

Lady Liberty Academy Charter School

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

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

**Comprehensive Annual
Financial Report**

of the

Lady Liberty Academy Charter School

For the Fiscal Year Ended June 30, 2013

Prepared by

**Lady Liberty Academy Charter School
Finance Department**

LADY LIBERTY ACADEMY CHARTER SCHOOL
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INTRODUCTORY SECTION

Lady Liberty Academy Charter School

Mr. Glen T. Pinder, Executive Director
Mr. K. Anthony Thomas, Board of Trustees President
 15 Frank E. Rodgers Boulevard South, Harrison, NJ 07029
 Structure | Peace | Accountability | Results | Community

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

December 24, 2013

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Lady Liberty Academy Charter School (the "Charter School") for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES:

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

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

The Honorable President and Members
of the Board of Trustees
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1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

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

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

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

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

2) ENROLLMENT OUTLOOK:

The Charter School's charter authorized a maximum enrollment of 468 students in 2012-2013 in grades K-8. The enrollment at the beginning of the school year was 457 students. The enrollment at the end of the school year was 461 students. There are three classes each in grades K, 1, 2, 3 and 4. There are two classes in grades 5, 6, 7, and 8.

3) MAJOR INITIATIVES:

The staff of LLACS will continue to be provided with professional development that provides long-term support to improve their practice, identify problems with teaching and learning, analyze student performance and integrate theory into practice, while using data to drive the instruction. We will provide follow up, enhancement, and extension to the existing PD that was introduced to ensure teacher and administrator efficiency that results in significant academic growth. Teachers will consistently remain involved in collaborative planning for grade levels and subjects. The school will continue to develop its curricular goals that are aligned to the NJ Common Core Curriculum standards. Teachers will develop the mastery objectives for English Language Arts and Mathematics to gain a thorough understanding of the standards. On-site professional development activities will be evaluated at the onset, during and upon completion of activities.

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

On line Lesson Planning

Teachers received extensive training in creating Lesson plans on line that reflect LLACS's philosophy for the understanding and implementation of learning objectives, anticipatory set, teacher model, guided practice, independent work, checking for understanding, and the assessment of lessons. All lesson plans were electronically posted on the On Course website where the administrative team critiqued them on a bi-weekly basis.

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of the Board of Trustees
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3) MAJOR INITIATIVES: (Cont'd)

Common Planning

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

Trainers

Trainers provided support for transforming teachers' practice, defining problems in teaching and learning, analyzing student performance and integrating theory into practice. Teachers were coached to provide rigorous, standards-based lessons and give motivational feedback to unmotivated students in order to engage them on a greater level.

Study Groups

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

Co-Teaching

All middle school teachers received extensive training in the co-teaching model, which was implemented in the upper grades (5-8). Co-Teachers met with administration to address any concerns or difficulties in order to provide high-level, standards-based, rigorous instruction to all students.

Language Arts Curriculum

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

Math Curriculum

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

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

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

Data on student performance was used to drive professional development for math teachers. Teachers will continue to participate in data meetings to understand and disaggregate data in multiple ways to identify

The Honorable President and Members
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3) MAJOR INITIATIVES: (Cont'd)

trends; areas for re-teaching; individual students' areas of challenges; whole class challenges; item analyses; and error analyses. Information gleaned from these exercises will be used to create action plans and intervention strategies.

Social Studies Curriculum

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

Science and Technology Curriculum

This year the LLACS science curriculum was expanded to include a curriculum map and pacing guide that is more effective and comprehensive. The revised curriculum map and pacing guide is in direct alignment with the NJCCCS. A Technology Plan was created the previous year and more resources were needed here as well to fully equip the building with internet and technology labs. We are now currently equipped with internet and technology in all science labs. We also piloted the iPad initiative in the 8th grade, where each 8th grade student was given an iPad to use in their classes throughout the school day. This allowed students to use engaging, updated technology for research, reading, and projects.

The Boys 2 Gentleman Program

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

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

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

School-wide Performances

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

Public Relations/Engagement and Partnerships

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

The Honorable President and Members
of the Board of Trustees
Lady Liberty Academy Charter School
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December 24, 2013

3) MAJOR INITIATIVES: (Cont'd)

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

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund

The Honorable President and Members
of the Board of Trustees
Lady Liberty Academy Charter School
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5) BUDGETARY CONTROLS: (Cont'd)

balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2013.

6) ACCOUNTING SYSTEM AND REPORTS:

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

7) CASH MANAGEMENT:

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

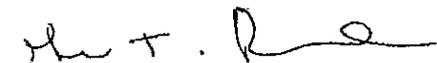
8) RISK MANAGEMENT: The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents. A schedule of insurance coverage is found on Exhibit J-20.

9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit *and Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

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



Glen T. Pinder, Executive Director

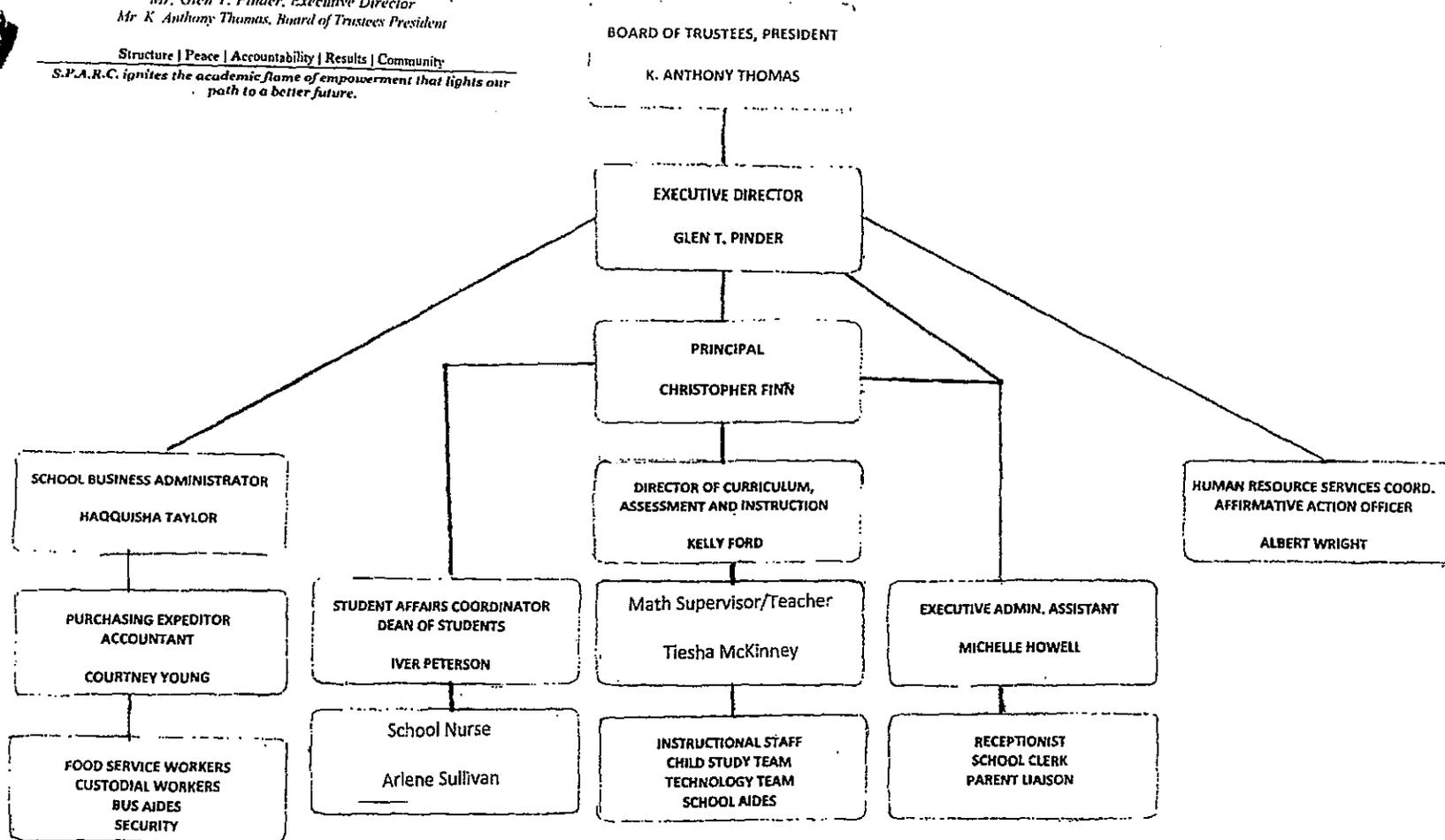


Courtney Young, Board Secretary/
Business Administrator



Lady Liberty Academy Charter School
Mr. Glen T. Pinder, Executive Director
Mr. K. Anthony Thomas, Board of Trustees President

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



LADY LIBERTY ACADEMY CHARTER SCHOOL

**ROSTER OF OFFICIALS
JUNE 30, 2013**

<u>MEMBERS OF THE BOARD OF TRUSTEES</u>		<u>TERM EXPIRES</u>
Mr. K. Anthony Thomas	President	2014
Mrs. Soyini Ma'at	Vice President	2013
Mr. John Stolz	Board Member	2013
Ms. Nichelle L. Holder	Board Member	2016
Ms. Kimya Jackson	Board Member	2015
Mr. Therone Hopkins	Board Member	2015
Ms. Monique Mitchell	Board Member	2015

OTHER OFFICIALS

TITLE

Mr. Glen T. Pinder	Executive Director
Mr. Christopher Lessard	Treasurer of School Monies

LADY LIBERTY ACADEMY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
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and
Lawrence Business Park
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OFFICIAL DEPOSITORY

Chase Bank
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FINANCIAL SECTION



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 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lady Liberty Academy Charter School (the "Charter School"), 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

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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Charter School'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 Charter School'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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lady Liberty Academy Charter School as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
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The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Nisivoccia, LLP

December 24, 2013
Mount Arlington, New Jersey

NISIVOCCIA LLP

Kathryn L. Mantell

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

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

**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

This section of Lady Liberty Academy Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

Financial Highlights

- The financial position of the Charter School improved significantly on a Charter School-wide and fund basis.
- Overall revenue was \$8,701,072 and overall expenses were \$8,178,944.

Overview of the Financial Statements

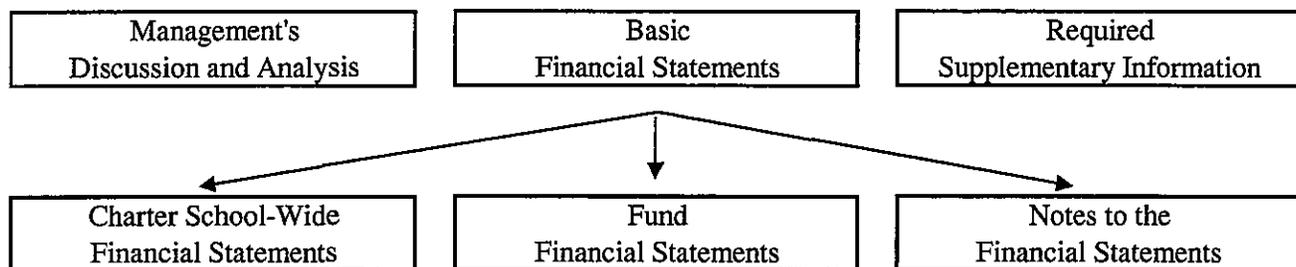
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Charter School:

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

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

Figure A-1

Organization of Lady Liberty Academy Charter School's Financial Report



**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Figure A-2

Major Features of the Entity-Wide and Fund Financial Statements

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

**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Entity-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The School has three kinds of funds:

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

**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Fund Financial Statements (Cont'd)

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

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

Financial Analysis of the School as a Whole

Net Position. The Charter School's *combined* net position was \$3,526,577 on June 30, 2013, \$822,128 or 30.40% more than they were the year before. (See Figure A-3).

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

	Government Activities		Business-Type Activities		Total Charter School		Percent Change
	2013	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$ 4,519,878	\$ 3,604,721	\$ 216,424	\$ 8,389	\$ 4,736,302	\$ 3,613,110	31.09%
Capital Assets	75,118	150,237			75,118	150,237	100.00%
Total Assets	4,594,996	3,754,958	216,424	8,389	4,811,420	3,763,347	27.85%
Other Liabilities	1,068,419	1,058,898	216,424	49,777	1,284,843	1,108,675	15.89%
Total Liabilities	1,068,419	1,058,898	216,424	49,777	1,284,843	1,108,675	15.89%
Net Position:							
Net Investment in Capital Assets	75,118	150,237			75,118	150,237	-50.00%
Unrestricted	3,451,459	2,545,823		8,389	3,451,459	2,554,212	35.13%
Total Net Position	\$ 3,526,577	\$ 2,696,060	\$ - 0 -	\$ 8,389	\$ 3,526,577	\$ 2,704,449	30.40%

**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Financial Analysis of the School as a Whole

Changes in Net Position. The Charter School's net position for governmental activities increased \$830,517 during the year. Net position invested in capital assets decreased \$75,119 due to current year depreciation expense. Unrestricted net position increased \$897,247 primarily due to cancellation of \$300,000 of prior year accounts payable as a result of favorable settlement of previously pending litigation and \$1,063,921 in unexpended budget appropriations (the largest of which was \$350,000 for lease purchase agreement principal).

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

	Governmental Activities		Business-type Activities		Total Charter School		Percent
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	Change 2012/13
Revenue:							
Program Revenue:							
Charges for Services			\$ 33,162	\$ 30,754	\$ 33,162	\$ 30,754	7.83%
Operating Grants and Contributions	\$ 1,660,255	\$ 1,619,184	270,570	236,493	1,930,825	\$ 1,855,677	4.05%
General Revenue:							
Charter School Aid	6,654,608	6,686,106			6,654,608	6,686,106	-0.47%
Other	24,916	238,442			24,916	238,442	-89.55%
Total Revenue	8,339,779	8,543,732	303,732	267,247	8,643,511	8,810,979	-1.90%
Expenses:							
Instruction	3,745,031	3,474,342			3,745,031	3,474,342	7.79%
General Administration	1,375,810	1,364,160			1,375,810	1,364,160	0.85%
Support Services	2,555,741	2,844,823			2,555,741	2,844,823	-10.16%
Other	75,119	75,119	369,682	282,299	444,801	357,418	24.45%
Total Expenses	7,751,701	7,758,444	369,682	282,299	8,121,383	8,040,743	1.00%
Cancellation of Prior Year							
Accounts Payable	300,000				300,000		100.00%
Transfers	(57,561)	(16,175)	57,561	16,175			
Change in Net Position	\$ 830,517	\$ 769,113	\$ (8,389)	\$ 1,123	\$ 822,128	\$ 770,236	-6.74%

Revenue Sources. The Charter School's total revenue for the 2012-2013 school year was \$8,643,511. (See Figure A-5). Charter School Aid accounted for most of the Charter School's revenue (76.99%) (See Figure A-5). Another 22.34 percent came from state and federal operating grants and the remaining .67% came from miscellaneous sources and charges for services.

**Figure A-5
Sources of Revenue for Fiscal Years 2013 and 2012**

Sources of Income	2013	Percentage	2012	Percentage
Charter School Aid	\$ 6,654,608	76.99%	\$ 6,686,106	75.88%
Operating Grants and Contributions	1,930,825	22.34%	1,855,677	21.06%
Charges for Services	33,162	0.38%	30,754	0.35%
Other	24,916	0.29%	238,442	2.71%
	\$ 8,643,511	100.00%	\$ 8,810,979	100.00%

**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Financial Analysis of the School as a Whole

Expenses. The total cost of all programs and services was \$8,121,383. The Charter School's expenses are predominantly related to student instruction (46.11%). (See Figure A-6). The Charter School's general administrative, support and other expenses represented 16.94%, 31.47%, and 5.48% of total costs, respectively.

**Figure A-6
Expenses for Fiscal Years 2013 and 2012**

Expense Category	2013	Percentage	2012	Percentage
Instruction	\$ 3,745,031	46.11%	\$ 3,474,342	43.21%
General Administration Services	1,375,810	16.94%	1,364,160	16.97%
Support Services	2,555,741	31.47%	2,844,823	35.38%
Other	444,801	5.48%	357,418	4.44%
	<u>\$ 8,121,383</u>	<u>100.00%</u>	<u>\$ 8,040,743</u>	<u>100.00%</u>

Governmental Activities

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

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

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

	Total Cost of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 3,745,031	\$ 3,474,342	\$ 2,466,188	\$ 2,254,734
General Administration Services	1,375,810	1,364,160	1,237,168	1,261,673
Support Services	2,555,741	2,844,823	2,312,971	2,866,349
Other	75,119	75,119	75,119	75,119
Total	<u>\$ 7,751,701</u>	<u>\$ 7,758,444</u>	<u>\$ 6,091,446</u>	<u>\$ 6,457,875</u>

**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Governmental Activities

- The cost of all governmental activities this year was \$7,751,701.
- A significant portion (\$6,654,608) of the Charter School's activities was financed through amounts received from the State in the amount of \$5,659,595 and raised by local school district tax levies and transferred to the Charter School in the form of Charter School Aid in the amount of \$995,013.
- The federal and state governments subsidized certain programs with \$1,660,255 in grants and contributions.
- The remaining \$24,916 of funding came from miscellaneous revenue.

Business-Type Activities

Net position from the Charter School's business-type activities decreased \$8,389 and is primarily attributable to decreases in participation in the Charter School's food service and after school programs. (Refer to Figure A-4).

Financial Analysis of the Charter School's Funds

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

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets

Capital assets of governmental activities decreased \$75,119 as a result of current year depreciation. (More detailed information about the Charter School's capital assets is presented in Note 4 to the Basic Financial Statements).

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Percentage Change 2012-2013
	2012/2013	2011/2012	
Leasehold Improvements	\$ 75,118	\$ 150,237	-50.00%
Total Capital Assets, Net of Depreciation	<u>\$ 75,118</u>	<u>\$ 150,237</u>	-50.00%

Long-term Liabilities

The Charter School had no Long Term Liabilities for the fiscal years ending June 30, 2012 and 2013.

**Lady Liberty Academy Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Factors Bearing on the Charter School's Future

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

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

Exhibit A-1

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,524,727	\$ 113,381	\$ 2,638,108
Internal Balances	90,258	(90,258)	
Interfund Receivable	29,368		29,368
Receivable from State Government	730,514	568	731,082
Receivable from Federal Government	612,344	44,914	657,258
Security Deposits	132,667		132,667
Deposit for the Acquisition of New Facilities	400,000		400,000
Capital Assets, net Depreciable Leasehold Improvements	75,118		75,118
Total Assets	4,594,996	68,605	4,663,601
LIABILITIES			
Accounts Payable	717,683	11,044	728,727
Internal Balance Payable	(57,561)	57,561	
Interfund Accounts Payable	20,720		20,720
Payable to State Governments	282,081		282,081
Unearned Revenue	105,496		105,496
Total Liabilities	1,068,419	68,605	1,137,024
NET POSITION			
Net Investment in Capital Assets Unrestricted	75,118 3,451,459		75,118 3,451,459
Total Net Position	\$ 3,526,577	\$ - 0 -	\$ 3,526,577

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction	\$ 3,745,031		\$ 1,278,843	\$ (2,466,188)		\$ (2,466,188)
General Administration Services	1,375,810		138,642	(1,237,168)		(1,237,168)
Support Services	2,555,741		242,770	(2,312,971)		(2,312,971)
Unallocated Depreciation	75,119			(75,119)		(75,119)
Total Governmental Activities	7,751,701		1,660,255	(6,091,446)		(6,091,446)
Business-Type Activities:						
Food Service	311,187	\$ 11,708	270,570		\$ (28,909)	(28,909)
After School Program	58,495	21,454			(37,041)	(37,041)
Total Business-Type Activities	369,682	33,162	270,570		(65,950)	(65,950)
Total Primary Government	\$ 8,121,383	\$ 33,162	\$ 1,930,825	(6,091,446)	(65,950)	(6,157,396)
General Revenue and Special Items:						
Local Property Taxes - Charter School Aid				6,654,608		6,654,608
Miscellaneous Income				24,916		24,916
Special Item - Cancellation of Prior Year Accounts Payable				300,000		300,000
Transfers				(57,561)	57,561	
Total General Revenue and Special Items				6,921,963	57,561	6,979,524
Change in Net Position				830,517	(8,389)	822,128
Net Position - Beginning				2,696,060	8,389	2,704,449
Net Position - Ending				\$ 3,526,577	\$ - 0 -	\$ 3,526,577

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

LADY LIBERTY ACADEMY CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 2,524,727		\$ 2,524,727
Accounts Receivable - Other			
Interfund Receivable	654,311	\$ 49,777	704,088
Intergovernmental Receivable:			
Federal		612,344	612,344
State	730,514		730,514
Security Deposits	132,667		132,667
Deposits for the Acquisition of New Facilities	400,000		400,000
	<u>\$ 4,442,219</u>	<u>\$ 662,121</u>	<u>\$ 5,104,340</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 630,398	\$ 87,285	\$ 717,683
Intergovernmental Payable:			
State	282,081		282,081
Unearned Revenue		105,496	105,496
Interfund Payable	78,281	469,340	547,621
	<u>990,760</u>	<u>662,121</u>	<u>1,652,881</u>
Fund Balances:			
Assigned:			
Year-end Encumbrances	4,621		4,621
Subsequent Year's Budget	400,000		400,000
Unassigned	3,046,838		3,046,838
	<u>3,451,459</u>		<u>3,451,459</u>
Total Liabilities and Fund Balances	<u>\$ 4,442,219</u>	<u>\$ 662,121</u>	<u>\$ 5,104,340</u>

Amounts Reported for *Governmental Activities* in the *Statement of Net Position* are different because:

Total Fund Balances - Governmental Funds (Above) \$ 3,451,459

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$225,356 and the accumulated depreciation is \$150,238.

75,118

Net Position - Governmental Activities (Exhibit A-1) \$ 3,526,577

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

Exhibit B-2

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Charter School Aid - Local Share	\$ 995,013		\$ 995,013
Charter School Aid - State Share	5,659,595		5,659,595
Miscellaneous	22,048	\$ 2,868	24,916
Total - Local Sources	6,676,656	2,868	6,679,524
State Sources	1,067,050		1,067,050
Federal Sources		593,204	593,204
Total Revenue	7,743,706	596,072	8,339,778
EXPENDITURES:			
Current:			
Instruction	2,838,393	465,067	3,303,460
General Administration	1,106,163	131,005	1,237,168
Support Services	2,441,108		2,441,108
Unallocated Benefits	694,845		694,845
Total Expenditures	7,080,509	596,072	7,676,581
Excess of Revenue over Expenditures	663,197		663,197
Other Financing Sources (Uses):			
Cancellation of Prior Year Accounts Payable	300,000		300,000
Transfers to Enterprise Funds	(57,561)		(57,561)
Change in Fund Balances	905,636		905,636
Fund Balance—July 1	2,545,823		2,545,823
Fund Balance—June 30	\$ 3,451,459	\$ - 0 -	\$ 3,451,459

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

Exhibit B-3

LADY LIBERTY ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$	905,636
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Amounts Reported for *Governmental Activities* in the *Statement of Activities* (Exhibit A-2) are Different Because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the *Statement of Activities*, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which derecognition exceeded capital outlays in the period.

Depreciation Expense		<u>(75,119)</u>
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Change in Net Position (Exhibit A-2)	\$	<u><u>830,517</u></u>
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Exhibit B-4

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 113,381
Accounts Receivable:	
State	568
Federal	44,914
Interfund Receivable	<u>66,036</u>
Total Current Assets	<u>224,899</u>
Total Assets	<u>224,899</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Interfund Payable	213,855
Accounts Payable -Vendors	<u>11,044</u>
Total Current Liabilities	<u>224,899</u>
<u>NET POSITION:</u>	
Unrestricted	<u>- 0 -</u>
Total Net Position	<u>\$ - 0 -</u>

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

Exhibit B-5

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 11,708
Before and After School Revenue	<u>21,454</u>
Total Operating Revenue	<u>33,162</u>
Operating Expenses:	
Cost of Sales	225,116
Salaries and wages	121,387
Supplies and Materials	4,998
Miscellaneous	<u>18,181</u>
Total Operating Expenses	<u>369,682</u>
Operating Income/(Loss)	<u>(336,520)</u>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	3,609
Federal Sources:	
National School Breakfast Program	64,579
National School Lunch Program	181,674
Fresh Fruits and Vegetable Program	<u>20,708</u>
Total Non-Operating Revenue	<u>270,570</u>
Net Loss Before Operating Transfers	(65,950)
Operating Transfer - General Fund	<u>57,561</u>
Change in Net Position	(8,389)
Net Position - Beginning of Year	<u>8,389</u>
Net Position - End of Year	<u>\$ - 0 -</u>

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

Exhibit B-6

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 33,162
Payments to Employees	(110,343)
Payments to Suppliers	(248,295)
	(325,476)
Net Cash Provided by /(Used for) Operating Activities	(325,476)
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	242,226
Cash Received from Operating Transfers	111,778
Operating Transfers In - General Fund	57,561
	354,004
Net Cash Provided by Noncapital Financing Activities	354,004
Net Increase/(Decrease) in Cash and Cash Equivalents	28,528
Cash and Cash Equivalents, July 1	84,853
Cash and Cash Equivalents, June 30	\$ 113,381
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:	
Operating Income/(Loss)	\$ (336,520)
Changes in Assets and Liabilities:	
Increase/(Decrease) in Accounts Payable	11,044
	11,044
Net Cash Provided by/(Used for) Operating Activities	\$ (325,476)

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

Exhibit B-7

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency	Unemployment Compensation Trust
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 46,960	\$ 111,757
Interfund Receivable	20,720	
	67,680	111,757
Total Assets	67,680	111,757
<u>LIABILITIES:</u>		
Interfund Payable		29,368
Accrued Salaries and Wages	\$ 4,624	
Payroll Deductions and Withholdings	63,056	
	67,680	29,368
Total Liabilities	67,680	29,368
<u>NET POSITION</u>		
Held in Trust for Unemployment Claims		82,389
Total Net Position	\$ - 0 -	\$ 82,389

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

Exhibit B-8

LADY LIBERTY ACADEMY CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Member	\$ 59,284
Total Contributions	<u>59,284</u>
Investment Earnings:	
Interest	<u>104</u>
Total Additions	<u>59,388</u>
DEDUCTIONS:	
Quarterly Contribution Reports	<u>29,368</u>
Total Deductions	<u>29,368</u>
Change in Net Position	30,020
Net Position - Beginning of the Year	<u>52,369</u>
Net Position - End of the Year	<u>\$ 82,389</u>

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and schools by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

B. Basis of Presentation:

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Charter School's Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements:

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

The Charter School reports the following governmental funds:

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

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

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

B. Basis of Presentation:

Fund Financial Statements:

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

The Charter School reports the following proprietary funds:

Enterprise (Food Service and Before and After School Program) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Charter School's cafeteria and child care operations. The Food Service Fund and School Age Child Care Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the Governmental Funds to be available if the revenue is collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

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

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

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

D. Budgets/Budgetary Control:

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

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

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. There were no encumbrances in the Special Revenue Fund at June 30, 2013 or 2012.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

D. Budgets/Budgetary Control:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	<u>\$ 7,743,706</u>	<u>\$ 596,072</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,743,706</u>	<u>\$ 596,072</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 7,080,509</u>	<u>\$ 596,072</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 7,080,509</u>	<u>\$ 596,072</u>

E. Cash and Cash Equivalents and Investments:

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

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

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

F. Interfund Transactions:

Transfers between Governmental and Business-Type Activities on the Charter School-Wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the Governmental Funds and after non-operating revenues/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the Enterprise Funds represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

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

M. Accrued Salaries and Wages:

The Charter School allows employees who provide services to the Charter School over the ten-month academic year the option to have their salaries evenly disbursed during the entire twelve-month year; therefore, as of June 30, 2013, there was \$623,612 of accrued salaries and wages for contractual salaries that were paid to employees during July and August 2013.

N. Unearned Revenue:

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

O. Fund Balance Appropriated:

General Fund: Of the \$3,451,459 General Fund balance at June 30, 2013, \$199,680 is assigned for year-end encumbrances, and \$3,251,779 is unassigned.

P. Net Position:

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Charter School that is applicable to a future reporting period. The Charter School did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Q. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has no restricted fund balance at June 30, 2013.

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Q. Fund Balance Restrictions, Commitments and Assignments:

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2013.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has \$199,680 of assigned resources for year-end encumbrances in the General Fund at June 30, 2013.

R. Revenue - Exchange and Nonexchange Transactions:

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

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

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

S. Revenue – Operating Revenue and Expenses

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

T. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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 Charter School to purchase the following types of securities:

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

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

	Cash and Cash Equivalents
Checking & Savings Accounts	\$ 2,796,825

During the period ended June 30, 2013, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents and investments at June 30, 2013 was \$2,796,825 and the bank balance was \$2,976,058.

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2013 were as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental Activities:				
Leasehold Improvements	\$ 225,356			\$ 225,356
Total Capital Assets Being Depreciated	225,356			225,356
Governmental Activities Capital Assets	225,356			225,356
Less Accumulated Depreciation for:				
Building Improvements	(75,119)	(75,119)		(150,238)
Total Accumulated Depreciation	(75,119)	(75,119)		(150,238)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 150,237	\$ (75,119)	\$ -0-	\$ 75,118

Depreciation expense in the amount of \$75,119 was charged to the unallocated governmental function.

NOTE 5. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers Pensions and Annuity Fund (T.P.A.F.) and the Public Employees' Retirement System (P.E.R.S.), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 5. POST-RETIREMENT BENEFITS (Cont'd)

62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you go basis beginning in fiscal year 1994.

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

The State's on behalf Post-Retirement Medical Contributions to TPAF for the Charter School amounted to \$235,928, \$180,503, and \$172,334 for 2013, 2012, and 2011, respectively.

NOTE 6. OPERATING LEASE

The Lady Liberty Academy Charter School leases its temporary facilities in Harrison from Holy Cross Church on an annual basis. Lease payments during the current fiscal year were \$425,000. Lease payments for the 2013-2014 fiscal year are \$437,750.

NOTE 7. PENSION PLANS

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

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective July 1, 2012, the employee contributions for PERS and TPAF increased from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the Charter School is a noncontributing employer of the TPAF.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

Charter School contributions to PERS amounted to \$84,334, \$82,139 and \$57,253 for the fiscal years ended June 30, 2013, 2012 and 2011 respectively.

During the fiscal years ended June 30, 2013 and 2012, the State of New Jersey contributed \$208,647 and \$89,791 to the TPAF for pension benefits on behalf of the Charter School. During the fiscal year ended June 30, 2011, the State of New Jersey made no contributions to the TPAF for pension benefits on-behalf of the Charter School.

NOTE 8. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Charter School provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	\$ 59,284	\$ 104	\$ 29,368	\$ 82,389
2011-2012		78		52,369
2010-2011	52,291			52,291

Property and Liability Insurance

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

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 8. RISK MANAGEMENT (Cont' d)

Selected, summarized financial information for the Group as of June 30, 2013 is as follows:

	NJ School Boards Association Insurance Group (NJSBAIG)
Total Assets	\$ 277,741,572
Net Position	\$ 65,389,322
Total Revenue	\$ 114,969,485
Total Expenses	\$ 113,723,547
Change in Net Position	\$ 1,245,938
Member Dividends	\$ - 0 -

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

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

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the various funds' balance sheets at June 30, 2013.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 654,311	\$ 78,281
Special Revenue Fund	49,777	469,340
Fiduciary Funds	20,720	29,368
Proprietary Funds	66,036	213,855
	<u>\$ 790,844</u>	<u>\$ 790,844</u>

The interfund payable in the Special Revenue Fund is the amount of cash advanced from the General Fund to the Special Revenue Fund while awaiting federal grant reimbursements. The interfund receivable in Special Revenue is a prior year receivable that is still due from the Food Service Enterprise Fund. The interfund payable in the Fiduciary Funds represents unemployment claims that were paid from the General Fund and is due from the Unemployment Compensation Trust account. The interfund payable in the Proprietary Funds is money due to General Fund, Special Revenue and Aftercare Program for prior year interfund balances and program expenses paid out of the General Fund in the current fiscal year. The interfund receivable in the Proprietary Funds is the money due from General Fund to cover the deficits in the Food Service and Aftercare Programs for the current fiscal year.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 10. ECONOMIC DEPENDENCY

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

NOTE 11. DEFERRED COMPENSATION

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

NOTE 12. DEPOSIT FOR THE ACQUISITION OF NEW FACILITIES

The Charter School has partnered with Build With Purpose (a nonprofit real estate development company) to for its new facilities. Build With Purpose secured financing through the New Jersey Economic Development Authority in the form of \$10,010,000 Charter School Revenue Bonds in February 2013 for the purchase and renovation of a building in Newark which it will lease to the Charter School. As part of the arrangement, the Charter School contributed \$400,000 towards the renovation of the building - \$200,000 was paid in both the 2011-2012 and 2012-2013 fiscal years. These payments have been reported as assets in the Charter School's financial statements as deposits for the acquisition of new facilities and will be transferred to capital assets as leasehold improvements when the renovations are complete and the Charter School occupies the building (which is expected to be in July 2014).

NOTE 13. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

Encumbrances

The Charter School has encumbrances recorded as of June 30, 2013 in the amount of \$199,680 in the General Fund.

NOTE 14. SECURITY DEPOSITS

The Charter School paid \$131,667 to Build With Purpose under its sublease agreement for rental of the new facilities and \$1,000 to St. John's Ukrainian Catholic Church of Newark under a parking space rental agreement as security deposits. These deposits are refundable to the Charter School upon termination of the lease agreements of the Charter School is not in default of its obligations or the conditions of the agreements.

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 15. ACCOUNTS PAYABLE

Accounts payable as of June 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Accrued Salaries	\$ 562,882	\$ 49,686	\$ 612,568	\$ 11,044
Due to Other Governments	40,302	37,599	77,901	
Vendors	<u>27,214</u>		<u>27,214</u>	
Total	<u>\$ 630,398</u>	<u>\$ 87,285</u>	<u>\$ 717,683</u>	<u>\$ 11,044</u>

BUDGETARY COMPARISON SCHEDULES

LADY LIBERTY ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 873,156		\$ 873,156	\$ 995,013	\$ 121,857
Local Levy - Charter School Aid - State Share	5,863,395		5,863,395	5,659,595	(203,800)
Miscellaneous				22,048	22,048
Total - Local Sources	<u>6,736,551</u>		<u>6,736,551</u>	<u>6,676,656</u>	<u>(59,895)</u>
State Sources:					
Special Education Aid - Charter School Aid	150,714		150,714	157,301	6,587
Security Aid	218,125		218,125	214,904	(3,221)
Nonbudgeted:					
On-Behalf TPAF Pension Payments				208,647	208,647
On-Behalf TPAF Post Retirement Medical Benefits				235,928	235,928
Reimbursed TPAF Social Security Contributions				250,270	250,270
Total State Sources	<u>368,839</u>		<u>368,839</u>	<u>1,067,050</u>	<u>698,211</u>
Total Revenues	<u>7,105,390</u>		<u>7,105,390</u>	<u>7,743,706</u>	<u>638,316</u>
Expenditures:					
Instruction:					
Salaries of Teachers	2,359,388	\$ (84,261)	2,275,127	2,138,211	136,916
Other Salaries for Instruction	440,233	(39,765)	400,469	269,090	131,379
Purchased Professional/Technical Services	112,500	(5,000)	107,500	109,024	(1,524)
Other Purchased Services	20,000	43,000	63,000	64,117	(1,117)
General Supplies	197,941	27,975	225,916	232,222	(6,306)
Textbooks	8,280		8,280	6,125	2,155
Miscellaneous Expenses	26,604		26,604	19,604	7,000
Total Instructional Expense	<u>3,164,946</u>	<u>(58,051)</u>	<u>3,106,895</u>	<u>2,838,393</u>	<u>268,502</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Administrative:					
Salaries - Administration	\$ 490,645	\$ 103,951	\$ 594,596	\$ 590,253	\$ 4,343
Salaries of Secretarial and Clerical Assistants	137,734	5,400	143,134	196,974	(53,840)
Legal Services	94,600		94,600	79,828	14,772
Audit Fees	54,500		54,500	50,200	4,300
Purchased Professional/Technical Services	58,580	3,943	62,523	67,530	(5,007)
Other Purchased Services	30,640		30,640	43,037	(12,397)
Communications	35,386	12,300	47,686	42,784	4,902
Supplies and Materials	31,000		31,000	25,107	5,893
Miscellaneous Expenses	3,877		3,877	3,545	332
Board of Trustees Dues and Memberships	7,630		7,630	6,905	725
Total Administrative Expense	944,592	125,593	1,070,185	1,106,163	(35,978)
Support Services:					
Salaries	803,004	(25,000)	778,004	593,340	184,664
Purchased Professional/Technical Services	228,810	36,000	264,810	171,360	93,450
Other Purchased Services	8,500		8,500	12,226	(3,726)
Rental of Land and Buildings	425,000		425,000	425,000	
Insurance for Property, Liability and Fidelity	23,900		23,900	22,929	971
Supplies and Materials	26,700		26,700	32,294	(5,594)
Energy Costs (Heat and Electricity)	80,000	(3,943)	76,057	59,075	16,982
Extracurricular Transportation	14,400	30,400	44,800	40,179	4,621
Social Security Contributions	100,000	40,692	140,692	324,338	(183,646)
Employer Pension Contribution - PERS	90,000		90,000	84,334	5,666
Other Pension Contributions - DCRP	1,815		1,815	1,590	225
NJ Unemployment/ Disability	373,204	(145,692)	227,512		227,512

LADY LIBERTY ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Support Services:					
Workers Compensation	\$ 56,000		\$ 56,000	\$ 42,346	\$ 13,654
Health Benefits	718,914		718,914	602,188	116,726
Employee Tuition Reimbursement	29,800		29,800	29,790	10
Other Employee Benefits	1,000		1,000	119	881
Total Support Services	2,981,047	\$ (67,543)	2,913,504	2,441,108	472,396
Nonbudgeted:					
On-Behalf TPAF Pension Payments				208,647	(208,647)
On-Behalf TPAF Post Retirement Medical Benefits				235,928	(235,928)
Reimbursed TPAF Social Security Contributions				250,270	(250,270)
Total On-Behalf Contributions				694,845	(694,845)
Capital Outlay:					
Equipment:					
Instructional	4,000		4,000		4,000
Non Instructional	5,000		5,000		5,000
Facilities Acquisitions:					
Lease Purchase Agreement - Principal	350,000		350,000		350,000
Total Capital Outlay	359,000		359,000		359,000
Total Expenditures	7,449,585		7,449,585	7,080,509	369,076

LADY LIBERTY ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (344,195)		\$ (344,195)	\$ 663,197	\$ 1,007,392
OTHER FINANCING SOURCES (USES):					
Cancellation of Prior Year Accounts Payable				300,000	300,000
Transfer to Food Service Fund	(70,000)		(70,000)	(28,909)	41,091
Transfer to Food Service Fund				(28,652)	(28,652)
Total Other Financing Sources (Uses)	(70,000)		(70,000)	242,439	312,439
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(414,195)		(414,195)	905,636	1,319,831
Fund Balance, July 1	2,545,823		2,545,823	2,545,823	
Fund Balance, June 30	<u>\$ 2,131,628</u>	<u>\$ -0-</u>	<u>\$ 2,131,628</u>	<u>\$ 3,451,459</u>	<u>\$ 1,319,831</u>
Recapitulation:					
Assigned:					
Year-end Encumbrances				\$ 4,621	
Subsequent Year's Budget				400,000	
Unassigned Fund Balance				<u>3,046,838</u>	
Fund Balance per Governmental Funds (Budgetary/GAAP B)				<u>\$ 3,451,459</u>	

LADY LIBERTY ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
Local Sources		\$ 2,868	\$ 2,868	\$ 2,868	
Federal Sources	\$ 538,315	168,892	707,207	593,204	\$ (114,003)
Total Revenue	<u>538,315</u>	<u>171,760</u>	<u>710,075</u>	<u>596,072</u>	<u>(114,003)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	213,253	165,022	378,275	323,678	54,597
Purchased Professional/Educational Services	88,000	(88,000)			
Other Purchased Services (400-500 Series)	14,000	(14,000)			
General Supplies	114,543	26,846	141,389	141,389	
Other Objects	18,000	(18,000)			
Total Instruction	<u>447,796</u>	<u>71,868</u>	<u>519,664</u>	<u>465,067</u>	<u>54,597</u>
Support Services:					
Personal Services - Employee Benefits	38,059	74,445	112,504	112,504	
Purchased Technical Services	24,801	2,070	26,871	2,070	24,801
Purchased Professional/Educational Services		14,728	14,728	9,328	5,400
Other Purchased Services (400-500 Series)	19,659	12,678	32,337	3,132	29,205
Supplies and Materials	8,000	(4,029)	3,971	3,971	
Total Support Services	<u>90,519</u>	<u>99,892</u>	<u>190,411</u>	<u>131,005</u>	<u>59,406</u>
Total Expenditures	<u>538,315</u>	<u>171,760</u>	<u>710,075</u>	<u>596,072</u>	<u>114,003</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Exhibit C-3

LADY LIBERTY ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 (UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 7,743,706	\$ 596,072
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 7,743,706	\$ 596,072
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 7,080,509	\$ 596,072
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 7,080,509	\$ 596,072

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

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

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. There were no encumbrances at June 30, 2013 or 2012 in the Special Revenue Fund.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

LADY LIBERTY ACADEMY CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	No Child Left Behind			
	Title I - A	Title I - A Carryover	Title I - SIA Carryover	
REVENUE:				
Local Sources				
Federal Sources	\$ 377,567	\$ 65,204	\$ 9,328	\$ 957
Total Revenue	<u>377,567</u>	<u>65,204</u>	<u>9,328</u>	<u>957</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	161,025	45,239		
General Supplies	141,389			
Total Instruction	<u>302,414</u>	<u>45,239</u>		
Support Services:				
Employee Benefits	69,805	19,965		
Purchased Professional Technical Services				
Purchased Professional/Educational Services			9,328	
Other Purchased Services (400-500 Series)	2,175			957
Supplies and Materials	3,173			
Total Support Services	<u>75,153</u>	<u>19,965</u>	<u>9,328</u>	<u>957</u>
Total Expenditures	<u>\$ 377,567</u>	<u>\$ 65,204</u>	<u>\$ 9,328</u>	<u>\$ 957</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>IDEA Part B Basic</u>	<u>Race to the Top</u>	<u>Safety Grant</u>	<u>Totals June 30, 2013</u>
REVENUE:				
Local Sources			\$ 2,868	\$ 2,868
Federal Sources	\$ 114,026	\$ 26,122		593,204
Total Revenue	<u>114,026</u>	<u>26,122</u>	<u>2,868</u>	<u>596,072</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	95,022	22,392		323,678
General Supplies				141,389
Total Instruction	<u>95,022</u>	<u>22,392</u>		<u>465,067</u>
Support Services:				
Employee Benefits	19,004	3,730		112,504
Purchased Professional Technical Services			2,070	2,070
Purchased Professional/Educational Services				9,328
Other Purchased Services (400-500 Series)				3,132
Supplies and Materials			798	3,971
Total Support Services	<u>19,004</u>	<u>3,730</u>	<u>2,868</u>	<u>131,005</u>
Total Expenditures	<u>\$ 114,026</u>	<u>\$ 26,122</u>	<u>\$ 2,868</u>	<u>\$ 596,072</u>

Exhibit E-2

LADY LIBERTY ACADEMY CHARTER SCHOOL
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

LADY LIBERTY ACADEMY CHARTER SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Food Service Program</u>	<u>Before and After School Program</u>	<u>Totals</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 109,993	\$ 3,388	\$ 113,381
Accounts Receivable:			
State	568		568
Federal	44,914		44,914
Interfund Receivable	28,909	37,127	66,036
Total Current Assets	<u>184,384</u>	<u>40,515</u>	<u>224,899</u>
Total Assets	<u>184,384</u>	<u>40,515</u>	<u>224,899</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Interfund Payable	173,340	40,515	213,855
Accounts Payable	11,044		11,044
Total Current Liabilities	<u>184,384</u>	<u>40,515</u>	<u>224,899</u>
<u>NET POSITION:</u>			
Unrestricted	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Exhibit G-2

LADY LIBERTY ACADEMY CHARTER SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Food Service Program	Before and After School Program	Totals
Operating Revenue:			
Local Sources:			
Daily Sales - Non-Reimbursable Programs	\$ 11,708		\$ 11,708
Before and After School Revenue		\$ 21,454	21,454
Total Operating Revenue	11,708	21,454	33,162
Operating Expenses:			
Cost of Sales	225,116		225,116
Salaries and Wages	80,872	40,515	121,387
Supplies and Materials	4,998		4,998
Miscellaneous	201	17,980	18,181
Total Operating Expenses	311,187	58,495	369,682
Operating Income/(Loss)	(299,479)	(37,041)	(336,520)
Non-Operating Revenue:			
State Sources:			
State School Lunch Program	3,609		3,609
Federal Sources:			
National School Breakfast Program	64,579		64,579
National School Lunch Program	181,674		181,674
Fresh Fruits and Vegetable Program	20,708		20,708
Total Non-Operating Revenue	270,570		270,570
Net Income (Loss) Before Operating Transfers	(28,909)	(37,041)	(65,950)
Operating Transfer In- General Fund	28,909	28,652	57,561
Change in Net Position	- 0 -	(8,389)	(8,389)
Net Position - Beginning of Year	- 0 -	8,389	8,389
Net Position - End of Year	\$ - 0 -	\$ - 0 -	\$ - 0 -

Exhibit G-3

LADY LIBERTY ACADEMY CHARTER SCHOOL
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Food Service Program</u>	<u>Before and After School Program</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 11,708	\$ 21,454	\$ 33,162
Payments to Employees	(69,828)	(40,515)	(110,343)
Payments to Suppliers	(230,315)	(17,980)	(248,295)
Net Cash Provided by /(Used for) Operating Activities	<u>(288,435)</u>	<u>(37,041)</u>	<u>(325,476)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from State and Federal Reimbursements	242,226		242,226
Cash Received from Operating Transfers	50,829	3,388	54,217
Operating Transfers In-General Fund	28,909	28,652	57,561
Net Cash Provided by Noncapital Financing Activities	<u>321,964</u>	<u>32,040</u>	<u>354,004</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	33,529	(5,001)	28,528
Cash and Cash Equivalents, July 1	<u>76,464</u>	<u>8,389</u>	<u>84,853</u>
Cash and Cash Equivalents, June 30	<u>\$ 109,993</u>	<u>\$ 3,388</u>	<u>\$ 113,381</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (299,479)	\$ (37,041)	\$ (336,520)
Changes in Assets and Liabilities:			
Increase/(Decrease) in Accounts Payable	11,044		11,044
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (288,435)</u>	<u>\$ (37,041)</u>	<u>\$ (325,476)</u>

FIDUCIARY FUNDS

Exhibit H-1

LADY LIBERTY ACADEMY CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Payroll Agency</u>	<u>Unemployment Compensation Trust</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 46,960	\$ 111,757
Interfund Receivable	20,720	
Total Assets	<u>67,680</u>	<u>111,757</u>
<u>LIABILITIES:</u>		
Interfund Payable - General Fund		29,368
Payroll Deductions and Withholdings	4,624	
Total Liabilities	<u>63,056</u>	<u>29,368</u>
<u>NET POSITION:</u>		
Held in Trust for Unemployment Claims		<u>82,389</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 82,389</u>

Exhibit H-2

LADY LIBERTY ACADEMY CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee	\$ 59,284
Total Contributions	<u>59,284</u>
Investment Earnings:	
Interest	<u>104</u>
Net Investment Earnings	<u>104</u>
Total Additions	<u>59,388</u>
Deductions:	
State of New Jersey Unemployment Agency Payments	<u>29,368</u>
Total Deductions	<u>29,368</u>
Change in Net Position	30,020
Net Position - Beginning of the Year	<u>52,369</u>
Net Position - End of the Year	<u><u>\$ 82,389</u></u>

Exhibit H-3

LADY LIBERTY ACADEMY CHARTER SCHOOL
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

Exhibit H-4

LADY LIBERTY ACADEMY CHARTER SCHOOL
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

Exhibit H-5

LADY LIBERTY ACADEMY CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 28,988	\$ 4,843,120	\$ 4,825,148	\$ 46,960
Interfund Receivable		20,720		20,720
Total Assets	\$ 28,988	\$ 4,863,840	\$ 4,825,148	\$ 67,680
 <u>LIABILITIES:</u>				
Interfund Payable:				
General Fund	\$ 9,922		\$ 9,922	
Accrued Salaries and Wages		\$ 2,948,883	2,944,259	\$ 4,624
Payroll Deductions and Withholdings	19,066	1,914,957	1,870,967	63,056
Total Liabilities	\$ 28,988	\$ 4,863,840	\$ 4,825,148	\$ 67,680

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.</p>	J-16 thru J-21

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NET POSITION BY COMPONENT
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:								
Net Investment in Capital Assets	\$ 1,038,805	\$ 992,605	\$ 945,714	\$ 948,002	\$ 909,256		\$ 150,237	\$ 75,118
Unrestricted	29,594	51,982	493,244	715,547	1,438,229	\$ 1,926,947	2,545,823	3,451,459
Total Governmental Activities Net Position	<u>\$ 1,068,399</u>	<u>\$ 1,044,587</u>	<u>\$ 1,438,958</u>	<u>\$ 1,663,549</u>	<u>\$ 2,347,485</u>	<u>\$ 1,926,947</u>	<u>\$ 2,696,060</u>	<u>\$ 3,526,577</u>
Business-Type Activities								
Unrestricted						\$ 7,266	\$ 8,389	
Total Business-Type Activities Net Position	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 7,266</u>	<u>\$ 8,389</u>	<u>\$ - 0 -</u>
Entity-Wide:								
Net Investment in Capital Assets	\$ 1,038,805	\$ 992,605	\$ 945,714	\$ 948,002	\$ 909,256		\$ 150,237	\$ 75,118
Unrestricted	29,594	51,982	493,244	715,547	1,438,229	\$ 1,934,213	2,554,212	3,451,459
Total Charter School-Wide Net Position	<u>\$ 1,068,399</u>	<u>\$ 1,044,587</u>	<u>\$ 1,438,958</u>	<u>\$ 1,663,549</u>	<u>\$ 2,347,485</u>	<u>\$ 1,934,213</u>	<u>\$ 2,704,449</u>	<u>\$ 3,526,577</u>

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

Source: Lady Liberty Academy Charter School Financial Reports.

LADY LIBERTY ACADEMY CHARTER SCHOOL
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:								
Governmental Activities:								
Instruction:								
Regular	\$ 2,292,796	\$ 2,518,571	\$ 2,450,071	\$ 2,897,262	\$ 3,050,717	\$ 3,448,517	\$ 3,474,342	\$ 3,745,031
General Administration	1,443,635	1,300,449	1,211,696	1,702,169	2,016,949	1,893,979	1,364,160	1,375,810
Support Services	1,014,207	948,820	987,548	1,350,972	1,510,786	1,397,471	2,844,823	2,555,741
On-Behalf TPAF Social Security/Pension	117,850	161,510	174,679	203,732	232,414	422,176		
Capital Outlay	71,117	59,681	71,430	79,239	38,818	40,449		
Unallocated Depreciation	64,703	65,252	67,973	76,951	77,564	61,613	75,119	75,119
Total Governmental Activities Expenses	5,004,308	5,054,283	4,963,397	6,310,325	6,927,248	7,264,205	7,758,444	7,751,701
Business-Type Activities:								
Food Service	202,519	199,753	192,867	211,340	239,907	249,940	274,471	311,187
Child Care							7,828	58,495
Total Business-Type Activities Expense	202,519	199,753	192,867	211,340	239,907	249,940	282,299	369,682
Total Charter School-Wide Expenses	\$ 5,206,827	\$ 5,254,036	\$ 5,156,264	\$ 6,521,665	\$ 7,167,155	\$ 7,514,145	\$ 8,040,743	\$ 8,121,383
Program Revenues:								
Governmental Activities:								
Operating Grants and Contributions					1,047,435	585,929	1,624,817	1,660,255
Total Governmental Activities					1,047,435	585,929	1,624,817	1,660,255
Business-Type Activities:								
Charges for Services:								
Food Service	204,191	199,072	191,876	211,340	239,907	257,206	14,537	11,708
Child Care							16,217	21,454
Operating Grants and Contributions							236,493	270,570
Total Business-Type Activities	204,191	199,072	191,876	211,340	239,907	257,206	267,247	303,732
Total Charter School-Wide Program Revenues	\$ 204,191	\$ 199,072	\$ 191,876	\$ 211,340	\$ 1,287,342	\$ 843,135	\$ 1,892,064	\$ 1,963,987

LADY LIBERTY ACADEMY CHARTER SCHOOL
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue:								
Governmental Activities	\$ (5,002,636)	\$ (5,054,964)	\$ (4,964,388)	\$ (6,310,325)	\$ (5,879,813)	\$ (6,678,276)	\$ (6,133,627)	\$ (6,091,446)
Business-Type Activities	1,672	(681)	(991)			7,266	(15,052)	(65,950)
Total Charter School-Wide Net (Expense)/Revenue	\$ (5,000,964)	\$ (5,055,645)	\$ (4,965,379)	\$ (6,310,325)	\$ (5,879,813)	\$ (6,671,010)	\$ (6,148,679)	\$ (6,157,396)
General Revenues and Other Changes in Net Position:								
Governmental Activities:								
Charter School Aid - Local Share	754,486	763,208	986,199	736,758	781,138	824,361	856,491	995,013
Charter School Aid - State Share	2,424,711	2,395,837	2,413,597	4,552,590	5,120,874	5,464,160	5,829,615	5,659,595
Unrestricted State and Federal Aid	1,692,878	1,852,374	1,911,742	1,145,270	574,757	782,425		
Miscellaneous Income	27,414		25,148	21,059	48,162	34,435	232,809	24,916
Increase (Decrease) in Net Capital Outlay	24,898	19,052	21,082	79,239	38,818	(451,526)		
Cancellation of PY Accounts Payable								300,000
Transfers In/(Out)							(16,175)	(57,561)
Total Governmental Activities	4,924,387	5,030,471	5,357,768	6,534,916	6,563,749	6,653,855	6,902,740	6,921,963
Business-Type Activities:								
Transfers In/(Out)							16,175	57,561
Total Business-Type Activities							16,175	57,561
Total Charter School-Wide General Revenues and Other Changes in Net Position	\$ 4,924,387	\$ 5,030,471	\$ 5,357,768	\$ 6,534,916	\$ 6,563,749	\$ 6,653,855	\$ 6,918,915	\$ 6,979,524
Change in Net Position:								
Governmental Activities	\$ (76,577)	\$ (24,493)	\$ 393,380	\$ 224,591	\$ 683,936	\$ (24,421)	\$ 769,113	\$ 830,517
Business-Type Activities	1,672	(681)	(991)			7,266	1,123	(8,389)
Total Charter School-Wide Net Position	\$ (74,905)	\$ (25,174)	\$ 392,389	\$ 224,591	\$ 683,936	\$ (17,155)	\$ 770,236	\$ 822,128

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

Source: Lady Liberty Academy Charter School Financial Reports.

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

	Fiscal Year Ended June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:								
Unreserved	\$ 29,594	\$ 51,982	\$ 493,244	\$ 715,847	\$ 1,438,229			
Assigned							\$ 42,414	\$ 404,621
Unassigned						\$ 1,926,947	2,503,409	3,046,838
Total General Fund	\$ 29,594	\$ 51,982	\$ 493,244	\$ 715,847	\$ 1,438,229	\$ 1,926,947	\$ 2,545,823	\$ 3,451,459
Total All Governmental Funds	\$ 29,594	\$ 51,982	\$ 493,244	\$ 715,847	\$ 1,438,229	\$ 1,926,947	\$ 2,545,823	\$ 3,451,459

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

Source: Lady Liberty Academy Charter School Financial Reports.

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

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:								
Local Tax Levy	\$ 754,486	\$ 763,208	\$ 1,011,347	\$ 736,758	\$ 781,138	\$ 824,361	\$ 856,491	\$ 995,013
Other Local Revenue	27,414	-	19,052	21,059	48,162	125,854	238,442	24,916
State Sources	3,612,378	3,781,702	3,801,347	4,996,891	5,695,631	6,246,585	6,733,668	6,726,645
Federal Sources	505,211	466,509	504,940	700,969	1,047,435	494,510	715,130	593,204
Total Revenues	4,899,489	5,011,419	5,336,686	6,455,677	7,572,366	7,691,310	8,543,731	8,339,778
Expenditures:								
Regular Instruction	2,386,349	2,518,571	2,455,939	2,978,578	3,397,382	3,448,517	3,143,000	3,303,460
General Administration	1,350,082	1,300,449	1,205,828	1,620,853	1,670,284	1,893,979	1,261,673	1,237,168
Support Services	1,014,207	948,820	987,548	1,350,972	1,510,786	1,397,471	2,984,185	2,441,108
TPAF Social Security and Pension	117,850	161,510	174,679	203,732	232,414	422,176	517,814	694,845
Capital Outlay	71,117	59,681	71,430	79,239	38,818	40,449	2,008	
Total Expenditures	4,939,605	4,989,031	4,895,424	6,233,374	6,849,684	7,202,592	7,908,680	7,676,581
Excess/(Deficiency) of Revenues								
Over/(Under) Expenditures	(40,116)	22,388	441,262	222,303	722,682	488,718	635,051	663,197
Other Financing Sources/(Uses):								
Cancellation of Prior Year Accounts Payable								300,000
Transfers In/(Out)							(16,175)	(57,561)
Total Other Financing Sources/(Uses)							(16,175)	242,439
Net Change In Fund Balances	\$ (40,116)	\$ 22,388	\$ 441,262	\$ 222,303	\$ 722,682	\$ 488,718	\$ 618,876	\$ 905,636
Debt Service as a % of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Source: Lady Liberty Academy Charter School Financial Reports.

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Other</u>	<u>Total</u>
2006	\$ 27,414	\$ 27,414
2007		
2008	25,148	25,148
2009	21,059	21,059
2010	48,162	48,162
2011	34,435	34,435
2012	3,583	3,583
2013	22,048	22,048

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

Source: Lady Liberty Academy Charter School Financial Reports.

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

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction:								
Regular	55.0	34.0	33.0		34.0	46.0	47.0	45.0
Special Education		5.0	7.0		9.0	11.0	3.0	3.0
Other Special Education							3.0	3.0
Other Instruction					2.0			
Support Services:								
Student & Instruction Related Services		13.0	8.0		13.0	11.0	4.0	6.0
School Administrative Services		2.0	4.0		4.0	4.0	6.0	6.0
Other Administrative Services		3.0	5.0		4.0	3.0	5.0	5.0
Central Services		2.0	1.0		1.0		6.0	4.0
Plant Operations and Maintenance					5.0	5.0	6.0	6.0
Other Support Services		7.0			7.0	10.0	6.0	7.0
Special Schools		6.0	18.0				3.0	2.0
Food Service					3.0	4.0		3.0
Total	<u>55.0</u>	<u>72.0</u>	<u>76.0</u>		<u>82.0</u>	<u>94.0</u>	<u>89.0</u>	<u>90.0</u>

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

Source: Lady Liberty Academy Charter School Personnel Records.

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

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^b</u>	<u>Percentage Change</u>	<u>Teaching Staff^c</u>	<u>Pupil/Teacher Ratio Middle School</u>	<u>Average Daily Enrollment (ADE)^d</u>	<u>Average Daily Attendance (ADA)^d</u>	<u>% Change Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2006	94	\$ 786,769	\$ 8,370	0.02%	40	14	N/A	N/A	N/A	98.00%
2007	443	4,274,522	9,649	15.28%	41	11	N/A	N/A	N/A	98.00%
2008	443	4,713,525	10,640	10.27%	42	N/A	N/A	N/A	N/A	98.00%
2009	443	6,233,374	14,071	32.24%	45	N/A	433.0	402.0	N/A	92.84%
2010	443	6,233,374	14,071	0.00%	45	N/A	433.0	402.0	0.00%	92.84%
2011	451	6,900,763	15,301	8.74%	57	N/A	454.0	425.0	4.85%	93.61%
2012	456	7,906,672	17,339	13.32%	53	11	460.5	425.6	1.43%	92.42%
2013	461	7,734,142	16,777	-3.24%	51	12	456.0	426.9	0.98%	93.62%

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

^a Operating expenditures equal total expenditures less debt service and capital outlay.

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

^c Teaching staff includes only full-time equivalents of certificated staff.

^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A Information is not available.

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

Source: Lady Liberty Academy Charter School Records.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Building								
Square Feet	N/A							
Capacity (Students)	500	500	500	500	500	500	500	500
Enrollment	94	443	443	443	443	451	456	460

Number of Schools at June 30, 2013:

None

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

N/A - Not Applicable since the Charter School does not own its facilities.

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

Source: Lady Liberty Academy Charter School Office.

Exhibit J-20

LADY LIBERTY ACADEMY CHARTER SCHOOL
INSURANCE SCHEDULE
AS OF JUNE 30, 2013
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
New Jersey School Board Association		
Insurance Group (NJSBAIG)		
Package Policy:		
Blanket Real and Personal Property	\$ 550,000	\$ 2,500
Comprehensive General Liability	6,000,000	
Computer Equipment	250,000	1,000
Equipment Breakdown	100,000,000	1,000
Crime Coverage:		
Faithful Performance	250,000	1,000
Money and Securities	10,000	500
Automobile	6,000,000	
School Board Legal Liability	6,000,000	10,000
Employers Liability	2,000,000	
Flood		10,000
Board Secretary/Business Administrator	175,000	
Treasurer of School Moneys	175,000	
Workers Compensation	Statutory Limits	
Chubb Insurance Company		
Supplemental Indemnity	50,000,000	7 Day Wait

Source: Lady Liberty Academy Charter School Records.

Exhibit J-21

LADY LIBERTY ACADEMY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FISCAL RATIOS

JUNE 30, 2013

(UNAUDITED)

	<u>2012</u>	<u>2013</u>	
Cash	\$ 2,768,393	\$ 2,638,108	
Current Assets	\$ 3,613,110	\$ 4,588,483	
Capital Assets, Net	150,237	75,118	
Total Assets	<u>3,763,347</u>	<u>4,663,601</u>	
Current Liabilities	<u>1,058,898</u>	<u>1,137,024</u>	
Total Liabilities	<u>1,058,898</u>	<u>1,137,024</u>	
Net Position	<u>\$ 2,704,449</u>	<u>\$ 3,526,577</u>	
Total Revenue	\$ 8,810,979	\$ 9,001,072	
Total Expenses	<u>8,040,743</u>	<u>8,178,944</u>	
Change in Net Position	<u>\$ 770,236</u>	<u>\$ 822,128</u>	
Final Average Daily Enrollment	456.00	453.00	
March 30th Budgeted Enrollment	443.00	456.00	
	<u>2012</u>	<u>2013</u>	<u>2 Year Cumulative</u>
Near Term Indicators:			
Current Ratio	3.41	4.04	3.73
Unrestricted Days Cash	125.67	117.73	121.67
Enrollment Variance	103%	99%	101%
Default	None	None	None
Sustainability Indicators:			
Total Margin	9%	9%	9%
Debt (Liabilities) to Asset	0.28	0.24	0.26
Cash Flow	\$ 1,096,557	\$ (130,285)	\$ 966,272
Debt Service Coverage Ratio	No Debt	No Debt	No Debt

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lady Liberty Academy Charter School (the "Charter School") 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 December 24, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2013-01 to be a material weakness.

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

Compliance and Other Matters

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

The Charter School's Response to the Finding

The Charter School's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nisivoccia, LLP

December 24, 2013
Mount Arlington, New Jersey

NISIVOCCIA LLP

Kathryn L. Mantell

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



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**Report on Compliance For Each Major Federal and State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey OMB's Circular 04-04**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Lady Liberty Academy Charter School's (the "Charter School's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 2013. The Charter School's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and 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; 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*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Charter School's compliance.

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

Basis for Qualified Opinion on the Local Levy – State Share, Special Education Aid and Security Aid Major State Programs and Qualified Opinion on the Title I Program Major Federal Program

As described in the accompanying *Schedule of Findings and Questioned Costs*, the Charter School did not comply with requirements regarding eligibility for its major state programs - Local Levy – State Share, Special Education Aid and Security Aid as described in Finding 2013-05. Also, as described in the accompanying *Schedule of Findings and Questioned Costs*, the Charter School did not comply with requirements regarding activities allowed or unallowed; allowable costs/cost principles; matching, level of effort and/or earmarking; and reporting for its Title I grant awards as described in Findings 2013-02 and 2013-04. Compliance with such requirements is necessary, in our opinion, for the Charter School to comply with the requirements applicable to those programs.

Qualified Opinion on the Local Levy – State Share, Special Education Aid and Security Aid Major State Programs and Qualified Opinion on the Title I Program Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Local Levy – State Share, Special Education Aid and Security Aid Major State Programs and on the Title I Major Federal Program for the fiscal year ended June 30, 2013.

The Charter School's responses to the noncompliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The Charter School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the 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 federal and 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 federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 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 Charter School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

The Honorable President and Members
of the Board of Trustees
Lady Liberty Academy Charter School
Page 3

Report on Internal Control Over Compliance

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2013-02, 2013-04 and 2013-05 to be significant deficiencies.

The Charter School's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

Nisivoccia, LLP

December 24, 2013
Mount Arlington, New Jersey

NISIVOCCIA LLP

Kathryn L. Mantell

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	June 30, 2012			Balance, June 30, 2013		
					Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Due to Grantor
General Fund										
U.S. Department of Agriculture Passed-through										
State of New Jersey Department of Agriculture										
Child Nutrition Cluster										
National School Breakfast Program	10.555	Not Available	07/1/12-06/30/13	\$ 64,579		\$ 53,134	\$ (64,579)		\$ (11,445)	
National School Breakfast Program	10.555	Not Available	07/1/11-06/30/12	53,353	\$ (4,074)	4,074				
National Fruit and Vegetable Program	10.582	Not Available	07/1/12-06/30/13	20,708		16,155	(20,708)		(4,553)	
National Fruit and Vegetable Program	10.582	Not Available	07/1/11-06/30/12	23,653	(1,239)	1,239				
National School Lunch Program	10.555	Not Available	07/1/12-06/30/13	181,674		152,758	(181,674)		(28,916)	
National School Lunch Program	10.555	Not Available	07/1/11-06/30/12	156,223	(11,590)	11,590				
Total U.S. Department of Agriculture/Child Nutrition Cluster										
					(16,903)	238,950	(266,961)		(44,914)	
Special Revenue Fund:										
US Department of Education Passed-through State										
of New Jersey Department of Education										
Special Education Cluster:										
IDEA- Part B, Basic	84.027	IDEA 7100-13	09/1/12-08/31/13	114,026			(114,026)		(114,026)	
IDEA- Part B, Basic	84.027	IDEA 7100-12	09/1/11-08/31/12	104,158	(36,097)	36,097				
Subtotal Special Education Cluster										
					(36,097)	36,097	(114,026)		(114,026)	
No Child Left Behind:										
Title I - Part A	84.010A	NCLB 7100-13	09/1/12-08/31/13	497,360			(377,567)		(377,567)	
Title I - Part A	84.010A	NCLB 7100-12	09/1/11-08/31/13	399,164	(207,413)	152,823	(65,204)		(119,794)	
Title I - Part A	84.010A	NCLB 7100-11	09/1/10-08/31/12	484,158	(167,857)	167,857				
Title I - SIA	84.010A	NCLB 7100-12	09/1/11-08/31/12	36,400		14,727	(9,328)	\$ 5,399		
Title I - SIA	84.010A	NCLB 7100-11	09/1/10-08/31/12	41,822	(7,485)	7,485				
Title I - Part A - ARRA	84.389	NCLB 7100-10	09/1/10-08/31/12	195,373	(118,829)	118,829				
Title II - Part A	84.367A	NCLB 7100-12	09/1/11-08/31/13	26,867	(2,364)	2,364	(957)		(957)	
State Fiscal Stabilization Fund (SFSS)										
ARRA Race to the Top	84.395	Not Available	09/1/11-11/30/15	31,789		26,130	(26,122)	8		
Total U.S. Department of Education										
					(540,045)	526,312	(593,204)	5,407	(612,344)	
Total Federal Awards										
					\$ (556,948)	\$ 765,262	\$ (860,165)	\$ 5,407	\$ (657,258)	\$ - 0 -

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012			Budgetary Expenditures	Balance June 30, 2013			MEMO Cumulative Total Expenditures
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received		Unearned Revenue	Budgetary/ GAAP Receivable	Due to Grantor	
State Department of Education:											
General Fund:											
Local Levy - State Share	13-495-034-5120-071	7/1/12-6/30/13	\$ 5,659,595			\$ 5,635,494	\$ (5,659,595)		\$ (24,101)		\$ 5,659,595
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	214,904				(214,904)		(214,904)		214,904
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	157,301				(157,301)		(157,301)		157,301
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/12-6/30/13	250,270			198,143	(250,270)		(52,127)		250,270
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	247,520	\$ (20,135)		20,135					247,520
Total General Fund				(20,135)		5,853,772	(6,282,070)		(448,433)		6,529,590
Enterprise Fund											
State Department of Agriculture											
State School Lunch	13-100-010-3350-023	7/1/12-6/30/13	3,609			3,041	(3,609)		(568)		3,609
State School Lunch	12-100-010-3350-023	7/1/11-6/30/12	3,405	\$ (235)		235					3,405
Total Enterprise Fund				(235)		3,276	(3,609)		(568)		7,014
Total State Awards				\$ (20,370)	\$ - 0 -	\$ 5,857,048	\$ (6,285,679)	\$ - 0 -	\$ (449,001)	\$ - 0 -	\$ 6,536,604

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the Lady Liberty Academy Charter School under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules (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. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The Schedule of Expenditures of State Awards does not include the On-Behalf TPAF Pension Payments and Post-Retirement Medical Benefits contributions in the amount of \$208,647 and \$235,928, respectively. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 6,726,645	\$ 6,726,645
Special Revenue Fund	\$ 593,204		593,204
Proprietary Fund	266,961	3,609	270,570
	<u>\$ 860,165</u>	<u>\$ 6,730,254</u>	<u>\$ 7,590,419</u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2013.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Charter School.
- The audit disclosed a material weakness in the Charter School's internal controls as detailed in Finding 2013-01.
- The audit disclosed no noncompliance which is material to the Charter School's financial statements.
- The audit disclosed significant deficiencies in the internal controls of the Charter School's major Federal and State programs as detailed in Findings 2013-02, 2013-04 and 2013-05.
- A qualified report was issued on the Charter School's compliance for the major Federal and State programs.
- The audit disclosed audit findings 2013-02 through 2013-05 which are required to be reported in accordance with New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- The Charter School's programs tested as major federal and state programs for the current fiscal year consisted of the following:

<u>Program Title</u>	<u>State Grant Number/ C.F.D.A</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Local Levy - State Share	13-495-034-5120-071	7/1/12-6/30/13	\$ 5,659,595	\$ 5,659,595
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	214,904	214,904
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	157,301	157,301
<u>Federal:</u>				
<u>Special Education Cluster:</u>				
Title I - Part A	84.010A	09/1/12-08/31/13	497,360	377,567
Title I - Part A	84.010A	09/1/11-08/31/12	399,164	65,204
Title I - SIA	84.010A	09/1/12-08/31/13	36,400	9,328

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

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings Related to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

- The audit disclosed the following material weakness required to be reported under *Generally Accepted Government Auditing Standards*.

Finding 2013-01: Inadequate Financial Management and Timely Reporting – Material Weakness

Criteria:

The Charter School is responsible for ensuring that accurate financial records are maintained for financial reporting as per N.J.S.A 18A-17-9 - *Monthly Reconciliation of bank account statements; Report by Secretary* and N.J.S.A.18A-17-36 - *Accounting, monthly and annual reports (Treasurer)*.

Condition:

Monthly bank reconciliations were not prepared for the various bank accounts of the Charter School. Also, the required monthly Treasurer's Reports were not prepared and reconciled with the Board Secretary's reports. Additionally, reimbursement requests on grants were not submitted on a regular basis which constrained the Charter School's cash flow.

Cause:

The Treasurer was not able to obtain sufficient information from the Charter School to fully reconcile the bank accounts and prepare the required monthly Treasurer's Reports – primarily due to miscommunication of payroll transactions and unrecorded transactions. Policies and procedures have not been implemented to ensure regular filing of grant reimbursement requests.

Effect or Potential Effect:

Without monthly bank reconciliations, there is an increased risk that errors and fraud related to financial transactions and reporting, including misappropriation of assets, could occur and not be detected in a timely fashion. Due to the delay in filing of reimbursement requests on grants, the Charter School's cash flow could be negatively impacted.

Recommendation:

It is recommended that all cash transactions are properly recorded in the financial records so that monthly bank reconciliations can prepared for the various bank accounts of the Charter School and the required monthly Treasurer's Reports can be prepared and reconciled with the Board Secretary's reports. Additionally, reimbursement requests on grants should be submitted on a regular basis in order to maximize the Charter School's cash flow.

Management's Response:

The Charter School will make every effort to ensure that all cash transactions are properly recorded and monthly bank reconciliations are prepared for the various bank accounts of the Charter School. Also, the required monthly Treasurer's Reports will be prepared and reconciled with the Board Secretary's reports. Policies and procedures will be implemented to ensure the grant reimbursement requests are submitted on a regular basis.

LADY LIBERCTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings and Questioned Costs for Federal Awards:

Finding 2013-02: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title IIA Grants and Individuals with Disabilities Education Act (IDEA) Part B, Basic Grant – Material Non Compliance – Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort and/or Earmarking; and Reporting; Significant Deficiency.

Condition:

A review was completed by the State of New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC) for the grants listed. The review covered the period July 1, 2011 through March 31, 2013. This review was completed by the OFAC to monitor the implementation of federal programs by the Charter School and to determine whether the funds were being used by the Charter School for their intended purpose and were achieving the overall object of the funding initiatives.

Title I: The OFAC review letter included a number of both programmatic and fiscal findings regarding the Title I funds. The findings included the following: 1 - Curriculum Committee salaries charged were used for supplanting and that plans were presented to utilize grant funds for payment the payment of a conference which is not an allowable use; 2 - There were no timesheets or supporting documentation to verify the activity of Title I staff; 3 - The Charter School did not appoint all individuals charged to the Title I grant by Board of Trustees resolution; 4 – The School-wide Plan did not match up with activities for which Title I funds were actually utilized for; and 5 - Title I funds were utilized for non-instructional purposes.

Title IIA: 6 - The OFAC review letter stated that the Charter School did not have a copy of a specific professional service contract on file to verify the professional development activities charged to the Title IIA program.

IDEA: The OFAC review letter included a number of programmatic findings regarding the IDEA grant funds.

Administrative: 7 - The OFAC review letter stated that on several occasions the Charter School failed to issue a purchase order prior to the purchase of the goods or services.

Criteria:

1. The use of Title I funds for the salary of staff participating on the Curriculum Committee supplants state/local funds. In the absence of federal funds, the school would have to develop, revise and align its curriculum. (ESEA §1120(A)(b): *Fiscal Requirements: Federal Funds to Supplement, Not Supplant, Non-Federal Funds.*) Conferences that include an emphasis on curriculum development which is already a school requirement are not an allowable use of Title I funds. (ESEA §1120(A)(b): *Fiscal Requirements: Federal Funds to Supplement, Not Supplant, Non-Federal Funds.*)
2. Supporting documentation must be provided to reflect what the Title I staff is doing, when and where they are working (detailed schedule) and it must match their funding percentage. This documentation is necessary to verify that grant-funded staff is performing grant-related duties. (OMB Circular A-87, Attachment B, Section 8(h); *Cost Principles for State Local and Indian Tribal Governments (Compensation/or personal services).*)

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2013-02: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title IIA Grants and Individuals with Disabilities Education Act (IDEA) Part B, Basic Grant – Material Non Compliance – Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort and/or Earmarking; and Reporting; Significant Deficiency (Cont'd)

Criteria: (Cont'd)

3. The school is required to formally appoint all individuals charged to the federal grant programs by board resolution. (EDGAR, PART 80-Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Section 20, Standards for financial management systems.)
4. In a Title I School-wide program, the school must use Title I funds and services to upgrade the entire educational program while continuing to provide services to its lowest performing students. (ESEA §1114(b): *School-wide Programs: Components of a School-wide Program.*)
5. Title I parental involvement activities must contain an academic component for parents such as workshops focused on teaching parents how to successfully assist their child(ren) at home to extend the school day experience. (ESEA § 11 18: *Parental involvement.*)
6. The school must provide documentation for professional development services rendered by any vendor providing the service. (NCLB §1112, §1119, §2122~§2123.)
7. School policy and state regulations require that a properly executed purchase order be issued prior to the purchase of goods or the rendering of services. (EDGAR, PART 80-Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Section 20, Standards for financial management systems and N.J.S.A. 18A:18A(2)(v) *Public School Contracts Law.*)

Effect:

The Charter School was required to file a formal corrective action plan regarding the findings for the items by October 26, 2013. The Charter School filed their corrective action plan on October 17 and subsequently received a letter approving the plan on October 31. Per the letter, the examination file has been closed as of that date. The Charter School updated their Schoolwide Plan prior to our audit relating to certain findings and has continued to implement changes to all of the findings during the 2013/2014 school year.

Cause:

Although the Charter School has been and continues to make every effort to understand and comply with the many programmatic and fiscal requirements from the New Jersey Department of Education which are continually being revised, there may be instances where certain requirements are not consistently followed or a lack of knowledge has resulted in noncompliance.

Recommendation:

It is recommended that the Charter School ensure that the corrective action plan is fully implemented and overall ensure that the Charter School is in compliance with all federal and New Jersey Department of Education grant requirements in the future.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2013-02: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title IIA Grants and Individuals with Disabilities Education Act (IDEA) Part B, Basic Grant – Material Non Compliance – Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort and/or Earmarking; and Reporting; Significant Deficiency (Cont'd)

Management's Response:

The Charter School's administration had formally adopted a corrective action plan to address all the items in the report filed by the State Department of Education. Corrective action has been taken on all findings. The Charter School also will continue to review the grant requirements to ensure full compliance.

Finding 2013-03: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title I – SIA, Part A Grants.

<u>Grant</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Questioned Costs</u>
NCLB - Title I, Part A	84.010A	9/1/11 - 8/31/12	\$ 399,164.00	\$ 20,903.60
NCLB - Title I, Part A C/O	84.010A	9/1/10 - 8/31/11	167,857.00	- 0 -
NCLB - Title I SIA, Part A	84.010A	9/1/11 - 8/31/12	36,400.00	1,439.18

Condition:

An audit was completed by the State of New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC) for the grants listed above. This review was required by the U.S. Department of Education to monitor the implementation of the federal programs by sub-recipients and to determine whether the funds were being used by the Charter School for their intended purpose and achieving the overall object of the funding initiatives.

The Department of Education OFAC audit review letter states that the Charter School overstated Title I – SIA Grant expenditures by \$14,727.15 in the Final Report when compared with the accounting records. The letter also states that grant money expended in the amount of \$1,439.18 of payroll charged to Title I salaries and \$6,176.45 of payroll charged to Title I SIA salaries were improperly charged to the grants, due to lack of documentation to support the charges. Salaries were not recorded on a consistent basis as program activities were performed and detailed time and activity reports were not prepared for Title I funded employees. The employees charged to the grants were not properly appointed and approved in the Board of Trustees minutes as required with salary and funding percentages stated. The report also found that the Charter School failed to issue a purchase order prior to services being rendered for certain purchase orders. Lastly, the report states that accounts were not maintained properly for the Title I program as per the Uniform Chart of Accounts.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2013-03: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title I – SIA, Part A Grants. (Cont'd)

The following represents the amounts deemed by the State Department of Education OFAC as questioned costs:

<u>Grant</u>	<u>Account Number</u>	<u>Reason for Questioned Cost</u>	<u>Amount</u>
NCLB - Title I SIA, Part A	20-235-200-300	Expenditures that were not charged to grant were reported in Final Report	\$ 14,727.15
NCLB - Title I, Part A	20-231-100-100	No timesheets, payroll registers or documentation could be found to back up payroll costs	1,439.18
NCLB - Title I SIA, Part A	20-232-100-300/ 20-231-100-100/ 20-235-200-300	Excess amount of payroll charged to Title I that could not be substantiated by timesheets	6,176.45
			<u>\$ 22,342.78</u>

Criteria:

1. OMB Circular A-87 stipulates that costs must be adequately documented to be allowable under federal awards. In addition, LEAs are required to prepare Final Reports using actual expenditures incurred during the project period of September 1 through August 31.
2. OMB Circular A-87, Attachment A, Section (C)(1) provides that costs must be necessary and reasonable for proper and efficient performance and administration of federal awards, be allocable to federal awards, and be adequately documented. Furthermore, EDGAR, 34 CFR §76.730(e) requires the school to keep records in a manner that facilitates an effective audit.
3. In accordance with Chapter 9 of the GAAP for New Jersey School Districts, A Technical Systems Manual (GAAP Technical Systems Manual), program salary expenditures must be recorded to the appropriate special revenue fund program as charges are incurred each pay period.
4. Fully funded Title I personnel must prepare and sign periodic time and activity reports, at least twice a year and have them signed by a supervisor to support their time chargeable to the Title I program in accordance with EDGAR, 34 CFR §80.20(b)(6) and OMB Circular A-87, Attachment B, Section 8(h)(3). Split funded Title I personnel are required to complete and sign monthly time and activity reports pursuant to EDGAR, 34 CFR §80.20(b)(6) and OMB Circular A-87, Attachment B, Section 8(h)(4).
5. Federal regulations pursuant to OMB Circular A-87 and New Jersey Department of Education guidelines require LEAs to document all program-related costs. To achieve compliance with these requirements, the designation of all Title I employees, both Part A and Carryover, their salaries, assigned school and funding percentage must be documented in the Board of Trustees minutes to provide a public record of approval for these expenditures.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2013-03: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title I – SIA, Part A Grants. (Cont'd)

Criteria: (Cont'd)

6. N.J.S.A 18A:18A-2(v) indicated, in part, "Purchase order" means a document issued by the purchasing agent authorizing a purchase transaction with a vendor to provide or perform goods or services to the board of education. Therefore, a properly executed purchase order must be issued prior to services being rendered.
7. EDGAR, 34 CFR §80.20(b)(2) states that grantees must maintain records which adequately document the source and application of funds provided for financially assisted activities. Additionally, EDGAR, 34 CFR §76.730(e) stipulates that the LEA shall keep records in a manner that facilitates an effective audit.

Effect:

The Charter School is required to file a formal corrective action plan regarding the findings for the items by December 28, 2013. The Charter School is in the process of addressing the above findings and is working on their corrective action plan. Many items addressed in this report, had been addressed in the Consolidated review and have already been corrected. The Charter School plans to file the corrective action plan as required and return the funds relating to the questioned costs. If the corrective action plan is not accepted, the Charter School may be suspended or debarred from receiving future Title I funding.

Cause:

Although the Charter School has been and continues to make every effort to understand and comply with the many programmatic and fiscal requirements from the New Jersey Department of Education which are continually being revised there may be instances where certain requirements are not consistently followed or a lack of knowledge has resulted in noncompliance.

Recommendation:

The Charter School file a corrective action plan to resolve all items reported by the OFAC regarding the review of the Title I Grant Program and ensure that they are in compliance with all federal grant requirements in the future.

Management's Response:

The Charter School's administration will be formally adopting a corrective action plan to address all the items in the report filed by the State Department of Education. Corrective action has been taken on most criteria points. The Charter School also will continue to stay apprised of new grant requirements to ensure non-compliance does not occur in the future.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2013-04: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title I – SIA, Part A Grants – Material Non Compliance – Allowable Costs/Cost Principles and Reporting; Significant Deficiency.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Federal:				
Title I, Part A	84.010A	9/1/12-8/31/13	\$ 497,360	\$ 377,567
Title I, Part A	84.010A	9/1/11-8/31/12	49,304	65,204
Title I, SIA	84.010A	9/1/12-8/31/13	114,026	9,328

Condition:

Our audit of the Title I grants listed above disclosed the following :1 - The Charter School did not utilize the New Jersey Department of Education's Uniform Chart of Accounts for to record the Title I grant award budgets and charge grant expenditures in accordance with the approved grant budgets; 2 - Detailed time and activity reports were not prepared for Title I funded employees and 3 – Reimbursement requests were not submitted during the fiscal year ended June 30, 2013 for current year grant expenditures and the records reflect a net receivable due from the State of New Jersey Department of Education related to the Title I grants of \$491,962.

Criteria:

1. EDGAR, 34 CFR §80.20(b)(2) states that grantees must maintain records which adequately document the source and application of funds provided for financially assisted activities. Additionally, EDGAR, 34 CFR §76.730(e) stipulates that the LEA shall keep records in a manner that facilitates an effective audit.
2. Fully funded Title I personnel must prepare and sign periodic time and activity reports, at least twice a year and have them signed by a supervisor to support their time chargeable to the Title I program in accordance with EDGAR, 34 CFR §80.20(b)(6) and OMB Circular A-87, Attachment B, Section 8(h)(3). Split funded Title I personnel are required to complete and sign monthly time and activity reports pursuant to EDGAR, 34 CFR §80.20(b)(6) and OMB Circular A-87, Attachment B, Section 8(h)(4).
3. Reimbursement requests should be prepared on a regular basis to lessen the effect on cash flow as much as possible due to the delay in reimbursement of these funds from the New Jersey Department of Education.

Effect:

The Charter School is not in compliance with EDGAR, 34 CFR §80.20(b)(2) which states that grantees must maintain records which adequately document the source and application of funds provided for financially assisted activities. Also, the Charter School is not in compliance with EDGAR, 34 CFR §80.20(b)(6) and OMB Circular A-87, Attachment B, Section 8(h)(3) and (4) regarding the preparation of periodic time and activity reports for salary charges to Title I grants. Finally, the Charter School's has a large deficit cash flow related to the Title I grants of approximately \$492,000.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Findings and Questioned Costs for Federal Awards: (Cont'd)

Finding 2013-04: U.S. Department of Education – Passed through State Department of Education – No Child Left Behind (NCLB) Title I and Title I – SIA, Part A Grants – Material Non Compliance – Allowable Costs/Cost Principles and Reporting; Significant Deficiency. (Cont'd)

Cause:

Although the Charter School has been and continues to make every effort to understand and comply with the many programmatic and fiscal requirements from the New Jersey Department of Education which are continually being revised there may be instances where certain requirements are not consistently followed or a lack of knowledge has resulted in noncompliance.

Recommendation:

The Charter School ensure that 1 - New Jersey Department of Education's Uniform Chart of Accounts is utilized to record the Title I grant award budgets and charge grant expenditures in accordance with the approved grant budgets; 2 - Detailed time and activity reports are prepared for Title I funded employees and 3 - Reimbursement requests are submitted in a timely manner to improve the Charter School's cash flow.

Management's Response:

The Charter School's administration has implemented procedures to resolve recommendation #2 above in the corrective action plan filed related to Finding 2013-02 and will be implementing procedures to resolve recommendations # 1 and 2 above in the corrective action plan filed related to Finding 2013-03. The Charter School will implement procedures to ensure that Title I reimbursement requests are prepared on a regular basis. The Charter School also will continue to stay apprised of new grant requirements to ensure non-compliance does not occur in the future.

Findings and Questioned Costs for State Awards:

Finding 2013-05: State Charter School Aid, Special Education Aid and Security Aid – Material Non Compliance – Eligibility; Significant Deficiency

Criteria:

The Charter School must maintain records supporting the enrollment counts at October 15, 20xx reported in the Application for Charter School Aid as required by N.J.A.C 6A:23A-15 – *State Aid Calculations and Aid Adjustments for Charter Schools*.

Condition:

The Charter School did not maintain work papers to support the enrollments reported in the October 15, 2012 Application for Charter School Aid.

Cause:

The Charter School lacks written procedures for its enrollment counts, and due to turnover of staff, work papers supporting the enrollment counts were not maintained on file.

Effect or Potential Effect:

Due to the lack of written procedures and supporting work papers, enrollment counts could be inconsistently prepared and inaccurately reported.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings and Questioned Costs for State Awards: (Cont' d)

Finding 2013-05: State Charter School Aid, Special Education Aid and Security Aid – Material Non Compliance – Eligibility; Significant Deficiency (Cont' d)

Recommendation:

It is recommended that written procedures are developed for the preparation of the Application for Charter School Aid and supporting work papers are retained on file for audit verification and testing.

Management's Response:

Written procedures will be developed for the preparation of enrollments reported in the Application for Charter School Aid and supporting work papers will be maintained on file.

LADY LIBERTY ACADEMY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Status of Prior Year Findings:

The Charter School had no prior year audit findings.