075	
Contents Limit	185,000	
Blanket Extra Expense	50,000,000	
Blanket Valuable Papers & Records	10,000,000	
Loss of Rents	200,000	
Flood Zones A&V	10,000,000	\$ 500,000
All Other Flood Zones	50,000,000	10,000
<b>EDP</b>		
Blanket Hardware/Software	\$ 100,000	
Blanket Extra Expense	Included	
Transit	25,000	
Loss of Income	10,000	
<b>Boiler &amp; Machinery</b>		
Property Damage & Extra Expense	\$ 100,000,000	\$ 1,000
<b>Crime</b>		
Public Employee Dishonesty	\$ 100,000	
Loss of Money & Securities	50,000	
Money Orders & Counterfeit	50,000	
Forgery or Alteration	50,000	
Computer Fraud	50,000	\$500 each coverage part
<b>General Liability</b>		
Each Occurrence	\$ 16,000,000	
Products/Completed Ops Annual Aggregate	16,000,000	
Sexual Abuse per Occurrence	16,000,000	
Sexual Abuse Annual Pool Aggregate	17,000,000	
Personal & Advertising Injury per Occurrence	16,000,000	
Personal & Advertising Injury Ann Aggregate	16,000,000	
Employment Benefits	16,000,000	\$ 1,000
Medical Payments	10,000	
<b>Business Auto Section</b>		
Hired & Non-Owned Auto Liability	\$ 16,000,000	
<b>WORKERS COMPENSATION (NJSBAIG)</b>		
Bodily Injury by Accident	\$ 2,000,000	each accident
Bodily Injury by Disease	2,000,000	each employee
Bodily Injury by Disease	2,000,000	aggregate limit
<b>ERRORS &amp; OMISSIONS LIABILITY (NJSBAIG)</b>		
Coverage A:		
Limit of Liability Each Policy Period	\$ 16,000,000	\$ 5,000
Coverage B:		
Limit Each Claim	100,000	5,000
Limit Each Policy Period	300,000	
<b>SUPPLEMENTAL INDEMNITY (NJSBAIG)</b>		
Maximum Benefit Period	52 weeks	
Maximum Weekly Benefit	\$ 2,500	
<b>STUDENT ACCIDENT INSURANCE (NJSBAIG)</b>		
Full Excess - Basic Only	\$ 5,000,000	
Cat Cash	1,000,000	
<b>BONDS (Selective)</b>		
Christopher Lessard	\$ 125,000	
Monique Bonnier	160,000	
<b>FF Group Catastrophe</b>	\$ 50,000,000	

Source: Charter School's Records

***CHARTER SCHOOL PERFORMANCE FRAMEWORK FINANCIAL INDICATORS***

**Charter School Performance Framework  
Financial Performance  
Fiscal Ratios**

Name: Foundation Academy Charter School

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	1,098,779	1,504,937	958,575	Audit: Exhibit A-1
Current Assets	169,259	196,052	617,967	Audit: Exhibit A-1
Total Assets	1,293,037	1,724,854	1,599,273	Audit: Exhibit A-1
Current Liabilities	287,498	341,814	702,736	Audit: Exhibit A-1
Total Liabilities	287,498	341,814	702,736	Audit: Exhibit A-1
Net Assets	1,005,539	1,383,040	896,537	Audit: Exhibit A-1
Total Revenue	3,340,073	5,196,446	6,082,629	Audit: Exhibit A-2
Total Expenses	3,152,129	4,818,945	6,569,132	Audit: Exhibit A-2
Change in Net Assets	187,944	377,501	(486,503)	Audit: Exhibit A-2
Depreciation Expense	1,134	1,134	1,134	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers

Final Average Daily Enrollment	199.40	303.50	338.50	DOE Enrollment Reports
March 30th Budgeted Enrollment	194	300	343	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2011	2012	2013	3 YR CUM
Ia. Current Ratio	0.59	0.57	0.88	Current Assets/Current Liabilities
Ib. Unrestricted Days Cash	127.23	113.99	53.26	Cash/(Total Expenses/365)
Ic. Enrollment Variance	103%	101%	99%	Average Daily Enrollment/Budgeted Enrollment
Id.* Default	N/A	N/A	N/A	Audit

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? N/A

**Charter School Performance Framework  
Financial Performance  
Fiscal Ratios**

Name: Foundation Academy Charter School

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Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	199.40	303.50	338.50	DOE Enrollment Reports
March 30th Budgeted Enrollment	0	0	0	Charter School Budget

<b>RATIOS ANALYSIS...</b>				
Sustainability Indicators				
2a. Total Margin	6%	7%	-8%	1%
2b. Debt to Asset	0.22	0.20	0.44	
2c. ** Cash Flow	289,443	406,158	(546,362)	
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	
				Change in Net Assets/Total Revenue
				Total Liabilities/Total Assets
				Net change in cash flow from prior years
				(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

\*\* 2013 = 2013 Cash - 2012 Cash; 2012 = 2012 Cash - 2011 Cash; 2011 = 2011 Cash - 2010 Cash

***SINGLE AUDIT SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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**Independent Auditor's Report**

Honorable President and  
Members of the Board of Trustees  
Foundation Academy Charter School  
County of Mercer  
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Foundation Academy Charter School (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated September 11, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

*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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Restriction on Use**

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



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

September 11, 2013

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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**Independent Auditor's Report**

Honorable President and  
Members of the Board of Trustees  
Foundation Academy Charter School  
County of Mercer  
Trenton, New Jersey

**Report on Compliance for Each Major State Program**

We have audited the compliance of the Foundation Academy Charter School (Charter School), in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2013. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School'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 on compliance for each major state program. However, our audit does not provide a legal determination of the Charter School's compliance.

### ***Opinion on Each Major State Program***

In our opinion, the Foundation Academy Charter School, in the County of Mercer, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of Foundation Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 state program will not be prevented, or detected and corrected, on a timely basis. *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 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Restriction on Use***

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



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

September 11, 2013

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2013

Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2012	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2013 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>													
<b>Passed-through State Department of Education</b>													
Special Revenue Fund:													
No Child Left Behind Cluster:													
84-010A	NCLB - 6017 - 13	\$ 277,517	9/1/12	8/31/13	\$ -	\$ -	-	\$ (228,726)	-	\$ -	(228,726)	\$ -	-
84-010A	NCLB - 6017 - 12	172,724	9/1/11	8/31/12	(65,138)	-	63,728	(6,590)	-	-	-	-	-
84-367A	NCLB - 6017 - 13	1,715	9/1/12	8/31/13	(336)	-	336	-	-	-	-	-	-
84-367A	NCLB - 6017 - 12	2,015	9/1/11	8/31/12	(20,469)	-	20,469	-	-	-	-	-	-
84-369A	ARRA - 6017 - 12	56,696	9/1/09	9/30/11	(73,963)	-	84,553	(237,316)	-	-	(228,726)	-	-
Total No Child Left Behind Cluster													
Individuals with Disabilities Cluster:													
84-027	IDEA - 6017 - 13	80,664	9/1/12	8/31/13	-	-	16,588	(65,668)	-	-	(48,980)	-	-
84-027	IDEA - 6017 - 12	46,624	9/1/11	8/31/12	(8,172)	-	15,799	(7,627)	-	-	-	-	-
84-391	ARRA - 6017 - 12	36,082	9/1/09	9/30/11	(6)	-	6	(73,195)	-	-	(48,980)	-	-
Total Individuals with Disabilities Cluster													
Total Special Revenue Fund													
<b>U.S. Department of Agriculture</b>													
<b>Passed-through State Department of Agriculture</b>													
Enterprise Fund:													
10-553	School Breakfast Program	38,965	7/1/12	6/30/13	-	-	37,288	(38,965)	-	-	(1,677)	-	-
10-553	School Breakfast Program	30,461	7/1/11	6/30/12	(1,898)	-	1,898	-	-	-	-	-	-
10-555	National School Lunch Program	122,955	7/1/12	6/30/13	-	-	117,348	(125,239)	-	-	(7,891)	-	-
10-555	National School Lunch Program	113,861	7/1/11	6/30/12	(6,660)	-	6,660	-	-	-	-	-	-
Total Enterprise Fund													
Sub-Total Federal Financial Awards													
					\$ (92,699)	\$ -	\$ 280,140	\$ (474,715)	\$ -	\$ -	\$ (287,274)	\$ -	\$ -

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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2013

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2012		Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2013		MEMO	
			From	To	Deferred Revenues (Accounts Receivable)	Due to Grantor				Deferred Interfund Payable	Due to Grantor		(Accounts Receivable)
<b>State Department of Education</b>													
General Fund:													
"Local Levy, State Share - Charter School Aid	13-495-034-5120-071	\$ 4,324,269	7/1/12	6/30/13	\$ -	\$ -	\$ 4,324,269	\$ (4,324,269)	\$ -	\$ -	\$ -	\$ -	\$ 4,324,269
Special Education Aid	13-495-034-5120-069	154,347	7/1/12	6/30/13	-	-	154,347	(154,347)	-	-	-	-	154,347
Security Aid	13-495-034-5120-064	134,885	7/1/12	6/30/13	-	-	134,885	(134,885)	-	-	-	-	134,885
On-Behalf TPAF Pension Contributions	13-495-034-5095-006	87,287	7/1/12	6/30/13	-	-	87,287	(87,287)	-	-	-	-	87,287
Reimbursed TPAF - Social Security	13-495-034-5095-002	151,877	7/1/12	6/30/13	-	-	137,713	(151,877)	-	(14,164)	-	14,164	151,877
Reimbursed TPAF - Social Security	12-495-034-5095-002	89,686	7/1/11	6/30/12	(4,161)	-	4,161	-	-	-	-	-	151,877
Total General Fund					(4,161)	-	4,842,662	(4,852,665)	-	(14,164)	-	14,164	4,852,665
<b>State Department of Agriculture</b>													
Enterprise Fund:													
National School Lunch Program (State Share)	13-100-010-3360-023	2,503	7/1/12	6/30/13	(139)	-	2,346	(2,503)	-	(155)	-	155	2,503
National School Lunch Program (State Share)	12-100-010-3360-023	2,410	7/1/11	6/30/12	(139)	-	2,487	(2,503)	-	(155)	-	155	2,503
Total Enterprise Fund					(4,300)	-	4,845,149	(4,855,168)	-	(14,319)	-	14,319	4,855,168
Total State Financial Assistance													

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2013

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

**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

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2013

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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 payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 4,967,261	\$ 4,967,261
Special Revenue Fund	310,511	-	310,511
Food Service Fund	164,204	2,503	166,707
Total Awards & Financial Assistance	<u>\$ 474,715</u>	<u>\$ 4,969,764</u>	<u>\$ 5,444,479</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING**

Foundation Academy Charter School has no loan balances outstanding at June 30, 2013.

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Notes to Schedules of Expenditures of Awards and Financial Assistance  
June 30, 2013

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**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2013. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

**NOTE 7. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards.

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

**State Awards**

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

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
<u>13-495-034-5120-071</u>	<u>Local Levy – State Share</u>
_____	_____
_____	_____
_____	_____

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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***Section II –Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violation of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

**Finding**

There were no matters reported.

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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***Section III –State Financial Assistance  
Findings and Questioned Costs***

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

**STATE AWARDS**

**Findings**

There were no matters reported.

**FOUNDATION ACADEMY CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs As Prepared by Management  
For the Fiscal Year Ended June 30, 2013

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**STATUS OF PRIOR-YEAR FINDINGS**

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

**Findings**

There were no matters reported.