

***FREEDOM PREP CHARTER SCHOOL***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2015***

***FREEDOM PREP CHARTER SCHOOL***

***Freedom Prep Charter School  
Board of Trustees  
Camden, New Jersey***

***Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2015***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

***Prepared by***

***Freedom Prep Charter School  
Finance Department***

***And***

***Barre & Company, CPAs***

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**David C. Hesse, Commissioner of Education  
Secretary, State Board of Education**

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***INTRODUCTORY SECTION***

***FREEDOM PREP CHARTER SCHOOL  
1000 ATLANTIC AVE  
CAMDEN, NEW JERSEY 08104***

December 9, 2015

Honorable President and  
Members of the Board of Trustees  
Freedom Prep Charter School  
Camden, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Freedom Prep Charter School (Charter School) for the fiscal year ended June 30, 2015. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

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

## **Charter School Organization**

An elected 7 member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Chief School Administrator is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The Business Administrator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

**1. REPORTING ENTITY AND ITS SERVICES:** Freedom Prep Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14, *The Financial Entity*. All funds and account groups of the school are included in this report. Freedom Prep Charter School, Board of Trustees, constitutes the Charter School’s reporting entity.

## **School Descriptions**

**Startup:** The Charter School began operating in the 2004-2005 school year with student enrolled in fifth grade. In 2014-2015, the Charter School served students in grades 1-9.

**Address:** In 2014-2015, the Charter School was located at 1000 Atlantic Ave, Camden New Jersey 08104.

**Facility:** In 2014-2015, the Charter School occupied parts of the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> Floors of the Virtua Health facility located at the aforementioned address, previously occupied by D.U.E. Season Charter School.

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

**Number of Students, Grades, and Classes:** The Charter School was authorized to serve a maximum enrollment of 920 students in 2014-2015 in grades 1-9. Freedom Prep Charter School ended the 2014-2015 school year with an enrollment of 632 students. The following details the student enrollment of the Charter School last year:

**Class Size:** Class size is approximately 27 students per class.

**Employees:** The Charter School employed 2 Principals, 1 Business Administrator, 49 full-time teachers, 3 Operations Managers, 3 Registrars, 3 Social Workers, 1 Operation/Technology Associate, 4 DREAM Coaches, 1 ELL teacher, 14 Special Education teachers, 2 Food Services Specialists, 1 full-time and 2 part-time Custodians.

**Defining Attributes:** The Charter School provides an exceptional alternative for students and families otherwise slated to attend schools that too often do not meet their needs. Freedom Prep embodies a refined *no excuses* approach. In addition to incorporating the traditional attributes that researchers have proven to be correlated with improved student learning outcomes – extended school days and years, rigorous college-prep academics, ongoing use of data to inform instructional decisions and resource allocation, consistent cultural and academic expectations, and exceptional talent at all levels – Freedom Prep is unique in its commitment to three other key design elements: a commitment to educating all students, in all subjects in all grades; authentic civic leadership and engagement; and operating on public funds.

**Community/Organizational Affiliation:** Freedom Prep is affiliated with Democracy Prep Public Schools.

## **2. REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS:**

### **Board of Trustees**

### **Major Accomplishments**

- The school successfully opened on-time to a fully-enrolled, fully-staffed community despite a summer filled with hectic recruitment and facilities improvements. There were no major issues as classes began, allowing for teachers and instructional leaders to focus solely on the mission of the school in providing high-quality education.

**REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS (CONTINUED)**

- Through sound fiscal management and practices, the school overcame a year where funding for the 250% expansion was not fulfilled until December. Despite this challenge as well as enrollment
- Mid-year, the school successfully settled a 3-year old OFAC case which resulted in a reduced settlement, corrected internal controls, and an increase in the school’s credibility with future vendors
- Based on their demonstrated track record of driving student outcomes in high-need New Jersey settings, all three schools have promoted internal candidates to each respective school leadership position through the leadership training program.

**Board Members**

The Charter School is governed by an independent nonprofit Board of Trustees. The following Chart identifies trustees who served during the 2014-2015 year.

<b>Trusteed</b>	<b>Dates of Service (during FY15)</b>	<b>Role</b>	<b>Voting/Non-Voting</b>
Keisha Usher-Martin	7/1/14– 6/30/15	President	Voting
Tyra Kennedy-Lacey	7/1/14– 6/30/15	Vice President	Voting
Benjamin Feit	7/1/14– 6/30/15	Secretary	Non-Voting
Sean McGrew	7/1/14– 6/30/15	Treasurer	Voting
Joshua Lotstein	7/1/14– 5/31/15	Member	Voting
Mamie Doyle	7/1/14– 3/26/15	Member	Voting
Carole Kraemer	7/1/14– 6/30/15	Member	Voting
Tighe Burns	9/1/14-6/30/15	Member	Voting

**Board Training**

Current trustees have completed the required workshops for NJ School Board members.

**Anticipated Issues:**

As the school continues to build out toward a mature, K-12 program, several challenges will invariably arise. These include –

- ❖ Staffing: Placing the highest caliber adults stand in front of Freedom Prep’s scholars on a daily basis is the single most important factor in ensuring their academic success. As the school expands and the staff grows in number, recruiting a team of mission-aligned professionals who will push scholars to succeed in college and citizenship will become increasingly challenging.

## **REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS** **(CONTINUED)**

- ❖ **Enrollment**: Freedom Academy operated for 10 years as a middle school and was underperforming for many of those years. Generating full enrollment for newly launched Kindergarten and high-school programs will pose a challenge.
- ❖ **PARCC**: It will be incumbent on the board, management, and school leadership to ensure curricular materials and internal assessments at all grade levels are aligned with the Common Core State Standards as PARCC reaches it's first non-baseline administration year.

**3. INTERNAL ACCOUNTING CONTROLS**: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the Charter 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 Charter School has complied with applicable laws and regulations.

**4. BUDGETARY CONTROLS**: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2015.

**5. ACCOUNTING SYSTEM AND REPORT:** The Charter School's accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in Note 1 to the financial statements.

**6. FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents summary of the revenue of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2015:

<u>Revenues</u>	<u>Amount</u>
Local Sources	\$ 440,961
State Sources	8,872,518
Federal Sources	<u>705,231</u>
Total	<u><u>\$10,018,710</u></u>

The following schedule present is a summary of the expenditures of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2015.

<u>Expenditures</u>	<u>Amount</u>
Instruction	\$ 4,698,194
Administration	3,544,569
Support Services	<u>1,742,863</u>
Total	<u><u>\$ 9,985,626</u></u>

As of June 30, 2015, there was no reserved and appropriated fund balance.

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

**8. RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, fidelity bonds, and workmen's compensation.

**9. OTHER INFORMATION:**

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

**10. ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of Freedom Prep Charter School Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating charter school and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



Christopher Lessard  
School Business Administrator



Keisha Usher-Martin  
Board President

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2015**

**MEMBERS OF THE BOARD OF TRUSTEES**

**POSITION**

Keisha Usher-Martin	President
Tyra Kennedy-Lacey	Vice-President
Sean McGrew	Treasurer
Carole Kraemer	Member
Tighe Burns	Member
Joshua Lotstein	Member
Mamie Doyle	Member

**OTHER OFFICIALS**

Benjamin Feit	Board Secretary
Ronald Brady	Chief School Administrator
Christopher Lessard	School Business Admin

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

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

***Attorney***

Kent Anker  
Democracy Prep Public Schools  
1767 Park Ave  
New York, New York 10035

***Official Depository***

Beneficial Bank  
Audubon, New Jersey

***Insurance***

G.R. Murray Insurance  
Princeton, New Jersey

***FINANCIAL SECTION***

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

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor’s Report**

Honorable President  
Members of the Board of Trustees  
Freedom Prep Charter School  
County of Camden  
Camden, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freedom Prep Charter School (Charter School), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements as listed in the table of contents.

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

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

***Auditor’s Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freedom Prep Charter School, in the County of Camden, State of New Jersey, as of June 30, 2015, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 6 to the basic financial statements, the Charter School implemented Governmental Accounting Standard Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment to the GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment if GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balance on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 12 to the basic financial statements.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 17 and 74 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in

accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*," and New Jersey OMB's Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*," respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the Freedom Prep Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.



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

December 9, 2015

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

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The discussion and analysis of Freedom Prep Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- ❖ General revenues accounted for \$10,538,764 or 95% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$585,130 or 5% of total revenues of \$11,123,894.
- ❖ The Charter School had \$10,780,202 in expenses; only \$585,130 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,538,764 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$9,773,141 in revenues and \$9,413,462 in expenditures. The General Fund's fund balance increased by \$359,679 over 2014. This increase was anticipated by the Board of Trustees.
- ❖ During 2015, the Charter School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities.

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

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

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

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

**Reporting the Charter School as a Whole**

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

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

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

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

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

**Fund Financial Statements**

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

**Governmental Funds**

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

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Proprietary Fund**

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 40 of this report.

**The Charter School as a Whole**

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

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

The Charter School's combined Net Position were \$ 245,580 on June 30, 2015 and \$737,249 on June 30, 2014.

**Governmental Activities**

The Charter School's total revenues were \$10,538,764 for 2015 and \$3,912,145 for 2014, this includes \$266,203 for 2015 and \$112,065 for 2014 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$10,250,193 for 2015 and \$3,953,022 for 2014. Instruction comprises 43% for 2015 and 45% for 2014 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. The net cost shows the financial burden that was placed on the Charter School's taxpayers by each of these functions.

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Governmental Activities (Continued)**

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

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

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

**Business-Type Activities**

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

- ❖ Revenues exceeded expenses by \$55,121 for 2015 and expenses exceeded revenues by \$35,577 for 2014.
- ❖ There were no charges for services for 2015 and \$231 for 2014 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, and state snack program were \$585,130 for 2015 and \$136,512 for 2014.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$10,538,764 and expenditures were \$10,179,085. The net change in fund balance for the year was most significant in the general fund, an increase of \$359,679.

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2014	Percent of Increase/ (Decrease)
Local Sources	\$ 440,961	4.40%	\$ 330,301	298.48%
State Sources	8,872,518	88.56%	5,274,860	146.62%
Federal Sources	705,231	7.04%	379,468	116.49%
<b>Total</b>	<b><u>\$ 10,018,710</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 5,984,629</u></b>	

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

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2015, and the amount and percentage of decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2014	Percent of Increase/ (Decrease)
Instruction	\$ 4,698,194	47.05%	\$ 2,905,269	162.04%
Administration	3,544,569	35.50%	2,093,625	144.29%
Support Services	1,742,863	17.45%	1,074,587	160.80%
<b>Total</b>	<b><u>\$ 9,985,626</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 6,073,481</u></b>	

Changes in expenditures were the results of varying factors.

**FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights**

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

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

**Capital Assets (Net of Depreciation)**

The Charter School has \$46,520 invested in capital assets (net) for 2015 and \$87,397 for 2014.

**For the Future**

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

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

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact, Christopher Lessard School Board Administrator at Freedom Prep Charter School, 1000 Atlantic Ave, Camden, New Jersey 08104.

***BASIC FINANCIAL STATEMENTS***

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

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

**FREEDOM PREP CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,885,217	\$ 41,421	\$ 1,926,638
Interfund Receivables	8,260		8,260
Receivables	372,706	108,022	480,728
Capital Assets, Net	46,520		46,520
<b>Total Assets</b>	<b>2,312,703</b>	<b>149,443</b>	<b>2,462,146</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	25,700		25,700
<b>Deferred Outflows of Resources</b>	<b>25,700</b>	<b>-</b>	<b>25,700</b>
<b>LIABILITIES:</b>			
Cash Overdraft			-
Interfund Payable	22,954	5,259	28,213
Accounts Payable and Accrued Expense	1,179,599	88,911	1,268,510
Deferred Revenue	54,251		54,251
Noncurrent Liabilities:			
Net Pension Liability	788,281		788,281
<b>Total Liabilities</b>	<b>2,045,085</b>	<b>94,170</b>	<b>2,139,255</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	103,011		103,011
<b>Deferred Inflows of Resources</b>	<b>103,011</b>	<b>-</b>	<b>103,011</b>
<b>NET POSITION:</b>			
Invested in Capital Assets, Net of Related Debt	46,520		46,520
Restricted for:			
Other Purposes			-
Unrestricted	143,787	55,273	199,060
<b>Total Net Position</b>	<b>\$ 190,307</b>	<b>\$ 55,273</b>	<b>\$ 245,580</b>

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

**FREEDOM PREP CHARTER SCHOOL**

Statement of Activities

For the Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	\$ 4,140,311	\$ 315,502	\$ -	\$ -	-	\$ (4,455,813)	\$ -	\$ (4,455,813)
Administration	3,866,479	76,300	-	-	-	(3,942,779)	-	(3,942,779)
Support Services	1,742,863	67,861	-	-	-	(1,810,724)	-	(1,810,724)
Unallocated Depreciation	40,877	-	-	-	-	(40,877)	-	(40,877)
Total Governmental Activities	<u>9,790,530</u>	<u>\$ 459,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,250,193)</u>	<u>-</u>	<u>(10,250,193)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service	530,009	-	-	585,130	-	-	55,121	55,121
Total Business-Type Activities	<u>530,009</u>	<u>-</u>	<u>-</u>	<u>585,130</u>	<u>-</u>	<u>-</u>	<u>55,121</u>	<u>55,121</u>
Total Primary Government	<u>\$ 10,320,539</u>	<u>-</u>	<u>-</u>	<u>\$ 585,130</u>	<u>\$ -</u>	<u>\$ (10,250,193)</u>	<u>\$ 55,121</u>	<u>\$ (10,195,072)</u>
<b>GENERAL REVENUES</b>								
General Purposes						\$ 340,328	\$ -	\$ 340,328
Federal and State Aid Not Restricted						10,037,411	-	10,037,411
Miscellaneous Income						161,025	-	161,025
Total General Revenues						<u>10,538,764</u>	<u>-</u>	<u>10,538,764</u>
Change in Net Position						288,571	55,121	343,692
Net Position - Beginning of Year-Restated						(98,264)	152	(98,112)
Net Position - Ending						<u>\$ 190,307</u>	<u>\$ 55,273</u>	<u>\$ 245,580</u>

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

**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***

**FREEDOM PREP CHARTER SCHOOL**

Governmental Funds

Balance Sheet

June 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 2,039,917	\$ -	\$ 2,039,917
Interfund Receivables	8,260		8,260
Receivables from Other Governments	37,585	266,474	304,059
Other Receivables	<u>68,647</u>		<u>68,647</u>
 Total Assets	 <u>\$ 2,154,409</u>	 <u>\$ 266,474</u>	 <u>\$ 2,420,883</u>
 <b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Cash Overdraft	\$ -	\$ 154,700	\$ 154,700
Interfund Payables	22,954		22,954
Payable to District	639,708		
Accounts Payable & Accrued Expenses	482,369	57,523	539,892
Deferred Revenues		<u>54,251</u>	<u>54,251</u>
 Total Liabilities	 <u>1,145,030</u>	 <u>266,474</u>	 <u>771,796</u>
 Fund Balances:			
Unassigned:			
General Fund	<u>1,009,379</u>		<u>1,009,379</u>
 Total Fund Balances	 <u>1,009,379</u>	 <u>-</u>	 <u>1,009,379</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,154,409</u>	 <u>\$ 266,474</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$419,921 and the accumulated depreciation is \$373,401.

46,520

Net pension liability of \$788,281, deferred inflows of resources of \$103,011 less deferred outflows of resources of \$25,700 related to pensions are not reported in the governmental funds

(865,592)

Net Position of Governmental Activities

\$ 190,307

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

**FREEDOM PREP CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 340,328	\$ -	\$ 340,328
Miscellaneous	100,633	60,392	161,025
Total Local Sources	440,961	60,392	501,353
State Sources	9,332,180		9,332,180
Federal Sources		705,231	705,231
Total Revenues	<u>9,773,141</u>	<u>765,623</u>	<u>10,538,764</u>
EXPENDITURES:			
Instruction	4,140,311	557,883	4,698,194
Administration	3,738,028		3,738,028
Support Services	1,535,123	207,740	1,742,863
Total Expenditures	<u>9,413,462</u>	<u>765,623</u>	<u>10,179,085</u>
NET CHANGE IN FUND BALANCES	359,679	-	359,679
FUND BALANCES, JULY 1	<u>649,700</u>	<u>-</u>	<u>649,700</u>
FUND BALANCES, JUNE 30	<u>\$ 1,009,379</u>	<u>\$ -</u>	<u>\$ 1,009,379</u>

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

**FREEDOM PREP CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental funds (B-2)	\$ 359,679
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense in the current fiscal year.</p>	
Depreciation Expense	(40,877)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized</p>	
	<u>(30,231)</u>
Change in net position of governmental activities	<u><u>\$ 288,571</u></u>

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

***PROPRIETARY FUNDS***

**FREEDOM PREP CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Fund Net Position  
 June 30, 2015

	Business-Type Activities
	Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 41,421
Intergovernmental Accounts Receivable:	
Federal	106,900
State	1,122
Total Current Assets	149,443
Total Assets	149,443
<b>LIABILITIES:</b>	
Liabilities:	
Current Liabilities:	
Interfund Accounts Payable	5,259
Accounts Payable	88,911
Total Current Liabilities	94,170
Total Liabilities	94,170
<b>NET ASSETS:</b>	
Unreserved Net Position	55,273
Total Net Position	\$ 55,273
Total Liabilities and Net Position	\$ 149,443

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

**FREEDOM PREP CHARTER SCHOOL**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Non-reimbursable Program	
Total Operating Revenues	-
OPERATING EXPENSES:	
Salaries	41,233
Cost of Sales	488,776
Total Operating Expenses	530,009
OPERATING LOSS	(530,009)
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	8,427
Federal Source:	
National School Lunch Program	335,478
National School Breakfast Program	195,451
Healthy Hunger-Free Kids Act	6,717
After School Snacks Program	39,057
Total Nonoperating Revenues	585,130
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES:	55,121
CHANGE IN NET POSITION	55,121
TOTAL NET POSITION, JULY 1	152
TOTAL NET POSITION, JUNE 30	\$ 55,273

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

**FREEDOM PREP CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Cash Flows  
 For the Fiscal Year Ended June 30, 2015

	Business-Type Activities Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ -
Cash Payments to Suppliers and Employees	(465,621)
Net Cash Used In Operating Activities	(465,621)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received From State And Federal Reimbursements	507,042
Net Cash Provided By Noncapital Financing Activities	507,042
Net Increase (Decrease) In Cash And Cash Equivalents	41,421
Cash And Cash Equivalents, Beginning Of Year	-
Cash And Cash Equivalents, End Of Year	\$ 41,421
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss Used In Operating Activities	\$ (530,009)
Change In Assets And Liabilities:	
Increase In Interfund Payable	(24,523)
Increase In Accounts Payable	88,911
Net Cash Used In Operating Activities	\$ (465,621)

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

***FIDUCIARY FUNDS***

**FREEDOM PREP CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 June 30, 2015

	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	Student Activities	Total Agency Fund
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 7,006	\$ 14,999	\$ 3,000	\$ 571	\$ 18,570
Interfund Accounts Receivable	-	22,953	-	-	22,953
<b>Total Assets</b>	<b>7,006</b>	<b>\$ 37,952</b>	<b>\$ 3,000</b>	<b>\$ 571</b>	<b>\$ 41,523</b>
<b>LIABILITIES:</b>					
Interfund Accounts Payable	\$ -	-	3,000	-	\$ 3,000
Accounts Payable	5,061	-	-	-	-
Payroll Deductions and Withholdings Due to Student Groups	-	37,952	-	-	37,952
	-	-	-	571	571
<b>Total Liabilities</b>	<b>5,061</b>	<b>\$ 37,952</b>	<b>\$ 3,000</b>	<b>\$ 571</b>	<b>\$ 41,523</b>
<b>NET POSITION:</b>					
Reserved for Unemployment Claims	-				
Unreserved	1,945				
<b>Total Net Position</b>	<b>\$ 1,945</b>				

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

**FREEDOM PREP CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For the Fiscal Year Ended June 30, 2015

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Contributions:	
Employee	<u>\$ 7,006</u>
Total Additions	<u>7,006</u>
DEDUCTIONS:	
Unemployment Claims Paid	<u>5,061</u>
Total Deductions	<u>5,061</u>
CHANGE IN NET POSITION	1,945
NET POSITION, JULY 1	<u>\$ -</u>
NET POSITION, JUNE 30	<u><u>\$ 1,945</u></u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

The financial statements of the Board of Trustees (Board) of Freedom Prep Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

**A. Reporting Entity**

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School. The Freedom Prep Charter School has an approximate enrollment at June 30, 2015 of 632 students.

**B. Component Units**

The primary criterion for including activities within the Charter School's reporting entity as a component unit, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ❖ the organization is legally separate (can sue or be sued in their own name)
- ❖ the Charter School holds the corporate powers of the organization
- ❖ the Charter School appoints a voting majority of the organization's board
- ❖ the charter school is able to impose its will on the organization
- ❖ the organization has the potential to impose a financial benefit/burden on the School
- ❖ there is a fiscal dependency by the organization on the Charter School

Based on the aforementioned criteria, the Charter School has no component Units.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Charter School-Wide Financial Statements** – The governmental fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year-end. Principal revenue sources considered susceptible to accrual include federal and state grants, and interest on investments.

Other revenues are considered to be measurable and available only when cash is received by the state.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**D. Charter School-Wide and Fund Financial Statements**

The charter school-wide financial statements (the statement of net position and the statement of activities) report information of all of the non-fiduciary activities of the Charter School. For the most part, the effect of interfund activity has been removed from these charter school-wide statements. Charter School activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Charter School-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Charter school does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Charter School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, the fiduciary funds are not included in the Charter School-side statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**E. Fund Accounting**

The accounts of the Freedom Prep Charter School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Fund Accounting (Continued)**

expendable available financial resources. The various funds and accounts are grouped, in the financial statements in this report, into seven fund types within three broad fund categories and two account groups as follows:

**Governmental Funds**

**General Fund** – The general fund is the general operating fund of Freedom Prep Charter School and 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 which are classified in the Capital Outlay sub-fund.

As required by the New Jersey Department of Education, Freedom Prep Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvement 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, interest earnings and appropriated fund balance. Expenditures are those that improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

**Special Revenue Fund** – The Special Revenue Fund is used to account for the proceeds of specific revenue from state and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Proprietary Funds**

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Fund Accounting (Continued)**

**Proprietary Funds (Continued)**

**Capital Projects Fund**: Not Applicable.

**Debt Service Fund**: Not Applicable.

The Charter School reports the following proprietary funds:

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

Additionally, the Charter School reports the following fund type:

**Fiduciary Funds**

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

**Agency Funds** – assets held by a governmental entity (either as trustee or as an agent for other parties that cannot be used to finance the governmental entity's own operating programs. The Charter School currently maintains Payroll and Student Activity Funds as Agency Funds.

**F. Basis of Accounting**

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

*Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements:* The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Basis of Accounting (Continued)**

Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**A. Budgets/Budgetary Control**

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Budgets/Budgetary Control (Continued)**

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. The budget, as detailed on Exhibit C-1 and C-2, includes all amendments to the adopted budget, if any.

**B. Encumbrances Accounting**

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

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

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**C. Cash and Cash Equivalents**

Cash and Cash equivalents 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. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey.*N.J.S.A.17:9-41* e.t. 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 Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**D. Short-Term Interfund Receivable/Payables**

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

**E. Capital Assets**

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Capital Assets (Continued)**

infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building Improvements	20
Office & Computer Equipment	5-10

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

**F. 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.

**G. Long-Term Obligations**

In Charter School-wide financial statements, under governmental activities, long-term debt is recognized as a liability in the general fund as debt is incurred.

**H. Fund Balance**

In accordance with Governmental Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Freedom Prep Charter School classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Fund Balance (Continued)**

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Charter School uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available, unless prohibited by law or regulation. Additionally, the Charter school would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**I. Net Position**

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net Position is classified in 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 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.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**J. Impact of Recently Issued Accounting Principles**

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012* – an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity 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 FSB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the Charter school elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the Charter School's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 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. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 does not have any impact on the Charter School's financial statements.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves 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 Statements 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 inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the Charter School's financial statements.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**K. Subsequent Events**

The Freedom Prep Charter School has evaluated subsequent events occurring after June 30, 2015 through the date of December 9, 2015, which is the date the financial statements were available to be issued.

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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

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

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

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Deposits**

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

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

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

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

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

**Investments**

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

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Investments (Continued)**

As of June 30, 2015, cash and cash equivalents and investments of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 2,039,917	\$ -	\$ 41,421	\$ 25,576	\$2,106,914

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2015 was \$2,106,914 and the bank balance was \$2,211,122. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Risk Category**

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

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

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

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

As of June 30, 2015, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**New Jersey Cash Management Fund**

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

As of June 30, 2015, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2015, consisted of accounts (tuition), intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 68,647	\$ 69,769
Federal Aid	292,246	399,146
Other	11,813	11,813
Gross Receivables	<u>372,706</u>	<u>480,728</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 372,706</u>	<u>\$ 480,728</u>

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 8,260	\$ 22,954
Special Revenue Fund		
Proprietary Fund		5,259
Fiduciary Fund	22,953	3,000
Total	\$ 31,213	\$ 31,213

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 419,921	\$ -	\$ -	\$ 419,921
Totals at Historical Cost	419,921	-	-	419,921
Less Accumulated Depreciation For:				
Machinery and Equipment	332,524	40,877	-	373,401
Total Accumulated Depreciation	332,524	40,877	-	373,401
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	87,397	(40,877)	-	46,520
Government Activity Capital Assets, Net	\$ 87,397	\$ (40,877)	\$ -	\$ 46,520

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

Depreciation expense of \$40,877 was charged to an unallocated function.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5: RENTAL LEASE**

The Charter School entered into a lease for the rental of a school facility on Collings Road in Camden, New Jersey with St. Josephine Bakhita for the period of January 1, 2013 to January 1, 2016 for an annual base rent of \$126,630. The lease was ended on September, 2014. The total rent expense for the period of July 1, 2014 to December 31, 2014 of \$65,199. The Charter school then signed a lease for the rental of a school facility on Atlantic Ave in Camden, New Jersey with Virtua-West Jersey Health Care System for the period of July 8, 2014 to July 8, 2018 for an annual rent of \$1,163,435. The lease has an option for two additional five year terms and includes annual rent increases of 2.5% per renewal year. For the fiscal year ended June 30, 2015 total rent expense amounted to \$934,296. Future minimum lease rental payments are as follows:

<u>School Year</u>	<u>Rent Expense</u>
2015-2016	\$ 1,050,953
2016-2017	1,050,953
2017-2018	1,050,953

**NOTE 6: PENSION PLANS**

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

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

**Plan Description**

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

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

**Benefits Provided**

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 15A and required contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts

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**NOTE 6: PENSION PLANS (CONTINUED)**

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

**Contributions (Continued)**

certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 35,621 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

**Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the Charter School reported a liability of \$ 788,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 which was rolled forward to June 30, 2014. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the Charter School's proportion was 0.00421029%, which was a decrease of 0.00034697% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2014, the Charter School recognized pension expense of \$ 35,230 . At June 30, 2014, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

**FREEDOM PREP CHARTER SCHOOL  
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**NOTE 6: PENSION PLANS (CONTINUED)**

**Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 24,788	\$ -
Changes in Proportion	912	56,016
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	46,995
	\$ 25,700	\$ 103,011

Amounts reported as deferred outflows of resources and deferred inflows resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2015	\$ (10,182)
2016	(10,182)
2017	(10,182)
2018	(10,182)
2019	7,992
Thereafter	3,516
	\$ (29,220)

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuations as of July 1, 2013. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgage	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6: PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and June 30, 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and June 30, 2013, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Charter School's proportionate share of the Net Pension Liability	\$ 991,684	\$ 788,281	\$ 617,474

  

	Fiscal Year Ended June 30, 2013		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Charter School's proportionate share of the Net Pension Liability	\$ 1,084,258	\$ 870,982	\$ 692,285

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6: PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

**A. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefit Provided**

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

<b>Tier</b>	<b>Descriptions</b>
<b>1</b>	M Members who were enrolled prior to July 1, 2007
<b>2</b>	M Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
<b>3</b>	M Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
<b>4</b>	M Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
<b>5</b>	M Members who were eligible to enroll on or after June 28, 2011

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

**Contributions**

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2014 and 2013, the State's pension contribution was less than the actuarially determined amount.

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2015, the State of New Jersey contributed \$ 42,696 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 54,450

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As June 30, 2015, the State's proportionate share of the net pension liability associated with the Charter School was \$ 6,850,878 . The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, Charter School's proportion was 0.1281814%, which was a decrease of 0.1141076% from its proportion measured as of June 30, 2013.

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	<u>6,850,878</u>
Total	<u>\$ 6,850,878</u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the Charter School in the amount of \$ 54,450 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 2,306,623,861	\$ -
Difference Between Expected and Actual Experience		21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$ 2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 1,763,205,593 reported as a deferred inflow of resources resulting from the difference between projected and actual.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Fiscal Year Ending June 30,	Total
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,498)
2020	304,620,646
Thereafter	761,551,612
	\$ 543,418,266

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2013. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 200 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2014 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

**Discount Rate – TPAF**

The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and June 30, 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and June 30, 2013, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Charter School's proportionate share of the Net Pension Liability	\$ 82,962,820	\$ 68,978,337	\$ 57,346,905

	Fiscal Year Ended June 30, 2013		
	1% Decrease (3.95%)	Current Discount Rate (4.95%)	1% Increase (5.95%)
Charter School's proportionate share of the Net Pension Liability	\$ 8,587,490	\$ 7,139,710	\$ 5,960,488

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6: PENSION PLANS (CONTINUED)**

**C. Pension Plan Fiduciary Net Position – TPAF**

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

**Defined Contribution Retirement Program (DCRP)**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School recognized no pension expense the fiscal year ended June 30, 2015. There were no employee contributions to DCRP for the fiscal year ended June 30, 2015.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7: POST-RETIREMENT BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014 there were 103,432 retirees receiving post-retirement medical benefits, and the state contributed \$1.04 billion on their behalf. 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 retired from a board of education or county college with 25 years of service. The state paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

**NOTE 8: RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**New Jersey Unemployment Compensation Insurance**

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9: ECONOMIC DEPENDENCY**

The Charter School participates in numerous state and federal grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursements by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material. The Charter School is dependent on the State of New Jersey for a substantial portion of its operating funds. Due to funding uncertainties at the State level, funding for Charter Schools may be reduced. The ultimate effect of this possible reduction in funding on the Charter school's future operation is not yet determinable.

**NOTE 10: FUND BALANCE DISCLOSURE**

**General Fund** – of the \$1,009,379 General Fund fund balance at June 30, 2015, \$1,009,379 is unassigned and none is assigned.

**NOTE 11: LITIGATION**

The Charter school was audited by the New Jersey Department of Education, Office of Fiscal Accountability and Compliance ("OFAC"). The initial report of examination issued in July 2009 found numerous violations and recommended a recovery of \$415,938 in State aid. The Charter school filed an appeal with OFAC challenging the report of examination and was granted in part and denied in part. In November, 2014, The Charter School settled the litigation with a total return of state aid of \$150,000. This aid is to be deducted from future aide payments of \$25,000 over a period six years.

**NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (CONTINUED)**

Net Position at June 30, 2014	\$	737,097
Adjustments:		
Net Pension Liability		(870,982)
Deferred Outflow - Payments Subsequent to Measurement Date		35,621
		(835,361)
Total Adjustments		(835,361)
Restated Net Position June 30, 2014	\$	(98,264)

Other than employer contributions subsequent to the measurement date, the Charter School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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

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

**FREEDOM PREP CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 184,853	\$ 200,035	\$ 384,888	\$ 340,328	\$ (44,560)
Total Local Levy Budget	184,853	200,035	384,888	340,328	(44,560)
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	5,233,102	3,621,409	8,854,511	8,309,688	(544,823)
Special Education	339,214	(12,432)	326,782	295,701	(31,081)
Security Aid	196,807	91,058	287,865	267,129	(20,736)
Total Categorical Aid	5,769,123	3,700,035	9,469,158	8,872,518	(596,640)
Revenues From Other Sources:					
Miscellaneous Revenue	100,000		100,000	100,633	633
On-Behalf TPAF Pension Contributions (Non-Budgeted)				193,459	193,459
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				266,203	266,203
Total Revenues From Other Sources	100,000	-	100,000	560,295	460,295
Total Revenues	6,053,976	3,900,070	9,954,046	9,773,141	(180,905)
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	2,365,686	1,171,300	3,536,986	3,521,911	15,075
Other Salaries for Instruction	113,333	(46,000)	67,333	67,102	231
Purchased Prof/Tech Services		160,853	160,853	132,831	28,022
Other Purchased Services	66,500	149,515	216,015	42,630	173,385
General Supplies	31,500	272,665	304,165	150,046	154,119
Textbooks		400	400	322	78
Miscellaneous	33,250	211,462	244,712	225,469	19,243
Total Instruction	2,610,269	1,920,195	4,530,464	4,140,311	390,153
Administration:					
Salaries - General Administration	337,525	263,500	601,025	598,705	2,320
Salaries of Secretarial/Clerical Assistants	337,525	(201,500)	136,025	135,919	106
Total Benefits Cost	744,900	6,236	751,136	636,345	114,791
Purchases Prof/Tech Services	1,015,600	650,500	1,666,100	1,640,831	25,269
Other Purchased Services	27,000	(5,000)	22,000	21,746	254
Communications/Telephone	50,200	15,100	65,300	54,074	11,226
Supplies and Materials	8,000	3,400	11,400	11,222	178
Miscellaneous Expenses	28,600	1,210	29,810	179,524	(149,714)
Total Administration	2,549,350	733,446	3,282,796	3,278,366	4,430

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

**FREEDOM PREP CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 354,242	\$ (167,790)	\$ 186,452	\$ 102,054	\$ 84,398
Purchased Prof/Tech Services	72,500	98,900	171,400	171,395	5
Rental of Land and Buildings	203,801	949,500	1,153,301	977,276	176,025
Transportation-Other Than To/From School	102,000	96,260	198,260	196,350	1,910
Insurance for Property, Liability and Fidelity	18,600	30,000	48,600	48,231	369
Supplies and Materials	47,300	(17,050)	30,250	29,864	386
Energy Costs (Heat and Electricity)	46,000	(42,000)	4,000	3,759	241
Miscellaneous Expenses	32,000	(25,800)	6,200	6,194	6
<b>Total Support Services</b>	<b>876,443</b>	<b>922,020</b>	<b>1,798,463</b>	<b>1,535,123</b>	<b>263,340</b>
Capital Outlay:					
Instructional Equipment	6,000	(6,000)	-	-	-
<b>Total Capital Outlay</b>	<b>6,000</b>	<b>(6,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)			-	193,459	(193,459)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				266,203	(266,203)
<b>Total Expenditures</b>	<b>6,042,062</b>	<b>3,569,661</b>	<b>9,611,723</b>	<b>9,413,462</b>	<b>198,261</b>
Excess of Revenues Over Expenditures	11,914	330,409	342,323	359,679	17,356
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	11,914	330,409	342,323	359,679	17,356
<b>FUND BALANCE, JULY 1</b>	<b>649,700</b>	<b>-</b>	<b>649,700</b>	<b>649,700</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 661,614</b>	<b>\$ 330,409</b>	<b>\$ 992,023</b>	<b>\$ 1,009,379</b>	<b>\$ 17,356</b>
Recapitulation of Excess of Revenues Over Expenditures					
Budgeted Fund Balance	\$ 661,614	\$ 330,409	\$ 992,023	\$ 1,009,379	\$ 17,356
<b>Total</b>	<b>\$ 661,614</b>	<b>\$ 330,409</b>	<b>\$ 992,023</b>	<b>\$ 1,009,379</b>	<b>\$ 17,356</b>

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

**FREEDOM PREP CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Federal Sources	\$ 284,372	\$ 464,895	\$ 749,267	\$ 705,231	\$ (44,036)
State Sources					
Other Sources		\$ 60,392	60,392	\$ 60,392	-
<b>Total Revenues</b>	<u>284,372</u>	<u>525,287</u>	<u>809,659</u>	<u>765,623</u>	<u>(44,036)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	180,000		180,000	180,000	-
Other Purchased Services	165,675		165,675	165,530	145
General Supplies	154,099	59,000	213,099	212,353	746
<b>Total Instruction</b>	<u>499,774</u>	<u>59,000</u>	<u>558,774</u>	<u>557,883</u>	<u>891</u>
Support Services:					
Support Salaries	105,506		105,506	87,142	18,364
Personal Services - Employee Benefits	70,648		70,648	66,754	3,894
Purchased Prof/Ed Services	2,919		2,919	2,919	-
Other Purchased Services	100		100	100	-
Supplies and Materials	71,712		71,712	50,825	20,887
<b>Total Support Services</b>	<u>250,885</u>	<u>-</u>	<u>250,885</u>	<u>207,740</u>	<u>43,145</u>
<b>Total Expenditures</b>	<u>750,659</u>	<u>59,000</u>	<u>809,659</u>	<u>765,623</u>	<u>44,036</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>\$ (466,287)</u>	<u>\$ 466,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION – PART II***

**FREEDOM PREP CHARTER SCHOOL**  
 Budgetary Comparison Schedule  
 Budget To GAAP Reconciliation  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2015

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b> \$ 9,773,141	<b>[C-2]</b> 765,623
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b> \$ <u>9,773,141</u>	<b>[B-2]</b> \$ <u>765,623</u>
 <b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b> \$ 9,413,462	<b>[C-2]</b> \$ 765,623
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b> \$ <u>9,413,462</u>	<b>[B-2]</b> \$ <u>765,623</u>

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***

***SECTION L – SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
PENSIONS (GASB 68)***

**FREEDOM PREP CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
Charter School's proportion of the net pension liability	0.00455726%	0.004210287%
Charter School's proportionate share of the net pension liability	\$ 870,982	\$ 788,281
Charter School's covered employees payroll	\$ 179,904	\$ 393,189
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	484%	200%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**FREEDOM PREP CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
Contractually required contribution	\$ 34,338	\$ 35,621
Contributions in relation to the contractually required contribution	<u>(35,230)</u>	<u>(35,621)</u>
Contribution deficiency/(excess)	<u>\$ (892)</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 179,904	\$ 393,189
Contributions as a percentage of covered employee payroll	19.09%	9.06%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**FREEDOM PREP CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**LAST TWO FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
State's proportion of the net pension liability attributable of the Charter School	0.0140738%	0.12818139%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 7,112,787	\$ 6,850,878
Charter School's covered employees payroll	\$ 1,272,903	\$ 1,429,773
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	558.78%	479.16%
Plan fiduciary net position as a p ercentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**FREEDOM PREP CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**LAST FISCAL YEAR**  
**UNAUDITED**

	<i>Fiscal year</i> Ending June 30, <u>2015</u>
Contractually required contribution	\$ 54,450
Contributions in relation to the contractually required contribution	<u>(42,696)</u>
Contribution deficiency/(excess)	<u>\$ 11,754</u>
Charter School's covered employee payroll	\$ 1,272,903
Contributions as a percentage of covered employee payroll	4.28%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III***

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2014**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2014**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

***OTHER SUPPLEMENTARY INFORMATION***

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

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

**GOLDEN DOOR CHARTER SCHOOL**  
 Special Revenue Fund  
 Combining Schedule of Revenues and Expenditures  
 Budgetary Basis  
 For the Fiscal Year Ended June 30, 2015

	Local Grants	Title I	Title I - SIA	Title II Part A	CSP Grant	IDEA	Total
<b>REVENUES:</b>							
Federal Sources	\$ -	\$ 296,451	\$ 79,637	\$ 3,019	287,784	\$ 59,227	\$ 726,118
Other Sources	60,392						60,392
<b>Total Revenues</b>	<b>\$ 60,392</b>	<b>\$ 296,451</b>	<b>79,637</b>	<b>\$ 3,019</b>	<b>\$ 287,784</b>	<b>\$ 59,227</b>	<b>\$ 786,510</b>
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of Teachers	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
Other Purchased Services	11,000				154,530		165,530
General Supplies		47,127	31,972		133,254		212,353
<b>Total Instruction</b>	<b>11,000</b>	<b>227,127</b>	<b>31,972</b>	<b>-</b>	<b>287,784</b>	<b>-</b>	<b>557,883</b>
Support Services:							
Support Salaries			38,559			48,583	87,142
Employee Benefits		47,004	9,106			10,644	66,754
Purchased Prof/Ed Services				2,919			2,919
Purchased Technical Services				100			100
Supplies and Materials	49,392	22,320					71,712
<b>Total Support Services</b>	<b>49,392</b>	<b>69,324</b>	<b>47,665</b>	<b>3,019</b>	<b>-</b>	<b>59,227</b>	<b>228,627</b>
<b>Total Expenditures</b>	<b>\$ 60,392</b>	<b>\$ 296,451</b>	<b>\$ 79,637</b>	<b>\$ 3,019</b>	<b>\$ 287,784</b>	<b>\$ 59,227</b>	<b>\$ 786,510</b>

**SECTION G – PROPRIETARY FUND  
DETAIL STATEMENTS**

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

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

*Child Care Program – This fund provides for the operation of a before and after school child care program within the school.*

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

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENTS**

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

***Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.***

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

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

***Payroll Fund – this agency fund is used to account for payroll transactions of the charter school.***

**FREEDOM PREP CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Position  
 June 30, 2015

	Trust	Agency			
	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	Student Activities	Agency Funds
ASSETS:					
Cash and Cash Equivalents	\$ 7,006	\$ 14,999	\$ 3,000	\$ 571	\$ 18,570
Interfund Accounts Receivable		22,953			22,953
Total Assets	<u>7,006</u>	<u>\$ 37,952</u>	<u>\$ 3,000</u>	<u>\$ 571</u>	<u>\$ 41,523</u>
LIABILITIES:					
Interfund Accounts Payable			3,000	-	3,000
Payroll Deductions and Withholdings		37,952			37,952
Due to Student Groups				571	571
Total Liabilities	<u>5,061</u>	<u>\$ 37,952</u>	<u>\$ 3,000</u>	<u>\$ 571</u>	<u>\$ 41,523</u>
NET POSITION:					
Unreserved	<u>1,945</u>				
Total Net Position	<u>\$ 1,945</u>				

**FREEDOM PREP CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For the Fiscal Year Ended June 30, 2015

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Contributions	
Employee	\$ 7,006
Employer	<u>0</u>
Total Additions	<u>7,006</u>
DEDUCTIONS:	
Unemployment Claims Paid	<u>5,061</u>
Total Deductions	<u>5,061</u>
CHANGE IN NET POSITION	1,945
NET POSITION, JULY 1	<u>-</u>
NET POSITION, JUNE 30	<u><u>\$ 1,945</u></u>

**FREEDOM PREP CHARTER SCHOOL**  
 Fiduciary Funds  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Cash	\$ 571	\$ -	\$ -	\$ 571
Total	<u>\$ 571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571</u>

**FREEDOM PREP CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 46,569	\$ 1,695,948	\$ 1,727,518	\$ 14,999
Interfund Accounts Receivable	-	37,952	14,999	22,953
<b>Total Assets</b>	<b>\$ 46,569</b>	<b>\$ 1,733,900</b>	<b>\$ 1,742,517</b>	<b>\$ 37,952</b>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 29,413	\$ 1,695,948	\$ 1,725,361	\$ -
Payroll Deductions and Withholdings	\$ 17,156	\$ 37,952	\$ 17,156	\$ 37,952
<b>Total Liabilities</b>	<b>\$ 46,569</b>	<b>\$ 1,733,900</b>	<b>\$ 1,742,517</b>	<b>\$ 37,952</b>

**STATISTICAL SECTION  
(UNAUDITED)**

***GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.***

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**Contents**

**Financial Trends**

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

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

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning in that year.*

***FINANCIAL TRENDS***

**FREEDOM PREP CHARTER SCHOOL**  
 Net Assets/Position by Component  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities</b>										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ 46,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	100,558	133,185	176,208	142,880	155,001	184,802	150,963	108,181	51,516
Unrestricted	1,009,379	636,539	511,802	850,647	408,021	(3,484)	531,238	687,238	587,349	163,821
<b>Total Governmental Activities Net Assets/Position</b>	<b>\$ 1,055,899</b>	<b>\$ 737,097</b>	<b>\$ 644,987</b>	<b>\$ 1,026,855</b>	<b>\$ 550,901</b>	<b>\$ 151,517</b>	<b>\$ 716,040</b>	<b>\$ 838,201</b>	<b>\$ 695,530</b>	<b>\$ 215,337</b>
<b>Business-Type Activities</b>										
Unrestricted	\$ 55,273	\$ 304	\$ 35,729	\$ 51,671	\$ 69,924	59,677	11,597	-	-	-
<b>Total Business-Type Activities Net Position</b>	<b>\$ 55,273</b>	<b>\$ 304</b>	<b>\$ 35,729</b>	<b>\$ 51,671</b>	<b>\$ 69,924</b>	<b>\$ 59,677</b>	<b>\$ 11,597</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Charter School-wide</b>										
Restricted	-	100,558	133,185	176,208	142,880	155,001	184,802	150,963	108,181	51,516
Unrestricted	1,064,652	636,843	547,531	902,318	477,945	56,193	542,835	687,238	587,349	163,821
<b>Total Charter School-wide Net Assets/Position</b>	<b>\$ 1,111,172</b>	<b>\$ 737,401</b>	<b>\$ 680,716</b>	<b>\$ 1,078,526</b>	<b>\$ 620,825</b>	<b>\$ 211,194</b>	<b>\$ 727,637</b>	<b>\$ 838,201</b>	<b>\$ 695,530</b>	<b>\$ 215,337</b>

**FREEDOM PREP CHARTER SCHOOL**  
 Changes in Net Assets/Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 4,455,813	\$ 1,792,925	\$ 1,787,295	\$ 1,680,212	\$ 1,447,522	\$ 1,451,402	\$ 1,668,078	\$ 1,654,480	\$ 1,090,733	\$ 622,136
Administration	3,942,779	1,183,930	1,112,647	961,091	920,714	1,264,895	1,093,152	749,985	661,638	422,079
Support Services	1,810,724	668,276	730,313	700,379	600,363	693,563	666,454	547,547	500,887	372,516
Unallocated Benefits	-	267,014	311,899	251,906	183,265	-	-	-	-	-
Unallocated Depreciation	40,877	40,877	40,621	39,851	29,000	29,801	12,857	12,857	8,197	4,914
Fixed Asset Appraisal Adjustment	-	-	(5,132)	(60,734)	-	-	-	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>10,250,193</b>	<b>3,953,022</b>	<b>3,977,643</b>	<b>3,572,705</b>	<b>3,180,864</b>	<b>3,439,661</b>	<b>3,440,541</b>	<b>2,964,869</b>	<b>2,261,455</b>	<b>1,421,645</b>
Business-Type Activities:										
Food Service	530,009	182,320	163,438	170,575	138,979	121,181	149,614	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>530,009</b>	<b>182,320</b>	<b>163,438</b>	<b>170,575</b>	<b>138,979</b>	<b>121,181</b>	<b>149,614</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Charter School Expenses</b>	<b>\$ 10,780,202</b>	<b>\$ 4,135,342</b>	<b>\$ 4,141,081</b>	<b>\$ 3,743,280</b>	<b>\$ 3,319,843</b>	<b>\$ 3,560,842</b>	<b>\$ 3,590,155</b>	<b>\$ 2,964,869</b>	<b>\$ 2,261,455</b>	<b>\$ 1,421,645</b>
<b>Program Revenues</b>										
Governmental Activities:										
Capital Grants and Contributions	\$ -	\$ 324,493	\$ 139,910	\$ 378,487	\$ 241,725	\$ 360,330	\$ 262,292	\$ 343,510	\$ 374,525	\$ 230,512
<b>Total Governmental Activities Expenses</b>	<b>-</b>	<b>324,493</b>	<b>139,910</b>	<b>378,487</b>	<b>241,725</b>	<b>360,330</b>	<b>262,292</b>	<b>343,510</b>	<b>374,525</b>	<b>230,512</b>
Business-Type Activities:										
Charges for Services	-	231	3,874	1,174	257	34,116	-	-	-	-
Operating Grants and Contributions	585,130	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	-	136,512	143,622	151,148	148,969	135,145	161,211	-	-	-
Transfers	-	10,000	-	-	-	-	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>585,130</b>	<b>146,743</b>	<b>147,496</b>	<b>152,322</b>	<b>149,226</b>	<b>169,261</b>	<b>161,211</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Charter School Program Revenue</b>	<b>\$ 585,130</b>	<b>\$ 471,236</b>	<b>\$ 287,406</b>	<b>\$ 530,809</b>	<b>\$ 390,951</b>	<b>\$ 529,591</b>	<b>\$ 423,503</b>	<b>\$ 343,510</b>	<b>\$ 374,525</b>	<b>\$ 230,512</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (10,250,193)	\$ (3,628,529)	\$ (3,837,733)	\$ (3,194,218)	\$ (2,939,139)	\$ (3,079,331)	\$ (3,178,249)	\$ (2,621,359)	\$ (1,886,930)	\$ (1,191,133)
Business-Type Activities	55,121	(35,577)	(15,942)	(18,253)	10,247	48,080	11,597	-	-	-
<b>Total Charter School Net Expense</b>	<b>\$ (10,195,072)</b>	<b>\$ (3,664,106)</b>	<b>\$ (3,853,675)</b>	<b>\$ (3,212,471)</b>	<b>\$ (2,928,892)</b>	<b>\$ (3,031,251)</b>	<b>\$ (3,166,652)</b>	<b>\$ (2,621,359)</b>	<b>\$ (1,886,930)</b>	<b>\$ (1,191,133)</b>
<b>General Revenues</b>										
Governmental Activities:										
General Purposes	\$ 340,328	\$ 110,660	\$ 111,019	\$ 138,567	\$ 126,547	\$ 112,001	\$ 98,626	\$ 421,341	\$ 312,016	\$ 175,951
Grants and Contributions	10,037,411	3,598,928	3,266,919	3,477,898	3,135,618	2,389,292	2,830,715	2,339,989	2,055,107	1,136,066
Miscellaneous Income	161,025	21,051	78,227	53,407	76,358	13,515	126,747	2,700	-	239
Transfers	-	(10,000)	-	-	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>10,538,764</b>	<b>3,720,639</b>	<b>3,456,165</b>	<b>3,669,872</b>	<b>3,338,523</b>	<b>2,514,808</b>	<b>3,056,088</b>	<b>2,764,030</b>	<b>2,367,123</b>	<b>1,312,256</b>
<b>Total Charter School Wide</b>	<b>\$ 10,538,764</b>	<b>\$ 3,720,639</b>	<b>\$ 3,456,165</b>	<b>\$ 3,669,872</b>	<b>\$ 3,338,523</b>	<b>\$ 2,514,808</b>	<b>\$ 3,056,088</b>	<b>\$ 2,764,030</b>	<b>\$ 2,367,123</b>	<b>\$ 1,312,256</b>
<b>Change in Net Assets/Position</b>										
Governmental Activities	\$ 288,571	\$ 92,110	\$ (381,568)	\$ 475,654	\$ 399,384	\$ (564,523)	\$ (122,161)	\$ 142,671	\$ 480,193	\$ 121,123
Business-Type Activities	55,121	(35,577)	(15,942)	(18,253)	10,247	48,080	11,597	-	-	-
<b>Total Charter School</b>	<b>\$ 343,692</b>	<b>\$ 56,533</b>	<b>\$ (397,510)</b>	<b>\$ 457,401</b>	<b>\$ 409,631</b>	<b>\$ (516,443)</b>	<b>\$ (110,564)</b>	<b>\$ 142,671</b>	<b>\$ 480,193</b>	<b>\$ 121,123</b>

**FREEDOM PREP CHARTER SCHOOL**  
 Fund Balances - Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Reserved	\$ -	\$ 13,161	\$ 4,911	\$ 12,445	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	\$ 1,009,379	\$ 636,539	\$ 511,802	\$ 850,347	\$ 408,021	\$ (18,484)	\$ 516,238	\$ 687,238	\$ 587,349	\$ 163,821
<b>Total General Fund</b>	<b>\$ 1,009,379</b>	<b>\$ 649,700</b>	<b>\$ 516,713</b>	<b>\$ 862,792</b>	<b>\$ 408,021</b>	<b>\$ (18,484)</b>	<b>\$ 516,238</b>	<b>\$ 687,238</b>	<b>\$ 587,349</b>	<b>\$ 163,821</b>
All Other Governmental Funds										
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund	\$ -	\$ -	\$ -	\$ -	\$ -	1,500	1,500	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**FREEDOM PREP CHARTER SCHOOL**  
 Changes in Fund Balances - Governmental Funds  
 Last Five Fiscal Years  
*(modified accrual basis of accounting)*

	2015	2014	2013	2012	2011
<b>Revenues:</b>					
Local Sources	\$ 340,328	\$ 131,711	\$ 189,246	\$ 191,974	\$ 202,905
Miscellaneous	100,633				
State Sources	9,332,180	3,597,658	3,258,840	3,463,502	3,112,259
Federal Sources	765,623	325,763	147,989	392,883	265,084
Total Revenues	<u>10,538,764</u>	<u>4,055,132</u>	<u>3,596,075</u>	<u>4,048,359</u>	<u>3,580,248</u>
<b>Expenditures:</b>					
Instruction	4,698,194	1,792,925	1,787,295	1,680,212	1,447,522
Administration	3,738,028	1,183,930	1,112,647	961,091	920,714
Support Services	1,742,863	668,276	730,313	700,379	600,363
Capital Outlay	-	-	-	-	16,879
Unallocated Benefits		267,014	311,899	251,906	183,265
Total Expenditures	<u>10,179,085</u>	<u>3,912,145</u>	<u>3,942,154</u>	<u>3,593,588</u>	<u>3,168,743</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	359,679	142,987	(346,079)	454,771	411,505
<b>Other Financing Uses:</b>					
Transfers Out	-	(10,000)	-	-	-
Total Other Financing Uses	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 359,679</u>	<u>\$ 132,987</u>	<u>\$ (346,079)</u>	<u>\$ 454,771</u>	<u>\$ 411,505</u>

**FREEDOM PREP CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year Ending June 30,	Donations	Interest Income	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2015	\$ -	\$ -	\$ 53,276	\$ 20,095	\$ 73,371
2014	-	-	-	-	-
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	-	-	-	-	-
2008	-	-	-	-	-
2007	-	-	-	-	-
2006	-	-	-	-	-

Source: Charter School records

***OPERATING INFORMATION***

**FREEDOM PREP CHARTER SCHOOL**  
 Full-Time Equivalent Charter School Employees by Function  
 Last Ten Fiscal Years  
 (Unaudited)

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	49	24	26	23	23	21	18	18	17	10
Administrative	9	8	5	5	5	6	8	5	5	4
Support Services	25	2	3	3	3	3	2	2	2	2
Food Service	2	2	2	2	2	2	2	1	1	1
<b>Total</b>	<b>85</b>	<b>36</b>	<b>36</b>	<b>33</b>	<b>33</b>	<b>32</b>	<b>30</b>	<b>26</b>	<b>25</b>	<b>17</b>

**FREEDOM PREP CHARTER SCHOOL**  
Operating Statistics  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily		Percent Change in Average Daily Enrollment	Student Attendance Percentage
							(ADE) <sup>c</sup>	(ADA) <sup>c</sup>		
2015	731	\$ 8,953,800	\$ 12,249	-20.11%	49	1:15	632	584	167.57%	92.41%
2014	234	3,587,652	15,332	-0.81%	23	1:10	236.2	216	-3.98%	91.45%
2013	246	3,802,244	15,456	12.49%	23	1:10	246.0	218	0.94%	88.62%
2012	234	3,215,101	13,740	11.67%	20	1:12	243.7	243	17.73%	99.71%
2011	234	2,879,061	12,304	-8.41%	21	1:11	207.0	204	7.70%	98.55%
2010	227	3,049,530	13,434	0.01%	19	1:10	192.2	174	-17.93%	90.53%
2009	239	3,210,492	13,433	41.09%	17	1:14	234.2	213	-6.17%	90.95%
2008	292	2,780,183	9,521	37.16%	17	1:17	249.6	245	14.02%	98.16%
2007	280	1,943,595	6,941	-41.79%	15	1:18	218.9	217	58.74%	99.13%
2006	163	1,943,595	11,924	106.60%	9	1:18	137.9	135	100.15%	97.90%

Sources: Charter School records

Note: Enrollment based on annual October Charter School count.

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

b Teaching staff includes only full-time equivalents of certified staff.

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

**FREEDOM PREP CHARTER SCHOOL**  
 School Building Information  
 Last Ten Fiscal Years  
 (Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b><u>Charter School Building</u></b>										
School Building:										
Square Feet	300,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Capacity (students)	731	255	255	255	255	255	255	320	240	160
Enrollment	731	234	246	234	234	227	243	292	226	217

Number of Schools at, June 30, 2015:  
 School Building: 1

Source: District Facilities Office

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

**FREEDOM PREP CHARTER SCHOOL**  
Insurance Schedule  
June 30, 2015

	Coverage	Deductible
<b>Property Insurance:</b>		
Blanket Real and Personal Property	\$ 2,000,000	1,000 Per Occurrence
Blanket Extra Expense	50,000,000	1,000 Per Occurrence
Blanket Valuable Paper & Records	10,000,000	1,000 Per Occurrence
Demolition & Increased Cost of Construction	10,000,000	
Fire Department Service Charge	10,000	
Arson Reward	10,000	
Pollutant Clean-up and Removal	250,000	
<b>Flood Deductibles:</b>		
Per Building		500,000
Per Building Contents		500,000
Per Member/Per Occurrence Subject to a Maximum Retained Deductible of \$ 1,000,000 to NJSBAIG		10,000
<b>Electronic Data Processing:</b>		
Blanket Hardware/Software	75,000	Per Occurrence
Coverage Extensions:		
Transit	25,000	
Loss of Income	10,000	
Deductible	1,000	
Flood Deductible A & V	500,000	
Flood Deductible Other Zones	10,000	
<b>Boiler and Machinery:</b>		
Combined Single Limit Per Accident for PD & 12 hours per accident for Business Interruption/Extra Expense. Interruption of Service Waiting Period 24 Hours	100,000,000	1,000 Per Accident for PD
<b>Crime:</b>		
Public Employee Dishonest with Faithful Perf	50,000	
Theft, Disappearance & Destruction - Loss of Money & Securities		
On or Off Premises	10,000	
Theft, Disappearance & Destruction - Loss of Money & Counterfeit		
Paper Currency	25,000	
Forgery or Alteration		
Computer Fraud		
Public Officials Bonds:		
Board Secretary/Business Administrator	160,000	

**FREEDOM PREP CHARTER SCHOOL**  
 Charter School Performance Framework Financial Indicators  
 Near Term Indicators  
 Last Three Fiscal Years

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	\$ 785,824	\$ 707,333	\$ 1,926,638	Audit: Exhibit A-1
Current Assets	917,676	933,376	488,988	Audit: Exhibit A-1
Total Assets	1,045,950	1,020,925	2,487,846	Audit: Exhibit A-1
Current Liabilities	365,234	283,524	1,350,974	Audit: Exhibit A-1
Total Liabilities	365,234	283,524	2,139,255	Audit: Exhibit A-1
Net Assets	680,716	737,249	245,580	Audit: Exhibit A-1
Total Revenue	3,743,571	4,191,875	11,123,894	Audit: Exhibit A-2
Total Expenses	4,141,081	4,135,342	10,780,202	Audit: Exhibit A-2
Change in Net Assets	(397,510)	56,533	343,692	Audit: Exhibit A-2
Depreciation Expense	-	-	40,877	Financial Statements/Audit Workpapers
Interest Expense	N/A	N/A	N/A	Financial Statements/Audit Workpapers
Principal Payments	N/A	N/A	N/A	Financial Statements/Audit Workpapers
Interest Payments	N/A	N/A	N/A	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	246.00	236.00	632.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	0.00	0.00	0.00	Charter School Budget

RATIOS ANALYSIS...					
Near Term Indicators	2013	2014	2015	3 YR CUM	Source:
1a. Current Ratio	2.51	3.29	0.36		Current Assets/Current Liabilities
1b. Unrestricted Days Cash Enrollment Variance	69.26	62.43	65.23		Cash/(Total Expenses/365)
1c. Enrollment Variance	0%	0%	0%		Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A		Audit

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

Refer questions to [charterfinance@doe.state.nj.us](mailto:charterfinance@doe.state.nj.us)

***SINGLE AUDIT SECTION***

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

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

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**Independent Auditor’s 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”**

Honorable President and  
Members of the Board of Trustees  
Freedom Prep Charter School  
County of Camden  
Camden, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Freedom Prep Charter School (Charter School), in the , State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 9, 2015.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

### **Compliance and Other Matters**

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

### **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 9, 2015

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

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

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**Independent Auditor’s Report on Compliance for Each Major Federal and State Program: Report on Internal Control over Compliance and Report on Schedule of Expenditures of state Financial Assistance as Required by OMB Circular Letter A-133 and New Jersey OMB Circular Letter 04-04**

Honorable President and  
Members of the Board of Trustees  
Freedom Prep Charter School  
County of Camden  
Camden, New Jersey

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

We have audited the Freedom Prep Charter School’s (Charter School) compliance requirements described in the *U.S. OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School’s major federal and state programs for the year ended June 30, 2015. 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***

The Charter School’s 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; the audit requirements as prescribed by the Office of School Finance, Department of Education,

State of New Jersey; U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

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

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

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

In our opinion, the Freedom Prep Charter School, in the State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

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

Management of Freedom Prep Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of This Report**

The purpose of this report on internal control over compliance to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirement of *U.S. OMB Circular A-133 Compliance Supplement* and New Jersey OMB 04-04. Accordingly, this report is not suitable for any other purpose.



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

December 9, 2015

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2014	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2015 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>													
<b>Passed-through State Department of Education</b>													
Special Revenue Fund:													
No Child Left Behind Cluster:													
	84.01	NCLB - - 15	\$ 296,451	7/1/14	\$ -	-	\$ 154,270	\$ (296,451)	\$ -	\$ -	\$ (142,181)	\$ -	-
	84.01	NCLB - - 14	212,548	7/1/13	32,864	-	29,372	(29,372)	(32,864)	-	-	-	-
	84.01	NCLB - - 15	65,600	7/1/14	118,823	-	-	(50,265)	(118,823)	-	(50,265)	-	-
	84.01	NCLB - - 14	115,579	7/1/13	-	-	-	(3,019)	-	-	(3,019)	-	-
	84.367A	NCLB - - 15	3,019	7/1/14	151,687	-	183,642	(379,107)	(151,687)	-	(195,465)	-	-
		Total No Child Left Behind Cluster											
Individuals with Disabilities Cluster:													
	84.027	IDEA - - 15	66,150	7/1/14	(53,078)	-	53,078	(59,227)	-	-	(59,227)	-	-
	84.027	IDEA - - 14	55,633	7/1/13	(53,078)	-	53,078	(59,227)	-	-	(59,227)	-	-
		Total Individuals with Disabilities Cluster											
Other Special Revenue Funds:													
	84.282	N/A	288,675	7/1/14	(125,000)	-	278,355	(287,784)	-	-	(9,429)	-	-
	84.282	N/A	125,000	7/1/13	(125,000)	-	403,355	(287,784)	-	-	(9,429)	-	-
		Total Other Special Revenue Funds											
		Total Special Revenue Fund			(26,391)	-	640,075	(726,118)	(151,687)	-	(264,121)	-	-
<b>U.S. Department of Agriculture</b>													
<b>Passed-through State Department of Agriculture</b>													
Enterprise Fund:													
	10.553	N/A	195,451	7/1/14	(5,066)	-	158,516	(195,451)	-	-	(36,935)	-	-
	10.553	N/A	-	7/1/13	(5,066)	-	5,066	-	-	-	-	-	-
	10.555	N/A	342,195	7/1/14	(20,120)	-	279,749	(342,195)	-	-	(62,448)	-	-
	10.555	N/A	-	7/1/13	(20,120)	-	20,120	-	-	-	-	-	-
	10.558	N/A	39,057	7/1/14	(4,264)	-	31,538	(39,057)	-	-	(7,519)	-	-
	10.558	N/A	-	7/1/13	(4,264)	-	4,264	-	-	-	-	-	-
		Total Enterprise Fund			(29,450)	-	499,253	(576,703)	-	-	(106,900)	-	-
		Sub-Total Federal Financial Awards			(55,841)	\$ -	\$ 1,139,328	\$ (1,302,821)	\$ (151,687)	\$ -	\$ (371,021)	\$ -	\$ -

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2014		Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2015		MEMO
			From	To	Deferred Revenue (Accounts Receivable)	(Accounts Receivable)					Deferred Revenue/ Interfund Payable	Budgetary Receivable	
<b>State Department of Education</b>													
General Fund:													
Equalization Aid	15-495-034-5120-078	8,309,688	7/1/14	6/30/15			8,309,688	(8,309,688)					8,309,688
Equalization Aid	14-495-034-5120-078	-	7/1/13	6/30/14	(6,300)		6,300						
Equalization Aid	13-495-034-5120-078	-	7/1/12	6/30/13	(3,978)		3,978						(3,978)
Special Education Aid	15-495-034-5120-069	295,701	7/1/14	6/30/15			295,701	(295,701)					295,701
Special Education Aid	14-495-034-5120-069	-	7/1/13	6/30/14	(1,701)		1,701						
Security Aid	15-495-034-5120-084	267,129	7/1/14	6/30/15			267,129	(267,129)					267,129
Security Aid	14-495-034-5120-084	-	7/1/13	6/30/14	(32)		32						
On-Behalf TPAF Pension Contributions	15-495-034-5095-006	193,459	7/1/14	6/30/15			193,459	(193,459)					193,459
Reimbursed TPAF - Social Security	15-495-034-5095-002	266,204	7/1/14	6/30/15			254,382	(266,204)			(11,812)		266,204
Reimbursed TPAF - Social Security	14-495-034-5095-002	120,360	7/1/13	6/30/14	(4,992)		4,992						
Total General Fund					(17,003)		9,337,372	(9,332,181)			(11,812)		7,634
<b>State Department of Agriculture</b>													
Enterprise Fund:													
National School Lunch Program (State Share)	15-100-010-3350-023	8,427	7/1/14	6/30/15			7,305	(8,427)			(1,122)		8,427
National School Lunch Program (State Share)	14-100-010-3350-023	-	7/1/13	6/30/14	(484)		484						
Total Enterprise Fund					(484)		7,789	(8,427)			(1,122)		8,427
Total All Funds					(17,487)		9,345,161	(9,340,608)			(12,934)		8,956
State Financial Assistance Not Subject to Major Program Determination:													
On-Behalf TPAF Pension Contributions	15-495-034-5095-006	193,459	7/1/14	6/30/15			(193,459)	193,459					(193,459)
Total General Fund							(193,459)	193,459					(193,459)
Total State Financial Assistance Subject to Single Audit							9,151,702	(9,147,149)			(12,934)		8,956

**FREEDOM PREP CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2015

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

**FREEDOM PREP CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2015

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	9,332,180	\$ 9,332,180
Special Revenue Fund	705,231	-	705,231
Food Service Fund	576,703	8,427	585,130
Total Awards & Financial Assistance	<u>\$ 1,281,934</u>	<u>\$ 9,340,607</u>	<u>\$ 10,622,541</u>

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

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

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

Freedom Prep Charter School has no loan balances outstanding at June 30, 2015.

**FREEDOM PREP CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2015

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**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

**NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf Sate Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

**NOTE 8. 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.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 275,564
Title I, Part SIA: <i>Grants to Local Education Agencies</i>	79,637
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>3,019</u>
Total	<u>\$ 358,220</u>

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u>  X  </u> None Reported
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	_____ Yes	<u>  X  </u> No
Identification of major federal programs:		

CFDA Number(s)	Name of Federal Program or Cluster
_____	NCLB Cluster:
84.010A	Title I Part A
84.367A	Title II Part-A
84.318X	Title II Part-D
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	_____ No

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

**Section I – Summary of Auditor’s Results (Continued)**

**State Awards**

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

Internal control over major programs:

    1) Material weakness(es) identified?  Yes  No

    2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditors’ report issued on compliance for major programs Modified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?  Yes  No

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
15-495-034-5120-071	Local Levy – State Share

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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

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

**Finding**

There were no matters reported.

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

**FEDERAL AWARDS**

**Findings**

There were no matters reported.

**STATE AWARDS**

**Findings**

There were no matters reported.

**FREEDOM PREP CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2015

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**STATUS OF PRIOR-YEAR FINDINGS**

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

**Findings**

All matters reported in the prior year were properly corrected by management.