



LEAP Academy
University Charter School

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
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INTRODUCTORY SECTION



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Marlene Gonzalez
Hector Nieves
Brenda Ortiz

LEAD PERSON

CHIEF ACADEMIC OFFICER
Janice Strigh

CHIEF FINANCIAL & OPERATIONS

OFFICER/SBA
Ken Verrill

BOARD LIAISON

Wanda I. Garcia, MSW

November 25, 2013

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

Dear Board Members/School Community Members:

The comprehensive annual financial report of the LEAP Academy University Charter School for the fiscal year ended June 30, 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 LEAP Academy University Charter School and its governing body, the Board of Trustees. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Management and Budget Circular A-133, "Audits of States Local Governments and Non Profits Organizations", and the state of Grants, State Grant and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

LEAP Academy provides a full range of educational services appropriate to grade levels K-12. These include regular, as well as special education for handicapped and special needs youngsters. The Charter School completed the 2012-2013 fiscal year with 1,193 students. The following details the changes in the student enrollment of the Charter School since 1997:

Fiscal Year	Student Enrollment	Percent Change
2012-2013	1,194	38.8%
2011-2012	860	2.2%
2010-2011	751	-02.9%
2009-2010	774	02.2%
2008-2009	757	- 01.3%
2007-2008	767	- 0.13%
2006-2007	768	09.5%
2005-2006	701	03.0%
2004-2005	680	04.9%
2003-2004	648	09.0%
2002-2003	594	10.0%

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

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

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

Fiscal Year	Student Enrollment	Percent Change
2001-2002	540	11.1%
2000-2001	486	12.5%
1999-2000	432	14.2%
1998-1999	378	16.6%
1997-1998	324	

During the 12-13 SY, the School drew its students from the following districts: City of Camden, Deptford Township, Pennsauken Township, Gloucester City, Woodlynne Boro, Collingswood Boro, Black Horse Pike Regional, Gloucester Township, Washington Township, Sewell Township, Willingboro Township, Merchantville Boro, Glassboro, Blackwood, Winslow Township (Sicklerville), Cherry Hill, Maple Shade, Lindenwold, Evesham Township, Woodbury City, Pine Hill, Barrington, Haddon Township, Lawnside and Clementon.

OVERVIEW OF THE LEAP ACADEMY UNIVERSITY CHARTER SCHOOL: The LEAP (Leadership, Education and Partnership) Academy University Charter School is a comprehensive K-12 public charter school serving students in Camden City, NJ. The school focuses in providing a college preparatory education with an emphasis on the content areas of Science, Technology, Education and Mathematics (STEM) and offers career academies in the content areas of Business, Liberal Studies and Social Sciences at the high school level. Founded in 1997, LEAP Academy began serving 324 students in grades K-5 and has grown the school using a grade phase-in model. In 2001, the school added a high school program and in 2009, its charter was amended to incorporate an additional High School Program focused on STEM. In September 2013, LEAP will be serving 1,320 students across the K-12 grade spectrum. The school has established a successful high school graduation and college placement track record with all 9 senior classes achieving 100% graduation and college placement rates since its first graduating class in 2005. The school’s charter has been renewed three times and its current charter covers the period of 2010-2015. The charter renewal approval included expanded enrollment and the addition of a campus in Cramer Hill that will focus on Environmental Science.

LEAP Academy was one of the first thirteen charter schools that opened in New Jersey in 1997 and the first charter school in Camden City. It is also one of the few charter schools offering a full K-12 program. The school was housed on temporary modular classroom units in 1997 and since then has acquired four buildings along Cooper Street. The presence of LEAP Academy has added a vibrant K-12 presence to the Camden’s Education Corridor which also features campuses for Rutgers University, Rowan University and Camden County College. The location of LEAP Academy alongside the three anchor institutions of higher education allows for Camden children to start their education with the LEAP Academy and transition to higher education all along Cooper Street.

Since its inception in 1997, the LEAP Academy University Charter School, Inc. has been guided by a collective mission that informs practice and the organizational and instructional priorities of the school. LEAP’s mission statement is:

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

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

LEAP Academy has a dual focus on closing the achievement gap and ensuring college preparation and completion among African American and Latino students who are poor and mostly first-generation college students. Several elements have contributed to LEAP’s successful track record of high school graduation and college placement. First, LEAP Academy is using the charter school approach as a vehicle for reform and transformation by establishing an organizational structure that is entrepreneurial, effectively allocates resources, and is highly accountable. Second, LEAP Academy has embraced the importance of placing college and career

readiness at the center of its normative structure—one that encompasses high expectations for students, educators, and families. Third, the LEAP model begins at infancy to ensure that children are part of a comprehensive system that supports them into productive adulthood.

The LEAP academic model is built on the premise that a school can enhance the education and future career opportunities for urban minority children and families. Three key components are at the core of LEAP's instructional program: (1) focus on college preparation for all students; (2) an emphasis on science, technology, mathematics, and engineering; and, (3) sustainability of an educational pipeline that begins in pre-school and extends through college. At the Elementary level, the focus is on providing a strong academic foundation in math and language arts that is integrated with the teaching of other core content areas such as Science, Social Studies and World Languages. A specialized dual language program (English/Spanish) is provided to a selected group of students in grades K-3. In an effort to strengthen teaching and learning in mathematics, a departmentalized model was adopted by the school to provide math instruction under the teaching of a math expert. The focus is on placing content specific teachers in assignments that are consistent with their expertise and academic training.

Students proceed to grades 7th and 8th where they begin the preparation for transitioning into the high school. Emphasis is on developing the necessary habits of mind to begin to engage in independent learning and prepare for advanced level high school courses. Attention is also given to the area of career awareness, as students begin to define their academic and career interests. The LEAP High School Program is based on the concept of academies. During the 9th and 10th grades, students take core foundation courses. By the 11th grade, they choose an Academy and focus in a specialized track on one of the three options—STEM, Liberal Arts/Social Studies and/or Business. The focus is on simulating the college experience by having students take general coursework that is followed by a major. A Fabrication Lab provides the space for students in all tracks to engage in multi-disciplinary project based learning. It also becomes the site for students to engage with faculty in culminating capstone courses that integrate various disciplines.

The best indicator of academic success for LEAP Academy students is its graduation and college placement rate. LEAP graduates and places in college 100% of its students. This places the LEAP Academy within the top performing schools in the state. Since LEAP is a K-12 system, students are assessed by the NJDOE beginning in the 3rd grade. Over the last few years, the school has seen a steady growth pattern in performance in NJASK and HSPA with the school meeting growth targets for every grade span.

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

Today, Camden City is known for its designation as America's second poorest city with 45% of its families living the poverty line with children carrying the biggest burdens. Most Camden families (72%) are headed by a single parent and often this parent is young, uneducated and has been raised in poverty. Single headed households are also more likely to be in government assistance, do not own a home and tend to be very mobile. What is alarming is that these families are the product of multi-generational poverty that traps them in poverty cycles. With 35% of Camden's population under 19 years, the fact that the Camden is so young creates and opportunity and a challenge—how to best educate the next generation. Camden City has historically failed this battle and today has some of the worst public schools in the state of New Jersey. As of 2010, only 6.8% of the population graduated from college and in contrast, 73.3% remain in the categories of not having any college

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

preparation. This results in young people that are unprepared for the demands of the changing labor market, therefore reducing their capacity for being able to accomplish critical steps to a better quality of life that can take them out of poverty—meaningful employment, capacity to own a home, capacity to have credit and a lower dependency in government assistance.

In the midst of this level of desolation, there are also positive signs of civic engagement on the part of residents and community leaders. Universities and hospitals have also taken an active role in contributing to the revitalization of the city. As a result of these efforts, millions of dollars from state and federal sources have been raised to improve the quality of life for Camden residents. LEAP Academy is an important element in Camden's improvement efforts. Anchoring Camden's Educational Corridor, LEAP Academy is located in walking distance from Rowan University, Camden County College and Rutgers University.

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

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

Major accomplishments for 2012-2013 include: (1) Opening of a brand new facility to house the STEM Program; (2) Sustaining 100% high school graduation and college placement rate; (3) Improvement of test scores at all level grade levels; (4) Continuing to strengthen public information and marketing efforts by increasing utilization of website and social media and promoting positive stories with the media; (5) Cultivating and sustaining strong relationship between parents, students and staff; (6) Improved accountability for teachers and strengthening of pay for performance program; (7) Strengthening Infant to 16 educational pipeline; (8) Reinstated IRS 501c3; (9) Unqualified Financial Audit; (10) Execution of Teacher Contract; (11) Adoption of Streamline Tenure Policy; (12) Improved Teacher Performance Evaluation Program and adoption of a Principal Leadership Performance Evaluation Program; (13) Adoption of Updated Policy Books; and (14) Execution of Charter Contract with the NJDOE.

The following issues are at the forefront of Board discussions for next year: (1) Financing and planning to open a new campus; (2) Launching of the High School Academies Instructional Framework /Approach that will allow for all high school students to specialize in a specific career track—STEM, Business and Liberal Arts; (3) Improve leadership capacity and infrastructure for growth and stability; (4) Continue to improve students' growth and academic performance by strengthening of curriculum, academic programs and professional development; (5) Improve procedures for administrative and fiscal accountability and efficiency; and, (6) Engage in long-term development, fiscal and facilities planning to sustain growth.

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

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

BUDGETARY CONTROLS: In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as a reappropriation of fund balances in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2013.

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

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

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

CASH MANAGEMENT: The investment policy of the School is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 1. The School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental units from a loss for funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

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

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

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Gloria B. Santiago". The signature is written in black ink and is positioned to the right of the typed name.

Dr. Gloria Bonilla-Santiago
Board Chair

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
CAMDEN, NEW JERSEY
ROSTER OF OFFICIALS
June 30, 2013

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Jennifer Young	Vice-Chair
Hector Nieves	Secretary
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Dr. Mira Lalovich-Hand
Adam Lorber
Cal Maradonna
Maria Miranda
Brenda Ortiz
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Dr. Wendell Pritchett
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Mary Sheil
Dr. Dyanne Westerberg
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Janice Strigh	Chief Academic Officer
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Wanda Garcia	Board Liaison

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

Consultants And Advisors

Audit Firm

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

Attorneys

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

Official Depositories

TD Bank
1701 Route 70 East
Cherry Hill, NJ 08034

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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 LEAP Academy University Charter School, Inc., in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 School District'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 School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LEAP Academy University Charter School, Inc. in the County of Camden, State of New Jersey, as of 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the fiscal year ended June 30, 2013, the School District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because 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 LEAP Academy University Charter School Inc.'s basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relates 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 accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

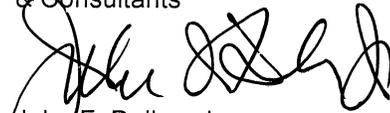
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2013 on our consideration of the LEAP Academy University Charter School Inc.'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 LEAP Academy University Charter School, Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



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

Voorhees, New Jersey
November 25, 2013

**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 AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LEAP Academy University Charter School, Inc., in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 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 November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LEAP Academy University Charter School, Inc.'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 LEAP Academy University Charter School, Inc.'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 and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance, 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 one deficiency described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance to be a material weakness as finding no.: 2013-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LEAP Academy University Charter School, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey and which are described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no.: 2013-01.

The LEAP Academy University Charter School, Inc.'s Response to Findings

The LEAP Academy University Charter School, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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 results 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 and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,


BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants


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

Voorhees, New Jersey
November 25, 2013

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013
Unaudited**

The LEAP Academy University Charter School's (the "Charter School") Management Discussion and Analysis (MD&A) for the fiscal year ended June 30, 2013 is designed to provide an overview of the Charter School's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns. The focus of the MD&A is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the Charter School's Financial Statements.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2013 include the following:

- In total, net position increased by \$218,990.70 which represents a 3.25% increase from 2012. This resulted from a conscious effort to reduce expenditures along with a deficit in food service operations.
- General revenues accounted for \$18,178,422.88 in revenue or 95.6% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$846,358.21 or 4.4% of total revenues of \$19,024,781.09.
- Total assets for Governmental Activities and Business-Type Activities increased by \$114,994.98, representing a smaller loss in food service operations compared to the prior year and a conscious effort to reduce expenditures. Cash and cash equivalents including restricted cash and cash equivalents decreased by \$5,949,333.29. Finally, receivables increased by \$300,618.01 mostly due to federal grants which are reimbursement type grants.
- The Charter School had \$19,768,573.41 in expenses; only \$1,607,116.26 of these expenses was offset by program specific charges for services, grants or contributions. General revenues primarily equalization aid state and local share of \$16,039,557.00 and unrestricted state aid of \$2,051,321.29 were adequate to provide for these programs.
- Among major funds, the General Fund had \$18,176,750.98 in revenues, \$17,693,772.14 in expenditures and \$160,659.43 other financing sources. The General Fund Balance increased by \$643,638.27 since June 30, 2012. The General Fund Balance, as of June 30, 2013, consists of a few components, namely \$390,647.47 in Committed for Other Purposes, \$179,153.27 Assigned for Other Purposes, \$907,025.71 Reserved for Debt Service and a Sinking Fund Reserve, and \$230,442.76 in Unassigned Fund Balance. There is no fund balance in the special revenue fund or the capital projects fund. For Proprietary Funds, the Food Service Enterprise Fund had revenues of \$962,783.02 consisting of operating revenues, non-operating revenues and a board contribution. The expenditures were \$1,053,990.73. The Enterprise Fund has a balance in Net Position of \$(200,625.88) which resulted in revenues exceeding expenditures for the 2012-13 fiscal year.

Overview of Financial Highlights

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

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

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

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

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013
Unaudited**

Overview of Financial Highlights (Cont'd)

The basic financial statements include two kinds of statements that present different views for the Charter School. The first two statements are district-wide financial statements that provide both long-term and short-term information about the Charter School's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Charter School's operations in more detail than the district-wide statements.

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

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

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

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

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

Reporting the Charter School's Most Significant Funds

Statement of Net Position and the Statement of Activities

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

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

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

Fund Financial Statements

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

Government Funds

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

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013
Unaudited (Cont'd)**

The Charter School as a Whole

The statement of Net Position provides the perspective of the Charter School as a whole. In total, assets of governmental activities increased \$88,059.78. Capital assets net of accumulated depreciation increased by \$5,521,812.26 primarily due to the completion of the S.T.E.M. building capital project. Accumulated depreciation, as of June 30, 2013, was \$7,991,005.06. Cash and cash equivalents increased by \$494,155.83. This resulted from decreased expenses relating in 2012-13 compared to the prior year along with the completion of the S.T.E.M. building capital project. Finally, receivables increased by \$267,559.80 mostly due to federal grants which are reimbursement type grants.

There was an increase of \$26,935.20 in the assets of the business-type activities. This resulted from the ability to participate in the Fresh Fruits and Vegetables Program or the After School Snack Program compared to the prior year. Also, the increased expenses related to increased enrollment.

Below is a table summary of the Charter School's net position for 2013.

	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 2,742,597.10	\$ 8,084,544.61	\$ 162,695.86	\$ 130,567.98	\$ 2,905,292.96	\$ 8,215,112.59
Capital Assets	23,904,214.94	18,382,402.68	66,290.32	71,483.00	23,970,505.26	18,453,885.68
Total Assets	<u>26,646,812.04</u>	<u>26,466,947.29</u>	<u>228,986.18</u>	<u>202,050.98</u>	<u>26,875,798.22</u>	<u>26,668,998.27</u>
Long-term Liabilities	17,889,619.64	18,443,385.39			17,889,619.64	18,443,385.39
Other Liabilities	1,684,291.89	1,098,036.31	429,612.06	474,292.64	2,113,903.95	\$1,572,328.95
Total Liabilities	<u>19,573,911.53</u>	<u>19,541,421.70</u>	<u>429,612.06</u>	<u>474,292.64</u>	<u>20,003,523.59</u>	<u>20,015,714.34</u>
Net Position						
Net Investment in Capital Assets	5,540,432.23	(512,995.84)	66,290.32	71,483.00	5,606,722.55	(441,512.84)
Restricted	806,270.22	6,955,011.41			806,270.22	6,955,011.41
Unrestricted	726,198.06	483,510.02	(266,916.20)		459,281.86	483,510.02
Total Net Position	<u>\$ 7,072,900.51</u>	<u>\$ 6,925,525.59</u>	<u>\$ (200,625.88)</u>	<u>\$ (272,241.66)</u>	<u>\$ 6,872,274.63</u>	<u>\$ 6,653,283.93</u>

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013
Unaudited (Cont'd)**

The Charter School as a Whole (Cont'd)

Table 2 shows the changes in net position for fiscal year ended June 30, 2013.

Change in Net Assets						
Governmental and Business-Type Activities						
For the Fiscal Years Ended June 30, 2013 and 2012						
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program revenues:						
Charges for services			\$ 202,013.15	\$ 189,619.42	\$ 202,013.15	\$ 189,619.42
Operating Grants and Contributions	\$ 846,358.21	\$ 1,844,134.51	760,758.05	486,275.38	1,607,116.26	2,330,409.89
General revenues:						
Equalization Aid/Local Levy						
State and Local Share	16,039,557.00	11,167,658.00			16,039,557.00	11,167,658.00
Federal and State Aid not Restricted	2,051,321.29	1,342,774.28			2,051,321.29	1,342,774.28
Unrestricted Investment Earnings		56,369.54	11.82	57.80	11.82	56,427.34
Miscellaneous Income	87,544.59	232,666.46			87,544.59	232,666.46
Transfers	(200,000.00)		200,000.00			
	<u>18,824,781.09</u>	<u>14,643,602.79</u>	<u>1,162,783.02</u>	<u>675,952.60</u>	<u>19,987,564.11</u>	<u>15,319,555.39</u>
Total revenues						
Expenses						
Instruction	8,123,628.90	6,162,700.29			8,123,628.90	6,162,700.29
Administration	5,543,619.01	3,275,635.42			5,543,619.01	3,275,635.42
Support Services:	4,437,863.61	4,575,512.31			4,437,863.61	4,575,512.31
Interest on Long Term Debt	572,294.65	786,648.55			572,294.65	786,648.55
Food Services			1,091,167.24	1,027,915.73	1,091,167.24	1,027,915.73
	<u>\$ 18,677,406.17</u>	<u>\$ 14,800,496.57</u>	<u>\$ 1,091,167.24</u>	<u>\$ 1,027,915.73</u>	<u>\$ 19,768,573.41</u>	<u>\$ 15,828,412.30</u>
Total Expenses						
Net Increase/Decrease in Net Position	\$ 147,374.92	\$ (156,893.78)	\$ 71,615.78	\$ (351,963.13)	\$ 218,990.70	\$ (508,856.91)
Net Position -- July 1	<u>6,925,525.59</u>	<u>7,082,419.37</u>	<u>(272,241.66)</u>	<u>79,721.47</u>	<u>6,653,283.93</u>	<u>7,162,140.84</u>
End of Year Net Position June 30	<u>\$ 7,072,900.51</u>	<u>\$ 6,925,525.59</u>	<u>\$ (200,625.88)</u>	<u>\$ (272,241.66)</u>	<u>\$ 6,872,274.64</u>	<u>\$ 6,653,283.93</u>

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013
Unaudited (Cont'd)**

Governmental Activities

The local levy and federal and state aid made up 99.5% of revenues for governmental activities for the Charter School in the fiscal year ended June 30, 2013.

Instructional expense comprises \$8,123,628.90 of Charter School's governmental expenses. Administration Expenses are \$5,543,619.01 and support service expenses make up \$4,437,863.61 of the governmental expenses.

The Statement of Activities shows the cost of the governmental activities' program services and the changes for services and grants offsetting those services. Table A-3 below shows the total cost of services and the net cost of services for the fiscal year ended June 30, 2013. The table shows the cost of these services supported by general revenues.

Governmental Activities:	Source	<u>2013</u>		<u>2012</u>	
		Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	A-2	\$ 8,123,628.90	\$ 7,609,004.36	\$ 6,162,700.29	\$ 5,313,758.92
Adminstration	A-2	5,543,619.01	5,543,619.01	3,275,635.42	3,275,635.42
Support Services	A-2	4,437,863.61	4,106,129.94	4,575,512.31	3,580,319.17
Interest on Long Term Debt	A-2	<u>572,294.65</u>	<u>572,294.65</u>	<u>786,648.55</u>	<u>786,648.55</u>
Total Governmental Activities		<u>\$ 18,677,406.17</u>	<u>\$ 17,831,047.96</u>	<u>\$ 14,800,496.57</u>	<u>\$ 12,956,362.06</u>

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

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

Support Services are expenditures for the maintenance of the plant.

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

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

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

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013
Unaudited (Cont'd)**

Governmental Activities (Cont'd)

The Charter School's Funds

The School Charter School's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$19,019,998.51 expenditures of \$25,094,710.41 and net other financing sources of \$160,659.43. The fund balance in the General Fund was \$1,707,269.21 a net increase of \$443,638.27. There was no fund balance in the Special Revenue Fund or in the Capital Projects Fund. The net position of the Enterprise Fund was \$(200,625.88), a net increase of \$71,615.78 primarily due to an Operating Transfer from the General Fund.

General Funds Budgetary Highlights

The Charter School's budget is prepared in accordance with New Jersey Law. The most significant budgeted fund is the General Fund. During the course of the 2013 fiscal year, the Charter School modified its General Fund budget to accommodate revised revenue calculations provided from the State of New Jersey. Revenue calculations are based on enrollment counts performed during the year and are dependent on the sending district the student's residency is reported in.

For the General Fund, the final budget basis revenue was \$16,774,483.00 which was an increase of \$842,487.57 over the original budget of \$15,923,186.00.

During the fiscal year ended June 30, 2013, the Charter School anticipated final General Fund Revenue from the following sources:

Source	<u>Final Budget</u>
Equalization Aid/Local Levy:	
Local Share	\$ 1,302,248.00
State Share	14,737,309.00
Categorical Aid:	
Special Education Aid	246,377.00
Security Aid	<u>488,549.00</u>
	<u><u>\$ 16,774,483.00</u></u>

Overall the general fund expenditures for the year were over budget by \$76,801.57 as a result of normal operations and increases to general fund appropriations for capital expenditures along with T.P.A.F. Pension benefit payments.

Enterprise Fund

The Charter School's food service operations are provided by a managing agent. During the year changes were made in the nutrition program that added costs to the food service program. These costs were over and above the standard reimbursement rates allowable under the federal government's Child Nutrition Program. In the Enterprise Fund expenditures exceeded revenues for the fiscal year ended June 30, 2013.

**LEAP Academy University Charter School
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013
Unaudited (Cont'd)**

Capital Assets

At the end of fiscal year 2013, the Charter School had \$23,904,214.94 net of accumulated depreciation invested in land, land improvements, buildings and improvements, equipment and vehicles for the Governmental Activities. The investment in capital assets net of accumulated depreciation for the Business-Type Activities was \$66,290.32.

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,122,010.00	\$ 47,000.00			\$ 1,122,010.00	\$ 47,000.00
Construction in Progress		6,142,299.26			-	6,142,299.26
Buildings & Bldg Improvements	29,377,990.00	17,953,000.00			29,377,990.00	17,953,000.00
Equipment	1,204,105.00	1,185,998.00	\$ 154,908.75	\$ 151,616.00	1,359,013.75	1,337,614.00
Vehicles	191,115.00	191,115.00			191,115.00	191,115.00
	<u>31,895,220.00</u>	<u>25,519,412.26</u>	<u>154,908.75</u>	<u>151,616.00</u>	<u>32,050,128.75</u>	<u>25,671,028.26</u>
Total Capital Assets						
Less: Accumulated Depreciation	(7,991,005.06)	(7,137,009.58)	(88,618.43)	(80,133.00)	(8,079,623.49)	(7,217,142.58)
	<u>(7,991,005.06)</u>	<u>(7,137,009.58)</u>	<u>(88,618.43)</u>	<u>(80,133.00)</u>	<u>(8,079,623.49)</u>	<u>(7,217,142.58)</u>
Net Capital Assets	<u>\$ 23,904,214.94</u>	<u>\$ 18,382,402.68</u>	<u>\$ 66,290.32</u>	<u>\$ 71,483.00</u>	<u>\$ 23,970,505.26</u>	<u>\$ 18,453,885.68</u>

Debt Administration

The Charter School's outstanding debt at the close of the fiscal year was \$18,431,859.43. This debt is for bonds issued for the construction of a high school, the mortgage on the lower school facility and a capital lease for a school bus.

Economic Factors and Next Year's Budgets and Rates

The Charter School maintained its budget through the revenue received from sending districts for their equalization aid/local levy state and local share categorical aid specific for their students and from federal aid and miscellaneous revenue sources. Approximately 82.8% of total revenue is from the local and state levy, 10.6% is from categorical and other state aid, 6.2% is from federal grants.

Contacting the School District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 625,347.25	\$ 9,760.91	\$ 635,108.16
Receivables	779,295.29	133,974.95	913,270.24
Interfund Receivables	430,928.85	13,322.00	444,250.85
Deposits Held by Trustee for Debt Service	395,334.08		395,334.08
Deposits Held by Trustee for Sinking Fund	511,691.63		511,691.63
Inventories		5,638.00	5,638.00
Capital Assets, net	<u>23,904,214.94</u>	<u>66,290.32</u>	<u>23,970,505.26</u>
Total Assets	<u>26,646,812.04</u>	<u>228,986.18</u>	<u>26,875,798.22</u>
LIABILITIES:			
Accounts Payable	378,216.08	86,115.38	464,331.46
Loans Payable	208,837.46		208,837.46
Interfunds Payable	114,987.32	343,496.68	458,484.00
Unearned Revenue	333,287.03		333,287.03
Accrued Interest Payable	106,724.21		106,724.21
Noncurrent Liabilities:			
Due within One Year	543,239.82		543,239.82
Due beyond One Year	<u>17,888,619.61</u>		<u>17,888,619.61</u>
Total Liabilities	<u>19,573,911.53</u>	<u>429,612.06</u>	<u>20,003,523.59</u>
NET POSITION:			
Net Investment in Capital Assets	5,540,432.23	66,290.32	5,606,722.55
Restricted for:			
Debt Service	806,270.22		806,270.22
Capital Projects			
Unrestricted (Deficit)	<u>726,198.06</u>	<u>(266,916.20)</u>	<u>459,281.86</u>
Total Net Position (Deficit)	<u>\$ 7,072,900.51</u>	<u>\$ (200,625.88)</u>	<u>\$ 6,872,274.63</u>

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 8,123,628.90		\$ 514,624.54		\$ (7,609,004.36)		\$ (7,609,004.36)
Administration	5,543,619.01				(5,543,619.01)		(5,543,619.01)
Support Services	4,437,863.61		331,733.67		(4,106,129.94)		(4,106,129.94)
Interest on Long-Term Debt	572,294.65				(572,294.65)		(572,294.65)
Total Governmental Activities	18,677,406.17	-	846,358.21	-	(17,831,047.96)	-	(17,831,047.96)
Business-Type Activities:							
Food Service	1,091,167.24	\$ 202,013.15	760,758.05			\$ (128,396.04)	(128,396.04)
Total Business-Type Activities	1,091,167.24	202,013.15	760,758.05	-	-	(128,396.04)	(128,396.04)
Total Primary Government	\$ 19,768,573.41	\$ 202,013.15	\$ 1,607,116.26	-	(17,831,047.96)	(128,396.04)	(17,959,444.00)
General Revenues:							
Equalization Aid - Local and State Share					16,039,557.00		16,039,557.00
Categorical Aid and Other State Aid - Not Restricted					2,051,321.29		2,051,321.29
Investment Earnings						11.82	11.82
Miscellaneous Income					87,544.59		87,544.59
Transfers					(200,000.00)	200,000.00	
Total General Revenues and Transfers					17,978,422.88	200,011.82	18,178,434.70
Change in Net Position					147,374.92	71,615.78	218,990.70
Net Position -- July 1					7,017,330.56	(272,241.66)	6,745,088.90
Prior Period Adjustment (Note 17)					(91,804.97)		(91,804.97)
Net Position -- July 1 (Restated)					6,925,525.59		6,653,283.93
Net Position -- June 30					\$ 7,072,900.51	\$ (200,625.88)	\$ 6,872,274.63

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

FUND FINANCIAL STATEMENTS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Balance Sheet
 Governmental Funds
 June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash and Cash Equivalents	\$ 625,347.24		\$ 0.01			\$ 625,347.25
Deposits Held for Debt Service	395,334.08					395,334.08
Deposits Held for Sinking Fund	511,691.63					511,691.63
Receivables	28,802.54					28,802.54
Due from Other Funds:						
Special Revenue Fund	172,378.03					172,378.03
Food Service Enterprise Fund	343,496.68					343,496.68
Capital Project Fund	0.01					0.01
Intergovernmental Accounts Receivable:						
Local	164,559.13					164,559.13
Federal		\$ 566,281.47				566,281.47
State	19,652.15					19,652.15
Total Assets	\$ 2,261,261.49	\$ 566,281.47	\$ 0.01	-	-	\$ 2,827,542.97
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 330,921.67	\$ 47,294.41				\$ 378,216.08
Loans Payable	208,837.46					208,837.46
Payable to Other Funds:						
General Fund		172,378.03	\$ 0.01			172,378.04
Fiduciary Fund	14,233.15	13,322.00				27,555.15
Unearned Revenue		333,287.03				333,287.03
Total Liabilities	553,992.28	566,281.47	0.01	-	-	1,120,273.76

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Balance Sheet
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Restricted:						
Debt Service Reserve	\$ 395,334.08					\$ 395,334.08
Sinking Fund Reserve	511,691.63					511,691.63
Committed:						
Other Purposes	390,647.47					390,647.47
Assigned:						
Other Purposes	179,153.27					179,153.27
Unassigned:						
General Fund	230,442.76					230,442.76
Total Fund Balances	<u>1,707,269.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,707,269.21</u>
Total Liabilities and Fund Balances	<u>\$ 2,261,261.49</u>	<u>\$ 566,281.47</u>	<u>\$ 0.01</u>	<u>-</u>	<u>-</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$31,895,220.00, and the accumulated depreciation is \$7,991,005.06.

23,904,214.94

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

(106,724.21)

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

(18,431,859.43)

Net position of governmental activities

\$ 7,072,900.51

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
REVENUES:						
Equalization Aid -Local and State Share	\$ 16,039,557.00					\$ 16,039,557.00
Categorical Aid	1,064,286.00					1,064,286.00
Revenue from Other Sources	82,752.01					82,752.01
State Sources	987,035.29					987,035.29
Federal Sources	<u>3,120.68</u>	<u>\$ 843,237.53</u>				<u>846,358.21</u>
Total Revenues	<u>18,176,750.98</u>	<u>843,237.53</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,019,988.51</u>
EXPENDITURES:						
Instruction	6,053,964.75	514,624.54				6,568,589.29
Administration	5,891,730.51					5,891,730.51
Support Services	4,287,628.32	328,612.99				4,616,241.31
Capital Outlay	<u>1,660,448.56</u>		<u>\$ 6,357,700.74</u>			<u>8,018,149.30</u>
Total Expenditures	<u>17,893,772.14</u>	<u>843,237.53</u>	<u>6,357,700.74</u>	<u>-</u>		<u>25,094,710.41</u>
Excess (Deficiency) of Revenues over Expenditures	<u>282,978.84</u>	<u>-</u>	<u>(6,357,700.74)</u>	<u>-</u>	<u>-</u>	<u>(6,074,721.90)</u>
OTHER FINANCING SOURCES (USES):						
Payment of Title I Recovery	(136,368.19)					(136,368.19)
Deposits Held for Sinking Fund:						
Sinking Fund Deposits	292,235.04					292,235.04
Interest on Sinking Fund Deposits	375.48					375.48
Deposits Held for Debt Service:						
Interest Earn on Deposit Held for Debt Service	25.26					25.26
Bond Principal Deposited	289,391.84					289,391.84
Interest on Bonds Deposited	305,470.00					305,470.00
Payment of Interest on Bonds by Trustee	(305,470.00)					(305,470.00)
Payment of Bond Principal by Trustee	<u>(285,000.00)</u>					<u>(285,000.00)</u>
Total Other Financing Sources and Uses	<u>160,659.43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,659.43</u>
Net Change in Fund Balances	443,638.27		(6,357,700.74)			(5,914,062.47)
Fund Balance -- July 1	<u>1,263,630.94</u>	<u>-</u>	<u>6,357,700.74</u>	<u>-</u>	<u>-</u>	<u>7,621,331.68</u>
Fund Balance -- June 30	<u>\$ 1,707,269.21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 1,707,269.21</u>

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Total Net Change in Fund Balances - Governmental Funds		\$ (5,914,062.47)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>		
Depreciation Expense		\$ (853,995.48)
Capital Outlays (B-2)	\$ 8,018,149.30	
Less: Capital Outlay expensed in accordance with Charter School Policy	(818,490.71)	
Less : Principal on Mortgage, Bonds and Leases (Included on B-2)	<u>(531,615.81)</u>	
		<u>6,668,042.78</u>
		5,814,047.30
<p>Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		531,615.81
<p>Payment to the Trustee to accumulated fund for a future debt payment is an expenditure in the governmental funds, but the payments create an asset in the governmental activities is not reported in the statement of activities. The subsequent activity of the trustee reduces the assets. The net effect is a decrease in the reconciliation</p>		
		(292,235.04)
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an increase in the reconciliation. (+)</p>		
		4,898.37
<p>In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
		<u>3,110.95</u>
Change in Net Position of Governmental Activities		<u>\$ 147,374.92</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities - Enterprise Fund
	Food Service
ASSETS:	
Current Assets:	
Cash	\$ 9,760.91
Accounts Receivable:	
State	977.77
Federal	70,387.88
Other	62,609.30
Interfund Receivable -- Special Revenue Fund	13,322.00
Inventories	5,638.00
Total Current Assets	162,695.86
Noncurrent Assets:	
Furniture, Machinery and Equipment	154,908.75
Less Accumulated Depreciation	(88,618.43)
Total Noncurrent Assets	66,290.32
Total Assets	228,986.18
LIABILITIES :	
Current Liabilities:	
Accounts Payable	86,115.38
Due to General Fund	343,496.68
Total Current Liabilities	429,612.06
NET POSITION:	
Net Investment in Capital Assets	66,290.32
Unrestricted	(266,916.20)
Total Net Position (Deficit)	\$ (200,625.88)

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities Enterprise Fund <u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 53,728.85
Daily Sales - Non-Reimbursable Programs	<u>148,284.30</u>
Total Operating Revenues	<u>202,013.15</u>
OPERATING EXPENSES:	
Salaries	433,392.69
Employee Benefits	56,049.60
Other Purchased Services	44,691.85
General Supplies	50,407.71
Depreciation	8,485.43
Cost of Sales	<u>460,963.45</u>
Total Operating Expenses	<u>1,053,990.73</u>
Operating Income (Loss)	<u>(851,977.58)</u>
NONOPERATING REVENUES (EXPENSES):	
State Sources:	
State School Lunch Program	10,919.85
Federal Sources:	
National School Lunch Program	541,502.68
National School Breakfast Program	172,378.80
Food Distribution Program	13,425.77
Fresh Fruit and Vegetables Program	22,530.95
Interest and Investment Revenue	<u>11.82</u>
Total Nonoperating Revenues (Expenses)	<u>760,769.87</u>
Income (Loss) before Contributions and Transfers	(91,207.71)
Operating Transfer In - General Fund	200,000.00
Other Financing Sources and (Uses):	
Cancellation of Prior Year Accounts Receivable	(46,639.67)
Cancellation of Prior Year Accounts Payable	<u>9,463.16</u>
Total Other Financing Sources and (Uses)	<u>(37,176.51)</u>
Change in Net Position	71,615.78
Net Position -- July 1	<u>(272,241.66)</u>
Net Position -- June 30	<u>\$ (200,625.88)</u>

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Fund
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 139,403.85
Payments to Employees	(433,392.69)
Payments for Employee Benefits	(56,049.60)
Payments to Suppliers	(474,006.53)
Net Cash Provided by (used for) Operating Activities	(824,044.97)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State Sources	10,802.88
Federal Sources	719,440.82
Operating Subsidies and Transfers to other Funds	92,002.97
Net Cash Provided by (used for) Non-Capital Financing Activities	822,246.67
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	11.82
Net Cash Provided by (used for) Investing Activities	11.82
Net Increase (Decrease) in Cash and Cash Equivalents	(1,786.48)
Balance -- July 1	11,547.39
Balance -- June 30	\$ 9,760.91
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (851,977.58)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation and Net Amortization	8,485.43
Food Distribution Program	13,425.77
(Increase) Decrease in Accounts Receivable, net	29,551.17
(Increase) Decrease in Inventories	(3,292.75)
(Increase) Decrease in Non-Current Assets	(766.15)
Increase (Decrease) in Accounts Payable	(19,470.86)
Total Adjustments	27,932.61
Net Cash Provided by (used for) Operating Activities	\$ (824,044.97)

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Trust Funds</u>		<u>Agency Funds</u>	
	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Student Activity</u>	<u>Payroll</u>
ASSETS:				
Cash and Cash Equivalents		\$ 2,489.94	\$ 15,295.49	\$ 10,050.61
Interfund Accounts Receivable:				
Due from General Fund			17,469.21	1,768.50
Intrafund Accounts Receivable:				
Due from Payroll Agency Fund	\$ 5,004.56			
Total Assets	<u>\$ 5,004.56</u>	<u>\$ 2,489.94</u>	<u>\$ 32,764.70</u>	<u>\$ 11,819.11</u>
LIABILITIES:				
Payroll Deductions and Withholdings				\$ 6,814.55
Accounts Payable			\$ 2,535.30	
Intrafund Accounts Payable:				
Due Unemployment Trust Fund				5,004.56
Interfund Accounts Payable:				
Due General Fund	\$ 5,004.56			
Due Payroll Fund				
Payable to Student Groups			23,022.18	
Payable to Parent Unit			7,207.22	
Total Liabilities	<u>\$ 5,004.56</u>	<u>-</u>	<u>\$ 32,764.70</u>	<u>\$ 11,819.11</u>
NET POSITION:				
Reserved for Scholarships		<u>\$ 2,489.94</u>		

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Private Purpose Scholarship <u>Fund</u>
ADDITIONS:	
Program Revenues	\$ 800.00
Total Contributions	800.00
Investment Earnings: Interest	2.50
Net Investment Earnings	2.50
Total Additions	802.50
DEDUCTIONS:	
Program Expenditures	800.00
Change in Net Position	2.50
Net Position -- July 1	2,487.44
Net Position -- June 30	\$ 2,489.94

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LEAP Academy University Charter School, Inc. (the "Charter School") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Reporting Entity

The LEAP Academy University Charter School, Inc. (hereafter referred to as the "Charter School") is a K-12 charter school located in the County of Camden, State of New Jersey. It was created on October 15, 1996 through the approval of its New Jersey Charter Schools Application by the State of New Jersey, Department of Education. As a charter school, the LEAP Academy University Charter School, Inc. functions independently through a Board of Trustees (the "Board"). In accordance with the bylaws of the Charter School, the Board is to consist of no less than twelve and no more than twenty five individuals. At least three trustees shall be public members representative of the corporate or philanthropic sectors and the broader elected and qualified. The Board's responsibility is to supervise and control the operations of the Charter School. The purpose of the Charter School is to educate students in grades K-12 at its three schools located in Camden, NJ. The Charter School has an approximate enrollment at June 30, 2013 of 1,194.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

Component Units

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented (discretely presented, blended, or included in the fiduciary fund financial statements).

Based on the aforementioned, the Charter School has determined that no component units exist for the fiscal year ended June 30, 2013.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the Charter School to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Charter School. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements - The Charter School segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the Charter School. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

The governmental funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The proprietary fund is accounted for on an "economic resources" measurement focus. Accordingly, statement of revenues, expenses and changes in fund net position for the proprietary fund reports increases and decreases in total economic worth. The private-purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds - Governmental funds are those through which most Charter School functions are financed. The acquisition, use, and balances of the Charter School's expendable financial resources and the related liabilities, except those accounted for in the proprietary fund and fiduciary funds, are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the Charter School's major governmental funds:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Governmental Funds (Cont'd) –**

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

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

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

Proprietary Funds

Proprietary funds are used to account for the Charter School's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The Charter School maintains the following enterprise fund:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Fiduciary Funds**

Fiduciary funds are used to account for assets held by the Charter School on behalf of outside related organizations or on behalf of other funds within the Charter School. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The Charter School maintains the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The Charter School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Charter School maintains the following agency funds: student activity fund and payroll fund.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The Charter School maintains the following private-purpose trust funds:

Scholarship Fund - Revenues consist of donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

New Jersey Unemployment Compensation Insurance Trust Fund – During the fiscal year June 30, 2007 the Charter School changed from the “Benefits Reimbursement Method” to the “Contributions Method” for New Jersey Unemployment Compensation claims. For the current fiscal year, the Fund was inactive and all monies included therein were due back to the General Fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e. both available and measurable. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include sending district revenues, reimbursable-type grants, and interest on investments. The Charter School considers all revenues, with the exception of the expenditure-driven grants, as available if they are collected within sixty (60) days after fiscal year-end. The expenditure driven grants are considered available if received within one fiscal year from the balance sheet date. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due / paid.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Basis of Accounting (Cont'd)****Modified Accrual (Cont'd)**

In applying the susceptible to accrual concept to revenues from federal and state sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the Charter School will receive any amounts; therefore, revenues are recognized based on the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In cases where monies are received and all eligibility requirements, including timing, have been satisfied, but the occurrence of expenditure has yet to happen, amounts are reported as unearned revenue. Conversely, where monies are received but eligibility requirements, including timing, have yet to be satisfied, such amounts are reported as deferred inflows of resources.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

Sending District Revenues – Sending District Revenues are susceptible to accrual. As under New Jersey State Statute, a sending district is required to remit to the Charter School the entire balance of calculated per student revenue prior to the end of the school year. The Charter School records the entire approved local and state share of sending district revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The Charter School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general and special revenue funds. The budgets are submitted to the Department of Education for review. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by Board of Trustee's resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

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. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets / Budgetary Control (Cont'd)**

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

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

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

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

Cash, Cash Equivalents and Investments

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

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

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

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

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

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

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

Tuition Receivable

The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the district of residence of the Charter School or are non-resident students.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

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

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Charter School, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position.

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

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

Special Education / Security Aid – The Charter School of residence shall pay directly to the charter school the security aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the charter school.

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

Capital assets represent the cumulative amount of capital assets owned by the Charter School. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at fair market value at the time received.

The Charter School's capitalization threshold is \$2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

The Charter School does not possess any infrastructure assets.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Charter School is eligible to realize the revenue.

Compensated Absences

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

The Charter School uses the termination method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. An expenditure is recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accrued Liabilities and Long-Term Obligations**

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

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The Charter School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

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

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

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

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

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

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

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

Interfund Activity

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

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

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

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASBS 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The Charter School does not have any SCAs and therefore the adoption of GASBS 60 does not have any impact on the Charter School's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASBS 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The Charter School elected to early implement GASBS 61 effective for fiscal year 2013. The adoption of GASBS 61, however, does not have any impact on the Charter School's financial statements.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS 62 does not have any impact on the Charter School's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This Statement is effective for financial statements for periods beginning after December 15, 2011. The adoption of GASBS 63, however, does not have a material impact on the Charter School's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The Charter School elected to early implement GASBS 65 effective for fiscal year 2013. The adoption of GASBS 65 materially affected the classification of several balances on the statement of net position. (See note 17)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements**

In March 2012, the GASB issued Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. GASBS 66 is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the Charter School's financial statements although no impact is expected.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The Charter School does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the Charter School's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the Charter School's financial statements and expects the impact to be material.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASBS 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the Charter School's financial statements although no impact is expected.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the Charter School's financial statements although no impact is expected.

Note 2: CASH AND CASH EQUIVALENTS

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

As of June 30, 2013, the Charter School's bank balances of \$2,328,012.53 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 98,549.79</u>
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Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of accounts (fees) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds.

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

	General Fund	Special Revenue Fund	Proprietary Funds	Total
Intergovernmental	\$ 184,211.28	\$ 566,281.47	\$ 71,365.65	\$ 821,858.40
Other			62,609.30	62,609.30
Total	<u>\$ 184,211.28</u>	<u>\$ 566,281.47</u>	<u>\$ 133,974.95</u>	<u>\$ 884,467.70</u>

Note 4: INVENTORY

Inventory recorded at June 30, 2013 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	<u>\$ 5,638.00</u>
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Note 5: COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, the liability for compensated absences in the governmental activities was \$68,076.72.

Note 6: CAPITAL ASSETS

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

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Government Activities:				
Capital Assets that are not being Depreciated:				
Land	\$ 47,000.00	\$ 1,075,010.00		\$ 1,122,010.00
Construction in Progress	6,142,299.26		\$ 6,142,299.26	
Total Capital Assets not being Depreciated	<u>6,189,299.26</u>	<u>1,075,010.00</u>	<u>6,142,299.26</u>	<u>1,122,010.00</u>
Building and Improvements	17,953,000.00	11,424,990.00		29,377,990.00
Equipment	1,185,998.00	18,107.00		1,204,105.00
Vehicles	191,115.00			191,115.00
Totals at Historical Cost	<u>19,330,113.00</u>	<u>11,443,097.00</u>	<u>-</u>	<u>30,773,210.00</u>
Less Accumulated Depreciation for:				
Building and Improvements	(6,161,062.00)	(734,449.75)		(6,895,511.75)
Equipment	(862,027.00)	(93,597.40)		(955,624.40)
Vehicles	(113,920.58)	(25,948.33)		(139,868.91)
Total Accumulated Depreciation	<u>(7,137,009.58)</u>	<u>(853,995.48)*</u>	<u>-</u>	<u>(7,991,005.06)</u>
Total Capital Assets being Depreciated, net of Accumulated Depreciation	<u>12,193,103.42</u>	<u>10,589,101.52</u>	<u>-</u>	<u>22,782,204.94</u>
Government Activities Capital Assets, net	<u>\$ 18,382,402.68</u>	<u>\$ 11,664,111.52</u>	<u>\$ 6,142,299.26</u>	<u>\$ 23,904,214.94</u>
Business-Type Activities:				
Equipment	\$ 151,616.00	\$ 3,292.75		\$ 154,908.75
Less Accumulated Depreciation for: Equipment	(80,133.00)	(8,485.43)		(88,618.43)
Business-Type Activities Capital Assets, net	<u>\$ 71,483.00</u>	<u>\$ (5,192.68)</u>	<u>-</u>	<u>\$ 66,290.32</u>

Depreciation expense was charged to functions / programs of the Charter School as follows:

Instruction	\$ 734,449.75
Administration	93,597.40
Support Services	<u>25,948.33</u>
Total Depreciation Expense	<u>\$ 853,995.48</u>

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in long-term obligations:

	Principal			Principal	Due Within
	Outstanding	Additions	Reductions	Outstanding	One Year
	July 1, 2012			June 30, 2013	
Governmental Activities:					
General Obligation Bonds	\$ 7,040,000.00		\$ (285,000.00)	\$ 6,755,000.00	\$ 295,000.00
Mortgage Payable	1,804,376.92		(221,862.54)	1,582,514.38	230,901.53
Loans Payable	10,000,000.00			10,000,000.00	
Capital Leases Payable	51,021.60		(24,753.27)	26,268.33	17,338.29
Compensated Absences	71,187.67	\$ 68,076.72	(71,187.67)	68,076.72	
Governmental Activity					
Long-term Liabilities	\$ 18,966,586.19	\$ 68,076.72	\$ (602,803.48)	\$ 18,431,859.43	\$ 543,239.82

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

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

Principal and interest due on bonds outstanding is as follows:

Fiscal Year	Principal	Interest	Total
Ending June 30,			
2014	\$ 295,000.00	\$ 293,870.00	\$ 588,870.00
2015	310,000.00	281,770.00	591,770.00
2016	325,000.00	269,070.00	594,070.00
2017	335,000.00	255,870.00	590,870.00
2018	350,000.00	242,170.00	592,170.00
2018-2022	2,015,000.00	968,881.25	2,983,881.25
2023-2027	2,540,000.00	451,855.00	2,991,855.00
2028	585,000.00	13,893.75	598,893.75
	<u>\$ 6,755,000.00</u>	<u>\$ 2,777,380.00</u>	<u>\$ 9,532,380.00</u>

Bonds Authorized but not Issued - As of June 30, 2013, the Charter School had no authorizations to issue additional bonded debt.

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

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

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

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2014	\$ 230,901.53	\$ 59,097.91	\$ 289,999.44
2015	240,308.82	49,690.62	289,999.44
2016	250,099.37	39,900.07	289,999.44
2017	260,288.81	29,710.63	289,999.44
2018	270,893.38	19,106.06	289,999.44
2019-2020	330,022.47	8,310.21	338,332.68
	<u>\$ 1,582,514.38</u>	<u>\$ 205,815.50</u>	<u>\$ 1,788,329.88</u>

Loans Payable - On September 27, 2011, the Charter School entered into a loan agreement with Chase NMTC TRF Charter School Investment Fund, LLC in the amount of \$10,000,000.00 to purchase and renovate a facility for the Charter School's S.T.E.M. program. The loan will be serviced by TRF NMTC Fund XV, LP c/o The Reinvestment Fund, Inc. and is made up of three loans, Loan A: \$5,472,174.00, Loan B: \$2,562,608.00 and Loan C: \$1,965,218.00 respectively. The terms of the loans require monthly interest only payments at a rate of 4.635% beginning on October 1, 2011 and continuing until September 1, 2018. On October 1, 2018, the Charter School expects to refinance the combined principal of Loan A and B for \$8,034,782.00. The amortization schedule for the refinanced loans calls for monthly payments of \$53,740.00 for principal and interest for 23 years. On October 1, 2018, the Charter School will also begin making monthly payments of \$11,665.00 for 23 years on Loan C. In addition, the Charter School must maintain a sinking fund with monthly deposits of \$24,352.92 through September 1, 2018. The balance in the sinking fund at June 30, 2013 is \$511,691.63.

Loan A: \$5,472,174.00

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2014		\$ 257,158.00	\$ 257,158.00
2015		257,158.00	257,158.00
2016		257,510.50	257,510.50
2017		257,510.50	257,510.50
2018		235,669.50	235,669.50
2019		107,090.50	107,090.50
	<u>-</u>	<u>\$ 1,372,097.00</u>	<u>\$ 1,372,097.00</u>

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014		\$ 120,427.00	\$ 120,427.00
2015		120,427.00	120,427.00
2016		120,591.50	120,591.50
2017		120,591.50	120,591.50
2018		110,363.50	110,363.50
2019		50,150.00	50,150.00
	-	\$ 642,550.50	\$ 642,550.50
	-	\$ 642,550.50	\$ 642,550.50

Loan C: \$1,965,218.00

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014		\$ 92,353.00	\$ 92,353.00
2015		92,353.00	92,353.00
2016		92,479.50	92,479.50
2017		92,479.50	92,479.50
2018	\$ 7,910.00	92,345.50	100,255.50
2019-2023	210,504.00	435,988.00	646,492.00
2024-2028	325,327.00	366,846.00	692,173.00
2029-2033	411,193.00	278,730.00	689,923.00
2034-2038	520,142.00	167,260.00	687,402.00
2039-2042	490,142.00	36,202.00	526,344.00
	\$ 1,965,218.00	\$ 1,747,036.50	\$ 3,712,254.50
	\$ 1,965,218.00	\$ 1,747,036.50	\$ 3,712,254.50

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

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

Capital Leases Payable – The Charter School is leasing a school bus for \$82,115.00 under a capital lease. The lease is for a term of five years at an interest rate of 4.0%. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2013.

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 8,583.31	\$ 525.37	\$ 9,108.68
2015	17,685.02	532.34	18,217.36
	<u>\$ 26,268.33</u>	<u>\$ 1,057.71</u>	<u>\$ 27,326.04</u>

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

Note 8: OPERATING LEASES

At June 30, 2013, the Charter School had operating lease agreements in effect for copy machines and mail machines. The future minimum rental payments under the operating lease agreements are as follows:

Year Ending June 30,	Amount
2014	\$ 31,848.00
2015	31,848.00
2016	30,348.00
2017	16,848.00
2018	279.00
	\$ 111,171.00

Rental payments under operating leases for the fiscal year ended June 30, 2013 were \$31,569.00.

Note 9: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. In addition, several Charter School employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

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

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

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

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

Note 9: PENSION PLANS (CONT'D)

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

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

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

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Regular Pension Contributions</u>	<u>Non-Contributory Group Life Insurance</u>	<u>Paid by Charter School</u>
2013	\$ 37,720.00	\$ 90,189.00	\$ 127,909.00	\$ 7,613.00	\$ 135,522.00
2012	40,138.00	80,725.00	120,863.00	7,572.00	128,535.00
2011	47,382.00	75,501.00	122,883.00	9,333.00	132,216.00

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. As of June 30, 2013, the Charter School had no employees enrolled in the plan.

Note 10: STATE POST-RETIREMENT MEDICAL BENEFITS

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

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

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2013, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement medical costs were \$270,449.00 and \$305,809.00, respectively.

Note 12: RISK MANAGEMENT

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

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

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

Note 13: DEFERRED COMPENSATION

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

AXA Advisors
Lincoln

Note 14: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2013 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General Fund	\$ 515,874.72	\$ 14,233.15
Special Revenue Fund		185,700.03
Capital Projects Fund		0.01
Proprietary Fund	13,322.00	343,496.68
Fiduciary Funds	24,242.27	10,009.12
	<u>\$ 553,438.99</u>	<u>\$ 553,438.99</u>

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

Note 15: DEFICIT NET POSITION**Food Service Enterprise Fund Unrestricted Net Position**

The Food Service Enterprise Fund has a deficit in unrestricted net position of \$266,916.20 as of June 30, 2013. The Charter School anticipates that the deficit will be fully funded by its operations in 3-5 years based upon a fiscal plan put in place by the Charter School management.

Note 16: FUND BALANCES**RESTRICTED**

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

General Fund -

For Legally Restricted Appropriations - In accordance with the Charter School's debt service agreements, the amounts have been legally restricted for future debt service of \$395,334.08 and \$511,691.63.

Note 16: FUND BALANCES (CONT'D)**COMMITTED**

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

General Fund – During the fiscal year ended June 30, 2013, the Board of Trustees entered into various contract agreements that had not been paid in full at fiscal year-end. These amounts were encumbered to commit a portion of unassigned balance for the future payment of these contract agreements. As of June 30, 2013, \$390,647.47 has been committed for this purpose.

ASSIGNED

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

General Fund -

Other Purposes - As of June 30, 2013, the Charter School had \$179,153.27 of encumbrances outstanding for purchase orders and contracts signed by the Charter School, but not completed, as of the close of the fiscal year.

UNASSIGNED

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

General Fund - As of June 30, 2013, \$230,442.76 of general fund balance was unassigned.

Note 17: CUMULATIVE EFFECT OF ADOPTION OF NEWLY ISSUED ACCOUNTING PRINCIPLES

As a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the June 30, 2012 net position of the government-wide financial statements has been restated as of as follows:

Net Position, June 30, 2013	\$	7,017,330.56
Expense of Bond Issuance Costs ^a		(91,804.97)
Net Position, June 30, 2013 (Restated)	\$	<u>6,925,525.59</u>

^a formerly reported as a deferred asset and amortized over the life of the related debt.

Note 18: SUBSEQUENT EVENTS

On July 10, 2013, the Charter School entered into an agreement with ABCO Federal Credit Union for a \$750,000.00 line of credit at an initial rate of 3.250%. The Borrower will pay this loan in full immediately upon Lender's demand. If no demand is made, Borrower will pay this loan in one principal payment of \$750,000.00 plus interest on June 30, 2014.

On October 22, 2013, the Charter School entered into an agreement with New Jersey Real Property Holdings, LLC through the LEAP Cramer Hill, LLC to acquire Block 125, Lot 6, commonly known as "The Wilson Building," 130 N. Broadway, Camden, New Jersey 08102. The purchase price for the property is \$2,000,000.00.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Levy/Equalization Aid:					
Local Share				\$ 1,302,248.00	\$ 1,302,248.00
State Share	\$ 15,395,491.00	\$ 851,297.00	\$ 16,246,788.00	14,737,309.00	(1,509,479.00)
Total - Local Levy	15,395,491.00	851,297.00	16,246,788.00	16,039,557.00	(207,231.00)
Categorical Aid:					
Special Education Aid	167,216.00		167,216.00	246,377.00	79,161.00
Security Aid	360,479.00		360,479.00	488,549.00	128,070.00
Non-Public Aid		329,356.00	329,356.00	329,360.00	4.00
Total - Categorical Aid	527,695.00	329,356.00	857,051.00	1,064,286.00	207,235.00
Other State Aid:					
TPAF Pension On Behalf Payments				270,449.00	270,449.00
TPAF Pension On Behalf Payments- Post Retirement Medical				305,809.00	305,809.00
TPAF Social Security Reimbursed				410,777.29	410,777.29
Total - Other State Aid	-	-	-	987,035.29	987,035.29
Federal Sources:					
Medicaid Reimbursement				3,120.68	3,120.68
Revenue from Other Sources:					
Rutgers Preschool Contract		288,049.01	288,049.01		(288,049.01)
Interest and Other Revenue				82,752.01	82,752.01
Total - Revenue from Other Sources		288,049.01	288,049.01	82,752.01	(205,297.00)
Total Revenues	15,923,186.00	1,468,702.01	17,391,888.01	18,176,750.98	784,862.97

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 5,117,208.63	\$ (138,578.87)	\$ 4,978,629.76	\$ 4,978,629.76	
Other Salaries for Instruction	414,065.00	(250,927.41)	163,137.59	163,137.59	
Purchased Professional and Technical Services	194,000.00	76,613.97	270,613.97	211,583.40	\$ 59,030.57
Other Purchased Services	240,130.00	(240,000.00)	130.00		130.00
General Supplies	831,933.31	(379,197.53)	452,735.78	429,503.32	23,232.46
Textbooks	497,838.45	(236,535.98)	261,302.47	260,393.82	908.65
Miscellaneous	237,265.00	(226,017.00)	11,248.00	10,716.86	531.14
Total Instructional Expenses	7,532,440.39	(1,394,642.82)	6,137,797.57	6,053,964.75	83,832.82
Administration:					
Salaries - Administration	1,087,400.00	256,636.70	1,344,036.70	1,344,036.46	0.24
Salaries of Secretarial and Clerical Assistants	203,896.00	331,076.83	534,972.83	534,972.50	0.33
Total Benefits Costs	1,927,157.98	219,167.93	2,146,325.91	2,146,325.91	
Purchased Professional and Technical Services	30,000.00	972,315.80	1,002,315.80	737,016.48	265,299.32
Other Purchased Services	160,375.00	(144,004.98)	16,370.02	16,370.02	
Communications	101,419.51	(77,314.57)	24,104.94	23,577.42	527.52
Office Supplies and Materials	56,482.06	(3,270.65)	53,211.41	47,918.64	5,292.77
Judgments Against Charter School	10,000.00	141,462.00	151,462.00	151,462.00	
Interest on Loans	7,000.00	(7,000.00)			
Interest on Lease Purchase Agreements	3,220.43		3,220.43	2,572.77	647.66
Interest on Mortgage	958,392.00	(94,378.17)	864,013.83	864,012.09	1.74
Miscellaneous	15,000.00	8,836.92	23,836.92	23,466.22	370.70
Total Administrative Expenses	4,560,342.98	1,603,527.81	6,163,870.79	5,891,730.51	272,140.28

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative) <u>Final to Actual</u>
EXPENDITURES (CONT'D):					
Support Services:					
Salaries	\$ 454,280.72	\$ 310,173.00	\$ 764,453.72	\$ 764,451.56	\$ 2.16
Purchased Professional and Technical Services	552,039.07	(264,505.00)	287,534.07	274,417.00	13,117.07
Other Purchased Services	603,799.02	586,142.51	1,189,941.53	1,116,089.65	73,851.88
Rental of Land and Buildings	70,551.36	(31,586.08)	38,965.28	24,901.89	14,063.39
Insurance for Property, Liability and Fidelity	254,459.55	(88,576.09)	165,883.46	151,512.91	14,370.55
Maintenance Supplies	45,255.68	55,571.79	100,827.47	98,312.25	2,515.22
Transportation - Other than to and from School	248,125.00	(76,010.81)	172,114.19	170,581.19	1,533.00
Energy Costs (Heat and Electricity)	413,463.00	(29,823.12)	383,639.88	348,266.03	35,373.85
Miscellaneous	66,572.00	333,812.11	400,384.11	352,060.55	48,323.56
Total Support Services Expenses	2,708,545.40	795,198.31	3,503,743.71	3,300,593.03	203,150.68
Capital Outlay:					
Instructional Equipment	600,000.00	69,468.04	669,468.04	667,137.60	2,330.44
Non-instructional Equipment	138,088.25	62,704.77	200,793.02	160,301.91	40,491.11
Lease Purchase Agreements - Principal	17,000.00	8,088.25	25,088.25	24,753.27	334.98
Mortgage Principal	872,000.00	(63,744.22)	808,255.78	808,255.78	
Total Capital Outlay	1,627,088.25	76,516.84	1,703,605.09	1,660,448.56	43,156.53
Non-budgeted Expenditures					
TPAF Pension On Behalf Payments				270,449.00	(270,449.00)
TPAF Pension On Behalf Payments- Post Retirement Medical				305,809.00	(305,809.00)
TPAF Social Security Reimbursed				410,777.29	(410,777.29)
	-	-	-	987,035.29	(987,035.29)

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Total Expenditures	\$ 16,428,417.02	\$ 1,080,600.14	\$ 17,509,017.16	\$ 17,893,772.14	\$ (384,754.98)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(505,231.02)	388,101.87	(117,129.15)	282,978.84	400,107.99
Other Financing Sources (Uses):					
Payment of Title I Recovery				(136,368.19)	(136,368.19)
Deposits Held for Sinking Fund:					
Sinking Fund Deposits				292,235.04	292,235.04
Interest on Sinking Fund Deposits				375.48	375.48
Deposits Held for Debt Service:					
Interest Earn on Deposit Held for Debt Service				25.26	25.26
Bond Principal Deposited				289,391.84	289,391.84
Interest on Bonds Deposited				305,470.00	305,470.00
Payment of Interest on Bonds by Trustee				(305,470.00)	(305,470.00)
Payment of Bond Principal by Trustee				(285,000.00)	(285,000.00)
Total Other Financing Sources (Uses)	-	-	-	160,659.43	160,659.43
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(505,231.02)	388,101.87	(117,129.15)	443,638.27	560,767.42
Fund Balances, July 1	1,263,630.94		1,263,630.94	1,263,630.94	-
Fund Balances, June 30 (Carried Forward)	\$ 758,399.92	\$ 388,101.87	\$ 1,146,501.79	\$ 1,707,269.21	\$ 560,767.42
Recapitulation:					
Restricted Fund Balance:					
Debt Service Reserve				\$ 395,334.08	
Sinking Fund Reserve				511,691.63	
Committed Fund Balance:					
Year-End Encumbrances				390,647.47	
Assigned Fund Balance:					
Year-End Encumbrances				179,153.27	
Unassigned Fund Balance				230,442.76	
				\$ 1,707,269.21	

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Required Supplementary Information

Budgetary Comparison Schedule

Special Revenue Fund

For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Federal Sources:					
Twenty-First Century Community Learning Centers		\$ 77,345.70	\$ 77,345.70	\$ 36,444.39	\$ (40,901.31)
Title I, Part A		1,227,482.03	1,227,482.03	922,374.48	(305,107.55)
Title II, Part A		83,424.00	83,424.00	51,850.19	(31,573.81)
I.D.E.I.A., Part B	\$ 224,928.00	23,221.15	248,149.15	171,855.43	(76,293.72)
Race to the Top	55,239.00		55,239.00	13,259.02	(41,979.98)
Total - Federal Sources	<u>280,167.00</u>	<u>1,411,472.88</u>	<u>1,691,639.88</u>	<u>1,195,783.51</u>	<u>(495,856.37)</u>
Total Revenue	<u>280,167.00</u>	<u>1,411,472.88</u>	<u>1,691,639.88</u>	<u>1,195,783.51</u>	<u>(495,856.37)</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	53,891.00	137,319.80	191,210.80	114,393.50	76,817.30
Purchased Professional and Technical Services		100,715.50	100,715.50	99,222.00	1,493.50
Purchased Professional Educational Services	52,000.00	90,500.00	142,500.00	125,000.00	17,500.00
General Supplies		499,376.46	499,376.46	463,975.47	35,400.99
Textbooks		2,739.80	2,739.80	2,739.80	
Other Objects		154.00	154.00		154.00
Total Instruction	<u>105,891.00</u>	<u>830,805.56</u>	<u>936,696.56</u>	<u>805,330.77</u>	<u>131,365.79</u>

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Required Supplementary Information

Budgetary Comparison Schedule

Special Revenue Fund

For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D):					
Support Services:					
Support Services - Salaries of Program Directors	\$ 77,250.00	\$ 84,182.32	\$ 161,432.32	\$ 85,222.88	\$ 76,209.44
Support Services - Salaries	19,200.00	6,890.00	26,090.00	5,243.05	20,846.95
Personal Services - Employee Benefits	42,155.00	18,709.06	60,864.06	36,262.28	24,601.78
Purchased Professional and Technical Services		246,702.92	246,702.92	150,966.50	95,736.42
Purchased Professional - Educational Services	1,600.00	65,869.27	67,469.27	9,450.00	58,019.27
Other Purchased Professional Services		16,860.00	16,860.00	12,017.50	4,842.50
Other Purchased Services (400-500 series)	27,200.00	19,858.23	47,058.23	15,083.05	31,975.18
Travel	1,488.00	29,570.04	31,058.04	8,437.00	22,621.04
Supplies and Materials	5,383.00	49,892.48	55,275.48	49,910.48	5,365.00
Other Objects		27,133.00	27,133.00	3,844.00	23,289.00
Total Support Services	<u>174,276.00</u>	<u>565,667.32</u>	<u>739,943.32</u>	<u>376,436.74</u>	<u>363,506.58</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment		15,000.00	15,000.00	14,016.00	984.00
Total Facilities Acquisition and Construction Services		<u>15,000.00</u>	<u>15,000.00</u>	<u>14,016.00</u>	<u>984.00</u>
Total Expenditures	<u>280,167.00</u>	<u>1,411,472.88</u>	<u>1,691,639.88</u>	<u>1,195,783.51</u>	<u>495,856.37</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

For the Fiscal Year Ended June 30, 2013

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

	General	Special Revenue
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-series)	\$ 18,176,750.98	\$ 1,195,783.51
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		<u>(352,545.98)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 18,176,750.98</u>	<u>\$ 843,237.53</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 17,893,772.14	\$ 1,195,783.51
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>(352,545.98)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 17,893,772.14</u>	<u>\$ 843,237.53</u>

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2013

	No Child Left Behind							Total
	Title I, Part A		Title II Part A	Race to the Top	I.D.E.A. Part B, Basic		Twenty-First Century Community Learning Centers	
	<u>2011-2012</u>	<u>2012-2013</u>	<u>2012-2013</u>	<u>2012-13</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2011-2012</u>	
REVENUES:								
Federal Sources	\$252,831.03	\$669,543.45	\$ 51,850.19	\$ 13,259.02	\$ 16,525.15	\$ 155,330.28	\$ 36,444.39	\$ 1,195,783.51
Total Revenues	<u>252,831.03</u>	<u>669,543.45</u>	<u>51,850.19</u>	<u>13,259.02</u>	<u>16,525.15</u>	<u>155,330.28</u>	<u>36,444.39</u>	<u>1,195,783.51</u>
EXPENDITURES:								
Instruction:								
Salaries for Instruction	60,202.50					54,191.00		114,393.50
Purchased Professional and Technical Services	99,222.00							99,222.00
Purchased Professional Educational Services		125,000.00						125,000.00
General Supplies	66,659.48	395,438.26				1,850.76	26.97	463,975.47
Textbooks	<u>2,739.80</u>							<u>2,739.80</u>
Total Instruction	<u>228,823.78</u>	<u>520,438.26</u>				<u>56,041.76</u>	<u>26.97</u>	<u>805,330.77</u>
Support Services:								
Salaries of Program Directors					12,500.00	64,375.00	8,347.88	85,222.88
Support Services - Salaries	52.50	390.00		4,800.00	0.55			5,243.05
Personal Services - Employee Benefits	5,250.16	3,543.19		367.20	4,024.60	22,357.74	719.39	36,262.28
Purchased Professional and Technical Services		79,170.00	48,485.00			3,118.00	20,193.50	150,966.50
Purchased Professional - Educational Services	9,450.00							9,450.00
Other Purchased Professional Services	360.00	11,657.50						12,017.50
Other Purchased Services (400-500 series)	786.50			7,139.90			7,156.65	15,083.05
Travel	2,951.89	1,168.00	3,365.19	951.92				8,437.00
Supplies and Materials	5,156.20	35,316.50				9,437.78		49,910.48
Other Objects		<u>3,844.00</u>						<u>3,844.00</u>
Total Support Services	<u>24,007.25</u>	<u>135,089.19</u>	<u>51,850.19</u>	<u>13,259.02</u>	<u>16,525.15</u>	<u>99,288.52</u>	<u>36,417.42</u>	<u>376,436.74</u>
Facilities Acquisition and Construction Services:								
Instructional Equipment		14,016.00						14,016.00
Total Facilities Acquisition and Construction Services	-	<u>14,016.00</u>	-	-	-	-	-	<u>14,016.00</u>
Total Expenditures	<u>252,831.03</u>	<u>669,543.45</u>	<u>51,850.19</u>	<u>13,259.02</u>	<u>16,525.15</u>	<u>155,330.28</u>	<u>36,444.39</u>	<u>1,195,783.51</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CAPITAL PROJECTS FUND

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC
CAPITAL PROJECTS FUND
 Summary Statement of Project Expenditures
 For the Fiscal Year Ended June 30, 2013

<u>Project Title / Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2013</u>
			<u>Prior Years</u>	<u>Current Year</u>	
S.T.E.M. Project	11/18/2010	\$ 12,500,000.00	\$ 6,142,299.26	\$ 6,357,700.74	
Total		<u>\$ 12,500,000.00</u>	<u>\$ 6,142,299.26</u>	<u>\$ 6,357,700.74</u>	<u>-</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
CAPITAL PROJECTS FUND

Summary Statement of Revenues, Expenditures, and Changes in Fund Balance -- Budgetary Basis
 For the Fiscal Year Ended June 30, 2013

Expenditures and Other Financing Uses

Expenditures:		
Construction Services	\$ 5,958,276.84	
Miscellaneous Expense	<u>399,423.90</u>	
Total Expenditures		<u>\$ 6,357,700.74</u>
Excess (Deficiency) Revenue over Expenditures		(6,357,700.74)
Fund Balance -- July 1		<u>6,357,700.74</u>
Fund Balance -- June 30		<u><u>-</u></u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
CAPITAL PROJECTS FUND
Statement of Project Revenues, Expenditures, Project Balance and Project Status--Budgetary Basis
S.T.E.M. Project
From Inception and for the Fiscal Year Ended June 30, 2013

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Loan Proceeds	\$ 10,000,000.00		\$ 10,000,000.00	\$ 10,000,000.00
Transfers from General Fund	2,500,000.00		2,500,000.00	2,500,000.00
Total Revenues	12,500,000.00	-	12,500,000.00	12,500,000.00
Expenditures and Other Financing Uses				
Construction Services	5,921,075.16	\$ 5,958,276.84	11,879,352.00	11,879,352.00
Interest on Current Loans	123,600.00		123,600.00	123,600.00
Amount Paid into Sinking Fund	97,411.68		97,411.68	97,411.48
Miscellaneous Expense	212.42	399,423.90	399,636.32	399,636.52
Total Expenditures	6,142,299.26	6,357,700.74	12,500,000.00	12,500,000.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 6,357,700.74	\$ (6,357,700.74)	-	-
Additional Project Information:				
Project Number		N/A		
Grant Date		N/A		
Loan Authorization Date		Sept. 27, 2011		
Loans Authorized	\$ 10,000,000.00			
Charter School Equity Utilized	2,500,000.00			
Original Authorized Cost	12,500,000.00			
Additional Authorized Cost	-			
Revised Authorized Cost	12,500,000.00			
Percentage Increase over Original Authorized Cost		-		
Percentage Completion		100.00%		
Original Target Completion Date		9/12/2012		
Revised Target Completion Date		N/A		

PROPRIETARY FUNDS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Enterprise Fund
Statement of Net Position
June 30, 2013

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash	\$ 9,760.91
Accounts Receivable:	
State	977.77
Federal	70,387.88
Other	62,609.30
Interfund Accounts Receivable:	
Due Special Revenue Fund	13,322.00
Inventories	<u>5,638.00</u>
Total Current Assets	<u>162,695.86</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	154,908.75
Less Accumulated Depreciation	<u>(88,618.43)</u>
Total Noncurrent Assets	<u>66,290.32</u>
Total Assets	<u>228,986.18</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	86,115.38
Due to General Fund	<u>343,496.68</u>
Total Current Liabilities	<u>429,612.06</u>
NET POSITION:	
Net Investment in Capital Assets	66,290.32
Unrestricted	<u>(266,916.20)</u>
Total Net Position	<u><u>\$ (200,625.88)</u></u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Enterprise Fund
 Statement of Revenues, Expenses and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2013

	<u>Food Service</u>
OPERATING REVENUES:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 53,728.85
Daily Sales - Non-Reimbursable Programs	<u>148,284.30</u>
Total Operating Revenues	<u>202,013.15</u>
OPERATING EXPENSES:	
Salaries	433,392.69
Employee Benefits	56,049.60
Other Purchased Services	44,691.85
General Supplies	50,407.71
Depreciation	8,485.43
Cost of Sales	<u>460,963.45</u>
Total Operating Expenses	<u>1,053,990.73</u>
Operating Income / (Loss)	<u>(851,977.58)</u>
NONOPERATING REVENUES (EXPENSES):	
State Sources:	
State School Lunch Program	10,919.85
Federal Sources:	
National School Lunch Program	541,502.68
National School Breakfast Program	172,378.80
Food Distribution Program	13,425.77
Fresh Fruit and Vegetables Program	22,530.95
Interest and Investment Revenue	<u>11.82</u>
Total Nonoperating Revenues (Expenses)	<u>760,769.87</u>
Income (Loss) before Contributions and Transfers	(91,207.71)
Operating Transfer In - General Fund	200,000.00
Other Financing Sources and (Uses):	
Cancellation of Prior Year Accounts Receivable	(46,639.67)
Cancellation of Prior Year Accounts Payable	<u>9,463.16</u>
Total Other Financing Sources and (Uses)	<u>(37,176.51)</u>
Change in Net Position	71,615.78
Net Position -- July 1	<u>(272,241.66)</u>
Net Position -- June 30	<u><u>\$ (200,625.88)</u></u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Enterprise Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 139,403.85
Payments to Employees	(433,392.69)
Payments for Employee Benefits	(56,049.60)
Payments to Suppliers	<u>(474,006.53)</u>
Net Cash Provided by (used for) Operating Activities	<u>(824,044.97)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State Sources	10,802.88
Federal Sources	719,440.82
Operating Subsidies and Transfers to Other Funds	<u>92,002.97</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>822,246.67</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest and Dividends	<u>11.82</u>
Net Cash Provided by (used for) Investing Activities	<u>11.82</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,786.48)
Balance -- July 1	<u>11,547.39</u>
Balance -- June 30	<u><u>\$ 9,760.91</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (851,977.58)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:	
Depreciation	8,485.43
Food Distribution Program	13,425.77
(Increase) Decrease in Accounts Receivable, net	29,551.17
(Increase) Decrease in Non Current Assets	(3,292.75)
(Increase) Decrease in Inventories	(766.15)
Increase (Decrease) in Accounts Payable	<u>(19,470.86)</u>
Total Adjustments	<u>27,932.61</u>
Net Cash Provided by (used for) Operating Activities	<u><u>\$ (824,044.97)</u></u>

FIDUCIARY FUNDS

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2013

	<u>Trust Funds</u>		<u>Agency Funds</u>		<u>Total</u>
	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS:					
Cash and Cash Equivalents		\$ 2,489.94	\$ 15,295.49	\$ 10,050.61	\$ 27,836.04
Interfund Accounts Receivable:					
Due from General Fund			17,469.21	1,768.50	19,237.71
Intrafund Accounts Receivable:					
Due from Payroll Agency Fund	5,004.56				5,004.56
Total Assets	<u>\$ 5,004.56</u>	<u>\$ 2,489.94</u>	<u>\$ 32,764.70</u>	<u>\$ 11,819.11</u>	<u>52,078.31</u>
LIABILITIES:					
Payroll Deductions and Withholdings				\$ 6,814.55	\$ 6,814.55
Accounts Payable			\$ 2,535.30		2,535.30
Intrafund Accounts Payable:					
Due Unemployment Trust Fund				5,004.56	5,004.56
Interfund Accounts Payable:					
Due General Fund	\$ 5,004.56				5,004.56
Payable to Student Groups			23,022.18		23,022.18
Payable to Parent Unit			7,207.22		7,207.22
Total Liabilities	<u>\$ 5,004.56</u>	<u>-</u>	<u>\$ 32,764.70</u>	<u>\$ 11,819.11</u>	<u>49,588.37</u>
NET POSITION:					
Reserved for Scholarships		\$ 2,489.94			2,489.94
Total Net Position	<u>-</u>	<u>\$ 2,489.94</u>			<u>\$ 2,489.94</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Fiduciary Funds
 Combining Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2013

	<u>Private Purpose Scholarship Fund</u>	<u>Total</u>
ADDITIONS:		
Program Revenues	\$ 800.00	\$ 800.00
Total Contributions	<u>800.00</u>	<u>800.00</u>
Investment Earnings: Interest	<u>2.50</u>	<u>2.50</u>
Total Additions	<u>802.50</u>	<u>802.50</u>
DEDUCTIONS:		
Bank Fees Program Expenditures	<u>800.00</u>	<u>800.00</u>
Total Deductions	<u>800.00</u>	<u>800.00</u>
Change in Net Position	2.50	2.50
Net Position -- July 1	<u>2,487.44</u>	<u>2,487.44</u>
Net Position -- June 30	<u>\$ 2,489.94</u>	<u>\$ 2,489.94</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
LEAP Academy University Charter School:				
Student Groups	\$ 16,592.61	\$ 28,837.51	\$ 22,355.64	\$ 23,074.48
Parent Unit	5,078.54	52,464.34	47,852.66	9,690.22
Interfund Receivable -- General Fund		1,994.39	19,463.60	(17,469.21)
	<u>\$ 21,671.15</u>	<u>\$ 83,296.24</u>	<u>\$ 89,671.90</u>	<u>\$ 15,295.49</u>

LONG-TERM DEBT

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Serial Bonds
 For the Fiscal Year Ended June 30, 2013

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2012</u>	<u>Retired</u>	<u>Balance June 30, 2013</u>
			<u>Date</u>	<u>Amount</u>				
Serial Bonds:								
Charter School Project Bonds	10/2/03	\$ 8,500,000.00	9/1/2013	\$ 295,000.00	4.00%			
			9/1/2014	310,000.00				
			9/1/2015	325,000.00				
			9/1/2016	335,000.00				
			9/1/2017	350,000.00				
			9/1/2018	370,000.00				
			9/1/2019	385,000.00	4.10%			
			9/1/2020	400,000.00	4.25%			
			9/1/2021	420,000.00	4.35%			
			9/1/2022	440,000.00	4.45%			
			9/1/2023	460,000.00	4.50%			
			9/1/2024	485,000.00	4.60%			
			9/1/2025	505,000.00	4.75%			
			9/1/2026	530,000.00				
			9/1/2027	560,000.00				
			9/1/2028	585,000.00				
						<u>\$ 7,040,000.00</u>	<u>\$ 285,000.00</u>	<u>\$ 6,755,000.00</u>
						<u>\$ 7,040,000.00</u>	<u>\$ 285,000.00</u>	<u>\$ 6,755,000.00</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC
 Schedule of Obligations Under Capital Leases
 For the Fiscal Year Ended June 30, 2013

<u>SERIES</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>		<u>Amount Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2013</u>
				<u>Principal</u>	<u>Interest</u>				
2011 IC Corp 54 Passenger Bus	March 30, 2010	June 30, 2010 to December 31, 2014	4.00%	\$ 82,115.00	\$ 8,971.80	\$ 51,021.60		\$ 24,753.27	\$ 26,268.33
						\$ 51,021.60	-	\$ 24,753.27	\$ 26,268.33

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the Charter School's financial position has changed over time. Please refer to the following exhibits for a historical view of the Charter School's financial performance.

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

	Fiscal Year Ending									
	2013	2012	2011	2010	2009	2008	2007	2006 (1)	2005	2004
Governmental Activities										
Net Investment in Capital Assets	\$ 5,540,432.23	\$ (512,995.84)	\$ 4,847,133.82	\$ 3,286,633.42	\$ 3,112,842.13	\$ 3,251,012.41	\$ 3,425,178.43	\$ 3,980,887.54	\$ 4,201,973.80	\$ 2,786,382.22
Restricted	806,270.22	6,955,011.41	370,916.10	368,286.58	365,752.47	352,093.37	362,413.34		136,615.60	
Unrestricted	726,198.06	575,314.99	1,709,409.29	2,417,645.35	1,549,213.43	475,014.33	178,375.06	320,396.94	(143,834.34)	(261,609.45)
Total Governmental Activities Net Position	\$ 7,072,900.51	\$ 7,017,330.56	\$ 6,927,459.21	\$ 6,072,565.35	\$ 5,027,808.03	\$ 4,078,120.11	\$ 3,965,966.83	\$ 4,301,284.48	\$ 4,194,755.06	\$ 2,524,772.77
Business-type Activities										
Net Investment in Capital Assets	\$ 66,290.32	\$ 71,483.00	\$ 87,857.62	\$ 90,309.67	\$ 85,992.06	\$ 94,756.72	\$ 103,802.54	\$ 34,705.81	\$ 40,119.85	\$ 45,533.89
Unrestricted (Deficit)	(266,916.20)	(343,724.66)					(63,514.15)	(14,030.38)	(21,664.93)	(57,549.58)
Total Business-type Activities Net Position	\$ (200,625.88)	\$ (272,241.66)	\$ 87,857.62	\$ 90,309.67	\$ 85,992.06	\$ 94,756.72	\$ 40,288.39	\$ 20,675.43	\$ 18,454.92	\$ (12,015.69)
District-wide										
Net Investment in Capital Assets	\$ 5,606,722.55	\$ (441,512.84)	\$ 4,934,991.44	\$ 3,376,943.09	\$ 3,198,834.19	\$ 3,345,769.13	\$ 3,528,980.97	\$ 4,015,593.35	\$ 4,242,093.65	\$ 2,831,916.11
Restricted	806,270.22	6,955,011.41	370,916.10	368,286.58	365,752.47	352,093.37	362,413.34		136,615.60	
Unrestricted (Deficit)	459,281.86	231,590.33	1,709,409.29	2,417,645.35	1,549,213.43	475,014.33	114,860.91	306,366.56	(165,499.27)	(319,159.03)
Total District-wide Net Position	\$ 6,872,274.63	\$ 6,745,088.90	\$ 7,015,316.83	\$ 6,162,875.02	\$ 5,113,800.09	\$ 4,172,876.83	\$ 4,006,255.22	\$ 4,321,959.91	\$ 4,213,209.98	\$ 2,512,757.08

Source: Charter Schools Records

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

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

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006 (1)	2005	2004
Expenses										
Governmental Activities										
Instruction	\$ 8,123,628.90	\$ 6,162,700.29	\$ 5,218,477.56	\$ 4,766,178.72	\$ 4,273,627.54	\$ 4,119,025.29	\$ 4,602,168.06	\$ 3,529,394.65	\$ 3,359,642.57	\$ 3,613,647.98
Administration	5,543,619.01	3,275,635.42	2,969,821.70	3,170,749.46	2,631,365.92	2,692,493.55	2,133,831.62	1,849,790.72	1,977,888.10	1,855,866.13
Support Services	4,437,863.61	4,478,028.68	3,652,161.40	3,129,000.76	3,180,982.01	2,713,035.73	2,951,983.26	2,041,076.66	1,889,782.43	2,185,490.46
Interest on Long Term Debt	572,294.65	786,648.55	406,797.79	432,223.95	444,170.33	455,366.18	487,270.65	448,953.64	652,296.85	443,507.65
Unallocated Amortization and Depreciation		5,678.66	8,616.02	18,847.55	29,439.32	29,439.32	29,439.33	370,597.81	231,792.36	133,274.62
Total Governmental Activities Expenses	18,677,406.17	14,708,691.60	12,255,874.47	11,517,000.44	10,559,585.12	10,009,360.07	10,204,692.92	8,239,813.48	8,111,402.31	8,231,786.84
Business-type Activities:										
Food Service	1,091,167.24	1,027,915.73	1,091,167.24	680,342.86	564,600.54	608,639.88	645,744.03	547,608.26	525,014.16	564,371.79
Total Business-type Activities Expense	1,091,167.24	1,027,915.73	1,091,167.24	680,342.86	564,600.54	608,639.88	645,744.03	547,608.26	525,014.16	564,371.79
Total District Expenses	\$ 19,768,573.41	\$ 15,736,607.33	\$ 13,347,041.71	\$ 12,197,343.30	\$ 11,124,185.66	\$ 10,617,999.95	\$ 10,850,436.95	\$ 8,787,421.74	\$ 8,636,416.47	\$ 8,796,158.63
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 846,358.21	\$ 1,844,134.51	\$ 1,225,257.26	\$ 1,500,923.91	\$ 1,432,949.12	\$ 1,164,496.05	\$ 1,163,938.67	\$ 965,988.36	\$ 953,811.92	\$ 1,258,005.13
Capital Grants and Contributions				258,960.42						
Total Governmental Activities Program Revenues	846,358.21	1,844,134.51	1,225,257.26	1,759,884.33	1,432,949.12	1,164,496.05	1,163,938.67	965,988.36	953,811.92	1,258,005.13
Business-type activities:										
Charges for services										
Food Service	202,013.15	189,619.42	77,400.96	53,084.59	43,366.14	56,294.63	59,930.99	65,552.41	63,890.21	56,871.20
Operating Grants and Contributions	760,758.05	486,275.38	518,191.92	539,501.54	440,686.82	461,037.20	435,685.92	393,667.95	360,132.35	335,810.01
Total Business-type Activities Program Revenues	962,771.20	675,894.80	595,592.88	592,586.13	484,052.96	517,331.83	495,616.91	459,220.36	424,022.56	392,681.21
Total District Program Revenues	\$ 1,809,129.41	\$ 2,520,029.31	\$ 1,820,850.14	\$ 2,352,470.46	\$ 1,917,002.08	\$ 1,681,827.88	\$ 1,659,555.58	\$ 1,425,208.72	\$ 1,377,834.48	\$ 1,650,686.34
Net (Expense)/Revenue										
Governmental Activities	\$ (17,831,047.96)	\$ (12,864,557.09)	\$ (11,030,617.21)	\$ (9,757,116.11)	\$ (9,126,636.00)	\$ (8,844,864.02)	\$ (9,040,754.25)	\$ (7,273,825.12)	\$ (7,157,590.39)	\$ (6,973,781.71)
Business-type Activities	(128,396.04)	(352,020.93)	(495,574.36)	(87,756.73)	(80,547.58)	(91,308.05)	(150,127.12)	(88,387.90)	(100,991.60)	(171,690.58)
Total District-wide Net Expense	\$ (17,959,444.00)	\$ (13,216,578.02)	\$ (11,526,191.57)	\$ (9,844,872.84)	\$ (9,207,183.58)	\$ (8,936,172.07)	\$ (9,190,881.37)	\$ (7,362,213.02)	\$ (7,258,581.99)	\$ (7,145,472.29)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Local Levy	\$ 16,039,557.00	\$ 11,167,658.00	\$ 10,770,723.00	\$ 9,853,628.00	\$ 9,029,352.00	\$ 6,809,193.00	\$ 6,560,406.00	\$ 5,773,255.00	\$ 5,330,241.99	\$ 4,843,542.00
Categorical Aid and Other State Aid - Not Restricted	2,051,321.29	1,342,774.28	979,962.66	927,862.52	926,792.65	2,166,141.05	2,127,210.50	1,677,268.68	1,392,691.17	1,595,701.54
Loan Proceeds		56,369.54								
Investment Earnings		(200,000.00)	3,610.87	3,633.08	10,824.65	28,537.43	45,142.77	22,174.87	44,087.49	35,288.65
Miscellaneous Income	87,544.59	232,666.46	173,212.44	108,690.12	180,515.80	97,141.79	429,065.38	182,895.39	196,842.64	89,968.23
Donated Capital Assets									1,994,054.00	
Special Items								(185,784.40)		(232,669.80)
Transfers	(200,000.00)		(41,997.91)	(91,940.30)	(71,161.19)	(143,995.97)	(90,000.00)	(89,455.00)	(130,344.61)	(108,551.48)
Total Governmental Activities	\$ 17,978,422.88	\$ 12,599,468.28	\$ 11,885,511.06	\$ 10,801,873.42	\$ 10,076,323.91	\$ 8,957,017.30	\$ 9,071,824.65	\$ 7,380,354.54	\$ 8,827,572.68	\$ 6,223,279.14
Business-type Activities:										
Investment Earnings	11.82	57.80	193.11	134.04	621.73	1,780.41	1,597.57	1,153.41	1,117.60	141.18
Transfers	200,000.00		41,997.91	91,940.30	71,161.19	143,995.97	90,000.00	89,455.00	130,344.61	108,551.48
Total Business-type Activities	200,011.82	57.80	42,191.02	92,074.34	71,782.92	145,776.38	91,597.57	90,608.41	131,462.21	108,692.66
Total District-wide	\$ 18,178,434.70	\$ 12,599,526.08	\$ 11,927,702.08	\$ 10,893,947.76	\$ 10,148,106.83	\$ 9,102,793.68	\$ 9,163,422.22	\$ 7,470,962.95	\$ 8,959,034.89	\$ 6,331,971.80
Change in Net Position										
Governmental Activities	\$ 147,374.92	\$ (265,088.81)	\$ 854,893.85	\$ 1,044,757.31	\$ 949,687.91	\$ 112,153.28	\$ 31,070.40	\$ 106,529.42	\$ 1,669,982.29	\$ (750,502.57)
Business-type Activities	71,615.78	(351,963.13)	(453,383.34)	4,317.61	(8,764.66)	54,468.33	(58,529.55)	2,220.51	30,470.61	(62,997.92)
Total District	\$ 218,990.70	\$ (617,051.94)	\$ 401,510.51	\$ 1,049,074.92	\$ 940,923.25	\$ 166,621.61	\$ (27,459.15)	\$ 108,749.93	\$ 1,700,452.90	\$ (813,500.49)

Source: Charter Schools Records

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

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

	<u>2013</u>	<u>2012</u>	<u>2011 (2)</u>	<u>2010</u>	<u>Fiscal Year Ending June 30,</u>		<u>2008</u>	<u>2007</u>	<u>2006 (1)</u>	<u>Fiscal Year Ending July 31,</u>	
					<u>2009</u>					<u>2005</u>	<u>2004</u>
Fund Balances											
Restricted:											
Debt Service Reserve	\$ 395,334.08	\$ 390,916.98	\$ 381,650.03								
Capital Projects		6,357,700.74									
Sinking Fund Reserve	511,691.63	505,231.02									
Committed:											
Other Purposes	390,647.47	459,863.93	421,098.46								
Assigned:											
Other Purposes	179,153.27	45,367.09	47,467.41	\$ 507,231.21	\$ 437,054.99	\$ 385,501.99	\$ 496,557.42	\$ 169,118.43	\$ 40,952.98	\$ 253,962.77	
Unassigned:											
General Fund	<u>230,442.76</u>	<u>148,306.66</u>	<u>1,327,729.05</u>	<u>2,385,028.34</u>	<u>1,598,022.82</u>	<u>545,303.74</u>	<u>121,086.94</u>	<u>10,986.68</u>	<u>24,775.45</u>	<u>77,232.49</u>	
Total General Fund	<u>\$ 1,707,269.21</u>	<u>\$ 7,907,386.42</u>	<u>\$ 2,177,944.95</u>	<u>\$ 2,385,028.34</u>	<u>\$ 2,035,077.81</u>	<u>\$ 545,303.74</u>	<u>\$ 121,086.94</u>	<u>\$ 10,986.68</u>	<u>\$ 24,775.45</u>	<u>\$ 77,232.49</u>	
All Other Governmental Funds											
Reserved											
Unreserved, Reported in:											
Special Revenue Fund									\$ 5,060.00		
Capital Projects Fund									54,913.58	\$ 5,368,472.45	
Debt Service Fund											
Permanent Fund											
Total All Other Governmental Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 59,973.58</u>	<u>\$ 5,368,472.45</u>

Source: Charter Schools Records

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

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

	2013	2012	2011	2010	2009	2008	2007	2006 (1)	2005	2004
Revenues										
Equalization Aid - Local Levy	\$ 16,039,557.00	\$ 11,167,658.00	\$ 10,770,723.00	\$ 9,853,628.00	\$ 9,029,352.00	\$ 6,809,193.00	\$ 6,560,406.00	\$ 5,773,255.00	\$ 5,330,241.99	\$ 4,843,542.00
Revenue From Other Sources	82,752.01	182,452.54	172,010.81	180,044.94	190,603.97	119,920.77	319,555.21	205,070.36	257,090.13	127,733.79
State Sources	2,051,321.29	1,342,774.28	979,962.66	927,862.52	926,792.65	2,174,633.55	2,127,210.50	1,680,968.68	1,395,502.67	1,708,878.58
Federal Sources	846,358.51	1,844,134.51	1,225,257.26	1,759,884.33	1,432,949.12	1,162,252.55	1,163,938.67	962,288.36	934,840.42	1,142,328.09
Total Revenue	19,019,988.81	14,537,019.33	13,147,953.73	12,721,419.79	11,579,697.74	10,265,999.87	10,171,110.38	8,621,582.40	7,917,675.21	7,822,482.46
Expenditures										
Instruction	6,568,589.29	5,761,428.62	4,724,651.78	4,274,367.77	3,736,005.77	3,576,770.86	4,053,251.68	3,491,066.06	3,335,643.10	3,587,682.21
Administration	5,025,145.65	3,258,950.46	3,368,388.38	3,160,929.04	2,626,142.81	2,673,666.76	2,135,521.44	1,835,550.61	1,951,906.92	1,834,828.08
Support Services	4,616,241.31	4,509,327.75	3,686,375.81	3,219,889.61	3,241,944.15	2,830,641.09	3,039,653.54	2,100,220.68	1,983,395.66	2,323,125.00
General Fund Debt	1,674,840.64	1,225,086.25	881,954.58	882,201.87	878,816.67	867,599.58	867,597.19	853,131.40	599,970.02	487,834.77
Capital Outlay	7,209,893.52	4,567,187.58	1,205,710.28	258,960.42				101,426.15	5,373,679.37	2,612,866.07
Total Expenditures	25,094,710.41	19,321,980.66	13,867,080.83	11,796,348.71	10,482,909.40	9,948,678.29	10,096,023.85	8,381,394.90	13,244,595.07	10,846,336.13
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,074,721.60)	(4,784,961.33)	(719,127.10)	925,071.08	1,096,788.34	317,321.58	75,086.53	240,187.50	(5,326,919.86)	(3,023,853.67)
Other Financing Sources (Uses)										
Trustee Payment of Bond Payments	(590,470.00)	440,251.95	(587,170.00)	(587,370.00)	(582,070.00)	(581,270.00)	(585,170.00)		(247,045.84)	(152,960.92)
Deposits Held with Trustee for Debt Service	594,887.10	(430,985.00)	591,982.50	592,221.66	589,553.74	583,358.79	947,583.34			
Trustee Payments made from Sinking Fund		(185.00)								
Deposits Held with Trustee for Sinking Fund	292,610.52	219,266.11								
Bond Proceeds										8,358,056.63
Loan Proceeds		10,000,000.00								
Adjustment to Prior Year Federal Grant Receivable				(72,741.00)						
Recognition of Prior Year State Aid Adjustment						(6,249.00)				
Payment of Title I Recovery	(136,368.19)									
Payment of Prior Year Bills								(185,784.40)		(32,217.48)
Total Other Financing Sources (Uses)	160,659.43	10,228,348.06	4,812.50	(67,889.34)	7,483.74	(4,160.21)	362,413.34	(185,784.40)	(247,045.84)	8,172,878.23
Net Change in Fund Balances	\$ (5,914,062.17)	\$ 5,443,386.73	\$ (714,314.60)	\$ 857,181.74	\$ 1,104,272.08	\$ 313,161.37	\$ 437,499.87	\$ 54,403.10	\$ (5,573,965.70)	\$ 5,149,024.56
Debt Service as a Percentage of Noncapital Expenditures	10.3%	9.1%	7.5%	8.3%	4.4%	9.6%	9.4%	11.5%	8.3%	6.3%

Source: Charter Schools Records

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

LEAP Academy University Charter School, Inc.
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years (modified accrual basis of accounting)
 Unaudited

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Donations	\$ 11,772.00									
Miscellaneous	6,519.75									
Refunds	34,741.24									
Cancellation of Prior Year Accounts Payable	29,719.02									
	<u>\$ 82,752.01</u>	<u>-</u>								

* - 2013 was the first year exhibit J-5 was required, therefore prior year information is not applicable.

Source: District Records.

Debt Capacity Information

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		Total Charter School	Percentage of Personal Income (2)	Per Capita (2)
	General Obligation Bonds	Mortgages Payable	Capital Leases	Loan Payable	Capital Leases			
2013	\$ 6,755,000.00	\$ 1,582,514.38	\$ 26,268.33	\$ 10,000,000.00		\$ 18,363,782.71	Unavailable	Unavailable
2012	7,040,000.00	1,804,376.92	51,021.60	10,000,000.00		18,895,398.52	0.57%	244.60
2011	7,310,000.00	2,017,554.27	66,725.42			9,394,279.69	0.28%	121.46
2010	7,570,000.00	2,222,386.42	82,115.00			9,874,501.42	0.30%	123.58
2009	7,820,000.00	2,419,200.11				10,239,200.11	0.32%	129.96
2008	8,055,000.00	2,608,309.19				10,663,309.19	0.34%	134.33
2007	8,280,000.00	2,790,015.26				11,070,015.26	0.36%	139.85
2006 (1)	8,500,000.00	2,964,608.17				11,464,608.17	0.38%	144.89
2005	8,500,000.00	3,118,640.95	6,005.30			11,624,646.25	0.41%	146.17
2004	8,500,000.00	3,280,369.27	117,319.71			11,897,688.98	0.43%	149.80

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

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

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

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

Demographic and Economic Information

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

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

<u>Year</u>	<u>Population (2)</u>	<u>Personal Income (3)</u>	<u>Per Capita Personal Income (4)</u>	<u>Unemployment Rate (5)</u>
2013	Unavailable	Unavailable	Unavailable	Unavailable
2012	77,250	\$ 3,329,397,750.00	\$ 43,099.00	18.5%
2011	77,344	3,304,135,680.00	42,720.00	19.6%
2010	79,904	3,298,596,928.00	41,282.00	18.6%
2009	78,790	3,248,826,860.00	41,234.00	17.8%
2008	79,383	3,117,052,878.00	39,266.00	11.8%
2007	79,159	3,108,257,294.00	39,266.00	11.8%
2006	79,128	2,999,742,480.00	37,910.00	10.7%
2005	79,530	2,854,729,350.00	35,895.00	10.1%
2004	79,424	2,746,481,920.00	34,580.00	14.9%

Source:

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Principal Employers
Current Year and Nine Years Ago
Unaudited

<u>Employer (1)</u>	<u>2013</u>			<u>2004 (2)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Cooper Health Care/ Cooper Health System	10,730	1	39.15%			
On Time Staffing, Inc	10,000	2	36.49%			
Our Lady of Lourdes Healthcare Services, Inc	2,142	3	7.82%			
Diocese of Camden New Jersey Inc.	1,260	4	4.60%			
Campbell Soup Company	1,200	5	4.38%			
L-3 Communications Ilex Systems, Inc.	800	6	2.92%			
Mafco Consolidated Group/ Worldwide Corp.	730	7	2.66%			
Delaware River Port Authority	623	8	2.27%			
Will-Son Corp	200	9	0.73%			
Hospital Central Services, Inc.	190	10	0.69%			
	<u>27,875</u>		<u>101.71%</u>	<u>-</u>		<u>-</u>

(1) Source: D&B Regional Business Directory (2012)

(2) Data was not available from sources contacted.

Operating Information

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

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

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006 (1)</u>	<u>2005</u>	<u>2004</u>
Instruction	93	78	64	63	63	64	76	76		
Administration	17	15	14	10	10	15	13	9		
Support Services	36	30	24	22	18	14	11	9		
Total	146	123	102	95	91	93	100	94	-	-

Source: Charter School Personnel Records

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

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

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

Fiscal Year	Enrollment	Operating Expenditures (2)	Cost Per Pupil	Percentage Change	Teaching Staff (3)	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) (4)	Average Daily Attendance (ADA) (4)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary (K-5)	Middle School (6-8)	High School (9-12)				
2013	1,194	\$ 16,209,976.25	\$ 13,576.19	-13.70%	93	1:20	1:20	1:20	1196	1137	38.86%	95.07%
2012	860	13,529,706.83	15,732.22	0.30%	78	1:20	1:20	1:20	861	815	15.30%	94.59%
2011	751	11,779,415.97	15,684.97	13.50%	64	1:20	1:20	1:20	747	707	-3.23%	94.65%
2010	771	10,655,186.42	13,819.96	4.15%	60	1:20	1:20	1:20	772	721	1.97%	93.44%
2009	757	10,045,050.36	13,269.55	13.83%	60	1:20	1:20	1:20	757	704	-1.17%	93.00%
2008	779	9,081,078.71	11,657.35	-2.23%	60	1:20	1:20	1:20	766	713	6.24%	93.08%
2007	774	9,228,426.66	11,923.03	15.59%	69	1:20	1:20	1:20	721	756	3.95%	104.85%
2006 (1)	720	7,426,837.35	10,315.05	-2.11%	69	1:20	1:20	1:18	694	652	2.00%	93.99%
2005	690	7,270,945.68	10,537.60	-0.41%	70	1:18	1:18	1:16	680	659	8.28%	96.91%
2004	732	7,745,635.29	10,581.47	#REF!	65	1:18	1:18	1:16	628	553	9.60%	88.06%

Sources: District records and enrollment counts.

Note: Enrollment based on annual October enrollment count.

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>District Building</u>										
<u>Elementary</u>										
Leap Academy- Lower School (2000)										
Square Feet	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Capacity (students) (1)	480	420	420	420	420	420	405	-	-	-
Enrollment	431	419	423	422	420	420	422	432	432	732
<u>High School</u>										
Leap Academy- Upper School (2005)										
Square Feet	56,736	56,736	56,736	56,736	56,736	56,736	56,736	56,736	56,736	56,736
Capacity (students) (1)	380	380	380	380	380	380	375	-	-	-
Enrollment	343	440 *	328	349	337	346	352	270	247	
<u>STEM School</u>										
STEM Program (2012)										
Square Feet	39,000									
Capacity (students)	480									
Enrollment	420									

Number of Schools at June 30, 2013
 Elementary = 1
 High School = 1
 STEM = 1

Source: District records, ASSA

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

(1) The capacity information was not available.

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

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

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

<u>*School Facilities</u>	<u>Project #</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006 (1)</u>	<u>2005</u>	<u>2004</u>
High School	N/A	\$ 259,183.51	\$ 62,384.90	\$ 48,518.20	\$ 47,568.18	37,265.08	\$ 36,114.99	\$ 53,399.28	\$ 36,114.99	\$ 36,802.72	
Lower School	N/A	274,094.24	65,973.87	51,309.44	50,304.75	39,408.92	38,192.67	54,173.14	38,192.67	38,919.97	\$ 96,262.68
STEM School	N/A	178,161.25									
Total School Facilities		<u>711,439.00</u>	<u>128,358.77</u>	<u>99,827.64</u>	<u>97,872.93</u>	<u>76,674.00</u>	<u>74,307.66</u>	<u>107,572.42</u>	<u>74,307.66</u>	<u>75,722.69</u>	<u>96,262.68</u>
Other Facilities		-	-	-	-	-	-	-	-	-	-
Grand Total		<u>\$ 711,439.00</u>	<u>\$ 128,358.77</u>	<u>\$ 99,827.64</u>	<u>\$ 97,872.93</u>	<u>\$ 76,674.00</u>	<u>\$ 74,307.66</u>	<u>\$ 107,572.42</u>	<u>\$ 74,307.66</u>	<u>\$ 75,722.69</u>	<u>\$ 96,262.68</u>

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

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Insurance Schedule

June 30, 2013

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
New Jersey School Boards Association Insurance Group		
Burlington and Camden County Educators Insurance Consortium		
Property		
Blanket Real and Personal Property (per occurrence)	\$ 400,000,000.00	
Blanket Extra Expense	50,000,000.00	
Blanket Valuable Papers and Records	10,000,000.00	
Demolition and Increased Cost of Construction (Per occurrence)	10,000,000.00	
Loss of Rents	Not covered	
Loss of Business Income/Tuition	15,923,186.00	
Builder's Risk	Not covered	
Fire Department Service Charge	10,000.00	
Arson Reward	10,000.00	
Pollutant Cleanup and Removal	250,000.00	
Fine Arts	Not covered	
Sublimits: Flood Zones Prefix A & V (Per occurrence)	10,000,000.00	
All Other Flood Zones (Per occurrence/NJSBAIG annual aggregate)	50,000,000.00	
Earthquake (per occurrence, NJSBAIG annual aggregate)	50,000,000.00	
Terrorism (per occurrence, NJSBAIG annual aggregate)	1,000,000.00	
Deductibles (per occurrence):		
Real & Personal		\$ 1,000.00
Extra Expense		1,000.00
Valuable Papers		1,000.00
Flood Deductibles (Zones Prefix A & V):		
Per building		500,000.00
Per building contents		500,000.00
Flood Deductibles (All other flood zones):		
Per member/ per occurrence		10,000.00
subject to a maximum retained deductible of \$1,000,000 to NJSBAIG		
Electronic Data Processing		
Blanket Hardware/ Software (per occurrence)	758,801.00	
Blanket Extra Expense	Included	
Coverage Extensions:		
Transit	25,000.00	
Loss of Income	10,000.00	
Terrorism	Included in property	
Deductible (per occurrence)		1,000.00
Flood (per occurrence)	1,000,000.00	
Flood Deductibles (Zones Prefix A & V):		
Per building contents		500,000.00
Flood Deductibles (All other flood zones):		
Per member/ per occurrence		10,000.00
subject to a maximum retained deductible of \$1,000,000 to NJSBAIG		

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Insurance Schedule

June 30, 2013

Unaudited

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

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.

Insurance Schedule

June 30, 2013

Unaudited

	Automobile	<u>Coverage</u>	<u>Deductible</u>
Liability:			
Symbol 1 Any Auto			
Combined Single Limit for Bodily Injury and Property Damage (per accident)		\$ 10,000,000.00	
Symbol 6:			
Uninsured/ underinsured motorists - private passenger auto (Combined)		1,000,000.00	
Uninsured/ underinsured motorists - all other vehicles:			
Bodily Injury per person		15,000.00	
Bodily Injury per accident		30,000.00	
Property damage per accident		5,000.00	
Symbol 5:			
Personal Injury Protection (including pedestrians)		250,000.00	
Medical Payments:			
Private passenger vehicles		10,000.00	
All other vehicles		5,000.00	
Terrorism (per occurrence/annual NJSBAIG aggregate)		1,000,000.00	
Physical Damage (scheduled vehicles only):			
Symbol 7:			
Comprehensive			\$ 1,000.00
Collision			1,000.00
Hired Car Physical Damage		110,000.00	1,000.00
Replacement cost		Not covered	
Garage Keepers		Included	
Public Officials Bonds (Ohio Casualty Insurance Company)			
Treasurer		250,000.00	
School Business Administrator		50,000.00	

Source: Charter Schools Records

Charter School Performance Framework – Financial Indicators

The New Jersey Department of Education (NJDOE) developed the comprehensive Performance Framework to ensure that each and every NJ charter school is serving students with a high-quality public education. The Performance Framework – Financial Indicators set the fiscal standards by which all NJ public charter schools will be evaluated, informing both NJDOE and individual school officials about school performance and sustainability. By utilizing the Performance Framework throughout the charter school's life cycle, NJDOE officials will expand the rigorous standards and metrics by which each and every public charter school is evaluated. Please refer to the following exhibit for the Charter School's Performance Framework Financial Indicators.

LEAP Academy University Charter School, Inc.
Charter School Performance Framework
Financial Indicators - Fiscal Ratios
Unaudited

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	\$ 1,152,208.29	\$ 142,648.81	\$ 635,108.16	Audit: Exhibit A-1
Current Assets	3,038,003.67	8,306,917.56	3,105,292.96	Audit: Exhibit A-1
Total Assets	17,367,274.80	26,760,803.24	27,075,798.22	Audit: Exhibit A-1
Current Liabilities	1,377,733.51	1,572,328.95	2,314,903.98	Audit: Exhibit A-1
Total Liabilities	10,351,957.97	20,015,714.34	20,203,523.59	Audit: Exhibit A-1
Net Position	7,015,316.83	6,745,088.90	6,872,274.63	Audit: Exhibit A-1
Total Revenue	13,748,552.22	15,319,555.39	19,987,564.11	Audit: Exhibit A-2
Total Expenses	12,896,110.42	15,736,607.33	19,768,573.41	Audit: Exhibit A-2
Change in Net Position	852,441.80	(417,051.94)	218,990.70	Audit: Exhibit A-2
Depreciation Expense	510,602.29	565,389.33	853,995.48	Financial Statements/Audit Workpapers
Interest Expense	406,797.79	586,948.56	572,294.65	Financial Statements/Audit Workpapers
Principal Payments	489,844.88	498,881.17	531,615.81	Financial Statements/Audit Workpapers
Interest Payments	400,703.94	713,367.83	577,193.02	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	747	861	1,196	DOE Enrollment Reports
March 30th Budgeted Enrollment	830	890	1,170	Charter School Budget

RATIOS ANALYSIS...

Near Term Indicators	2011	2012	2013	3 YR CUM.	Source:
1a. Current Ratio	2.21	5.28	1.34	2.94	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	32.61	3.31	11.73	15.88	Cash/(Total Expenses/365)
1c. Enrollment Variance	90%	97%	102%	96%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	N/A	Audit
Sustainability Indicators					
2a. Total Margin	6.2%	-2.7%	1.1%	1.5%	Change in Net Position/Total Revenue
2b. Debt to Asset	0.60	0.75	0.75	0.70	Total Liabilities/Total Assets
2c.** Cash Flow	(1,050,904.35)	(1,009,559.48)	492,459.35	(522,668.16)	Net change in cash flow from prior years (Change in Net Position+Depreciation+Interest Expense)/(Principal & Interest Payments)
2d. Debt Service Coverage Ratio	1.99	0.61	1.48	1.36	

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

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

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the LEAP Academy University Charter School, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 2013. The Charter School's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's 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; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the LEAP Academy University Charter School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the LEAP Academy University Charter School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and New Jersey Circular 04-04-OMB and which are described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as findings no.: 2013-02 and 2013-03. Our opinion on each major federal and state program is not modified with respect to these matters.

The Charter School's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the LEAP Academy University Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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 or 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 or state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs and Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance as finding no.: 2013-02 that we consider to be a significant deficiency.

The LEAP Academy University Charter School, Inc.'s response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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 of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



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

Voorhees, New Jersey
November 25, 2013

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2013

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
Special Revenue Fund:					
U.S. Department of Education					
Passed-through State Department of Education:					
Reading First	84.357A	08000067	\$ 213,089.00	7/1/07	6/30/08
Comprehensive School Reform	84.332A	07000294	326,375.00	1/1/07	9/30/08
Twenty-First Century Community Learning Centers	84.287C	10000167	500,000.00	9/1/09	8/31/10
Twenty-First Century Community Learning Centers	84.287C	11000167	500,000.00	9/1/10	8/31/11
Twenty-First Century Community Learning Centers	84.287C	12000167	500,000.00	9/1/11	8/31/12
Total 21st Century Community Learning Centers					
No Child Left Behind (N.C.L.B.):					
Title I Cluster:					
Title I, Part A (P.L. 103-382)	84.010	NCLB710910	640,058.00	9/1/09	8/31/10
Title I, Part A (P.L. 103-382)	84.010	NCLB710911	629,375.00	9/1/10	8/31/11
Title I, Part A (P.L. 103-382)	84.010	NCLB070912	693,605.00	9/1/11	8/31/12
Title I, Part A (P.L. 103-382)	84.010	NCLB070913	595,327.00	9/1/12	8/31/13
ARRA, Title I, Part A	84.389A	NCLB710910	384,166.00	7/1/09	8/31/11
Total Title I Cluster					
Title I School Improvement Cluster:					
ARRA, Title I, School Improvement, Part A,	84.388	NCLB710910	29,951.00	7/1/09	8/31/11
Title II, Part A	84.367	NCLB710911	72,297.00	9/1/10	8/31/11
Title II, Part A	84.367	NCLB710912	65,812.00	9/1/11	8/31/12
Title II, Part A	84.367	NCLB710913	61,637.00	9/1/12	8/31/13
Total Title IIA					
Title II, Part D	84.318	NCLB710910	6,369.00	9/1/09	8/31/10
Title IV	84.186	NCLB710910	8,459.00	9/1/09	8/31/10
Title V	84.298	NCLB710909	2,444.00	9/1/07	8/31/08
Total No Child Left Behind (N.C.L.B)					
I.D.E.A. Part B Cluster:					
I.D.E.A. Part B, Basic Regular	84.027	IDEA710910	188,116.00	9/1/09	8/31/10
I.D.E.A. Part B, Basic Regular	84.027	IDEA710911	193,047.00	9/1/10	8/31/11
I.D.E.A. Part B, Basic Regular	84.027	IDEA710912	209,365.00	9/1/11	8/31/12
I.D.E.A. Part B, Basic Regular	84.027	IDEA710913	231,624.00	9/1/12	8/31/13
Total I.D.E.A. Part B Cluster					
Race to the Top	84.413A	N/A	55,239.00	7/1/12	11/30/15
Total U.S. Department of Education					
Total Special Revenue Fund					

Balance June 30, 2012	Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments (A)	Repayment of Prior Years' Balances	Balance, June 30, 2013		Due to Grantor at June 30, 2013
						(Accounts Receivable)	Unearned Revenue	
\$ 80.00							\$ 80.00	
45,702.66	-	-	-	-	-	-	45,702.66	-
(121,515.26)						\$ (121,515.26)	213,570.15	
213,570.15							14,477.77	
(128,401.30)		\$ 170,621.00	\$ (36,444.39)	\$ 8,702.46			14,477.77	
(36,346.41)	-	170,621.00	(36,444.39)	8,702.46	-	(121,515.26)	228,047.92	-
(56,800.63)						(56,800.63)	18,080.19	
(5,952.81)				23.78		(5,929.03)		
(12,672.59)		45,044.00	(252,831.03)	7.84		(220,451.78)		
18,080.19		141,927.00	(669,543.45)			(527,616.45)	18,080.19	
(57,345.84)	-	186,971.00	(922,374.48)	31.62	-	(810,797.89)	18,080.19	-
29,951.00							29,951.00	
(1,680.00)						(1,680.00)		
(44,702.75)		44,025.00				(677.75)		
		40,458.00	(51,850.19)			(11,392.19)		
(46,382.75)	-	84,483.00	(51,850.19)	-	-	(13,749.94)	-	-
(365.00)						(365.00)		
8,459.00							8,459.00	
917.39	-	-			-	-	917.39	-
(64,766.20)	-	271,454.00	(974,224.67)	31.62	-	(824,912.83)	57,407.58	-
(36,004.52)						(36,004.52)	2,048.87	
2,048.87								
(43,054.19)		52,528.00	(16,525.15)	5,429.77		(1,621.57)		
		124,650.00	(155,330.28)			(30,680.28)		
(77,009.84)	-	177,178.00	(171,855.43)	5,429.77	-	(68,306.37)	2,048.87	-
		4,800.00	(13,259.02)			(8,459.02)		
(132,339.79)	-	624,053.00	(1,195,783.51)	14,163.85	-	(1,023,193.48)	333,287.03	-
(132,339.79)	-	624,053.00	(1,195,783.51)	14,163.85	-	(1,023,193.48)	333,287.03	-

(Continued)

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Fiscal Year Ended June 30, 2013

<u>Federal Grantor/ Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>	
				<u>From</u>	<u>To</u>
Enterprise Fund:					
U.S. Department of Agriculture					
Passed-through State Department of Education:					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555	N/A	\$ 13,425.77	07/01/12	06/30/13
Non-Cash Assistance Subtotal					
Cash Assistance:					
National School Lunch Program	10.555	N/A	363,607.50	07/01/11	06/30/12
National School Lunch Program	10.555	N/A	541,502.68	07/01/12	06/30/13
School Breakfast Program	10.553	N/A	109,414.23	07/01/11	06/30/12
School Breakfast Program	10.553	N/A	172,378.80	07/01/12	06/30/13
Cash Assistance Subtotal					
Total Child Nutrition Cluster					
Passed-through State Department of Agriculture:					
Fresh Fruits and Vegetables Program	10.582	N/A	22,530.95	07/01/12	06/30/13
Total U.S. Department of Agriculture					
Total Enterprise Fund					
Total Federal Financial Assistance					

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

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

Balance June 30, 2012	Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments (A)	Repayment of Prior Years' Balances	Balance, June 30, 2013		Due to Grantor at June 30, 2013
						(Accounts Receivable)	Unearned Revenue	
		\$ 13,425.77	\$ (13,425.77)					
-	-	13,425.77	(13,425.77)	-	-	-	-	-
\$ (76,026.92)		40,854.43		\$ 35,172.49				
		489,838.78	(541,502.68)			\$ (51,663.90)		
(23,290.11)		12,561.84		10,728.27				
		156,356.07	(172,378.80)			(16,022.73)		
(99,317.03)	-	699,611.12	(713,881.48)	45,900.76	-	(67,686.63)	-	-
(99,317.03)	-	713,036.89	(727,307.25)	45,900.76	-	(67,686.63)	-	-
		19,829.70	(22,530.95)			(2,701.25)		
(99,317.03)	-	732,866.59	(749,838.20)	45,900.76	-	(70,387.88)	-	-
(99,317.03)	-	732,866.59	(749,838.20)	45,900.76	-	(70,387.88)	-	-
<u>\$ (231,656.82)</u>	<u>-</u>	<u>\$ 1,356,919.59</u>	<u>\$ (1,945,621.71)</u>	<u>\$ 60,064.61</u>	<u>-</u>	<u>\$ (1,093,581.36)</u>	<u>\$ 333,287.03</u>	<u>-</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2013

<u>State Grantor/ Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance June 30, 2012</u>
			<u>From</u>	<u>To</u>	
General Fund:					
Current Expense:					
District Local Levy/Equalization Aid (State and Local Share)	12-495-034-5120-078	\$ 11,167,658.00	7/1/11	6/30/12	\$ (102,244.15)
District Local Levy/Equalization Aid (State and Local Share)	13-495-034-5120-078	16,039,557.00	7/1/12	6/30/13	
District Special Education Aid	13-495-034-5120-089	246,377.00	7/1/12	6/30/13	
District Security Aid	13-495-034-5120-085	488,549.00	7/1/12	6/30/13	
Non-Public State Aid	13-495-034-5120-071	329,360.00	7/1/12	6/30/13	
T.P.A.F. Social Security Aid	12-495-034-5095-002	332,132.28	7/1/11	6/30/12	(16,105.78)
T.P.A.F. Social Security Aid	13-495-034-5095-002	410,777.29	7/1/12	6/30/13	
Total General Fund					<u>(118,349.93)</u>
Enterprise Fund:					
National School Lunch Program -- (State Share)	12-100-010-3350-023	7,694.20	7/1/11	6/30/12	(1,599.71)
National School Lunch Program -- (State Share)	13-100-010-3350-023	10,919.85	7/1/12	6/30/13	
Total Enterprise Fund					<u>(1,599.71)</u>
Total State Financial Assistance					<u>\$ (119,949.64)</u>

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

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

Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments (A)	Repayment of Prior Years' Balances	Balance, June 30, 2013		Due to Grantor at June 30, 2013
					(Accounts Receivable)	Unearned Revenue	
	\$ 102,244.15						
	15,875,126.87	\$ (16,039,557.00)			\$ (164,430.13)		
	246,377.00	(246,377.00)					
	488,424.00	(488,549.00)			(125.00)		
	329,356.00	(329,360.00)			(4.00)		
	16,105.78						
	391,125.14	(410,777.29)			(19,652.15)		
<u>-</u>	<u>17,448,758.94</u>	<u>(17,514,620.29)</u>	<u>-</u>	<u>-</u>	<u>(184,211.28)</u>	<u>-</u>	<u>-</u>
	860.80		\$ 738.91				
	9,942.08	(10,919.85)			(977.77)		
<u>-</u>	<u>10,802.88</u>	<u>(10,919.85)</u>	<u>738.91</u>	<u>-</u>	<u>(977.77)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>\$ 17,459,561.82</u>	<u>\$ (17,525,540.14)</u>	<u>\$ 738.91</u>	<u>-</u>	<u>\$ (185,189.05)</u>	<u>-</u>	<u>-</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2013

Note 1: GENERAL

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

Note 2: BASIS OF ACCOUNTING

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

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile revenues from the budgetary basis to the GAAP basis is \$325,545.98 for the special revenue fund. See Exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 3,120.68	\$ 18,090,878.29	* \$ 18,093,998.97
Special Revenue	843,237.53		843,237.53
Food Service	749,838.20	10,919.85	760,758.05
	<u>\$ 1,596,196.41</u>	<u>\$ 18,101,798.14</u>	<u>\$ 19,697,994.55</u>

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

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 5: ADJUSTMENTS

Amounts reported in the column entitled "adjustments" represent favorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in fiscal year 2011-2012 and the cancellation of accounts receivable for food service reimbursements no longer collectible.

Note 6: OTHER

Revenues and expenditures reported under the food distribution program represent current year value received and current year distribution, respectively. TPAF social security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2013.

Note 7: SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the schedule of expenditures of federal awards. The following funds by program are included in schoolwide programs in the Charter School:

<u>Program</u>	<u>Total</u>
Title I, Part A: <i>Improving Basic Programs Operated by Local Education Agencies</i>	\$ 922,374.48
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>51,850.19</u>
	<u>\$ 974,224.67</u>

Note 8: MAJOR PROGRAMS

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major programs Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snack Program
10.555	Food Distribution Program

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

Auditee qualified as low-risk auditee? yes X no

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section 2- Schedule of Financial Statement Findings

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

Finding No. 2013-1

Criteria or Specific Requirement

Sound financial practices dictate that there should not be a deficit in Food Service Enterprise Fund operations.

Condition

As of June 30, 2013, there was a deficit in unrestricted net position of the Food Service Enterprise Fund in the amount of \$266,916.20.

Context

During the auditor's review of Food Service Enterprise Fund financial information, it was noted that expenditures exceeded revenues during fiscal year 2013, resulting in a deficit in operations.

Effect

The Charter School must implement policies and procedures to fund the deficit in the unrestricted net position of the Food Service Enterprise Fund.

Cause

The revenues generated by the Food Service Enterprise Fund were not sufficient to cover the expenditures incurred in providing the Charter School with a food service program.

Recommendation

That the Charter School fund the deficit in unrestricted net position of the Food Service Enterprise Fund and take appropriate corrective action to ensure the elimination of future deficits.

View of Responsible Officials and Planned Corrective Action

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section 3- Schedule of Federal Award Findings and Questioned Costs

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

Finding No. 2013-2

Information on the Federal Program

10.553 School Breakfast Program
10.555 National School Lunch Program
10.555 After School Snack Program
10.555 Food Distribution Program

Criteria or Specific Requirement

The New Jersey Department of Agriculture Division of Food and Nutrition requires a yearly submission of the Verification Summary Report (Form # 122) for certain free and reduced applications.

Condition

For the Fiscal Year 2012-13, the Charter School completed the verification process, but did not submit the Verification Summary Report (Form # 122) on a timely basis.

Questioned Costs

None.

Context

During our audit of the National School Program, it was noted that Verification Summary Report had not been submitted on a timely basis.

Effect

The Charter School did not meet the deadline for submission put forth by the New Jersey Department of Agriculture Division of Food and Nutrition.

Cause

Client oversight on the submission date for the Verification Summary Report (Form # 122).

Recommendation

That the Charter School submit the Verification Summary Report (Form # 122) in a timely manner.

View of Responsible Officials and Planned Corrective Action

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

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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

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

Finding No. 2013-3

Information on the State Program

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

Criteria or Specific Requirement

The reporting of special education status for a student should be supported by an IEP which details a review process for determining the required appropriate additional services required for each student.

Condition

Our audit of enrollment as of October 15, 2012 disclosed several instances where the Charter School Enrollment report classification for special education students did not agree with IEPs on file with the Charter School.

Questioned Costs

None.

Context

The audit of enrollment for October 15th included the special education status for 81 students per the Charter School Enrollment report. The results were that 21 of these students did not have an IEP on file with the Charter School to support their status.

Effect

Inaccurate reporting could have an impact on Charter School funding.

Cause

Information per the Charter School Enrollment report was not properly compared with the Charter School's supporting records.

Recommendation

That the reporting of students with special education status be supported and reviewed for accuracy as required by the New Jersey Department of Education.

View of Responsible Officials and Planned Corrective Action

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

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

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

FINANCIAL STATEMENT FINDINGS

Finding No. 2012-1

Condition

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

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

Current Status

The above reference condition has been resolved except for part 1 which remains unchanged (See Finding No. 2013-1).

Planned Corrective Action

The responsible officials will address the matter as part of their corrective action plan.

FEDERAL AWARDS

Not Applicable.

STATE FINANCIAL ASSISTANCE PROGRAMS

Finding No. 2012-2

Program

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

Condition

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

Current Status

This condition has been resolved.

