

FREEDOM PREP CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2017

REVISED February 18, 2018

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, 2017***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
FREEDOM PREP CHARTER SCHOOL
CAMDEN, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Prepared by
Freedom Prep Charter School
Finance Department**

**And
Barre & Company LLC, CPAs**

STATE BOARD OF EDUCATION

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President

ANDREW J. MULVIHILL.....Sussex
Vice President

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INTRODUCTORY SECTION

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

November 20, 2017

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

Dear Board Members:

The comprehensive annual financial report of Freedom Prep Charter School (Charter School) for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections 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 Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB. 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 2016-2017, the Charter School served students in grades K-11.

Address: In 2016-2017, the Charter School was located at 1000 Atlantic Ave, Camden New Jersey 08104.

Facility: In 2016-2017, the Charter School occupied parts of the 2nd, 3rd, 4th, and 5th Floors of the Virtua Health facility located at the aforementioned address, previously occupied by D.U.E. Season Charter School.

Number of Students, Grades, and Classes: The Charter School was authorized to serve a maximum enrollment of 1,020 students in 2016-2017 in grades K-11. Freedom Prep Charter School ended the 2016-2017 school year with an enrollment of 759 students. The following details the student enrollment of the Charter School last year:

- Total Unique Students Enrolled During 2016-2017 = 977
- Average Daily Attendance = 770
- Average Daily Enrollment = 808

Class Size: Class size if approximately 27 students per class.

Employees: The Charter School employed 4 Principals, 1 Business Administrator, 1 Charter Systems Manager, 1 Data Manager, 2 Family Support Professionals, 71 full-time teachers, 3 Operations Managers, 3 Registrars, 4 Social Workers, 5 DREAM Coaches, 2 ELL teachers, 12 Special Education teachers, 2 full-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

REPORTING ENTITY AND ITS SERVICES (CONTINUED)

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 added 11th Grade, and reduced overall headcount to ensure a balanced operating budget.
- Between 2015-6 and 2016-17, we had leadership continuity at all three campuses and for the region as a whole.

Board Members

The Charter School is governed by an independent nonprofit Board of Trustees. The following Chart identifies trustees who served during the 2016-2017 year.

Trusteed	Dates of Service (during FY17)	Role	Voting/Non-Voting
Keisha Usher-Martin	7/1/16– 6/30/17	President	Voting
Benjamin Feit	7/1/16– 6/30/17	Secretary	Non-Voting
Sean McGrew	7/1/16– 6/30/17	Member	Voting
Amanda Vega	7/1/16– 6/30/17	Member	Voting
Alison Stohr	7/1/16– 6/30/17	Member	Voting
Carole Kraemer	7/1/16– 6/30/17	Member	Voting
Tighe Burns	7/1/16– 6/30/17	Member	Voting

Board Training

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

REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS (CONTINUED)

Anticipated Issues:

- ❖ **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 enrollment levels off, our focus shifts from finding a high quantity of individuals to fill our growing openings to focusing more on filling the fewer number of vacancies with high-quality professionals. Recruiting a team of mission-aligned professionals who will push scholars to succeed in a college of their choice and a life of active citizenship is always challenging given the significant amount of sacrifice and work we expect from every staff member.
- ❖ **Enrollment:** With the influx of numerous other providers in Camden, families have a multitude of options available to them. While this is a great asset to the families of Camden, it makes it difficult for us to project enrollment figures moving forward in such an environment where there are more seats being offered by all providers than there are children in the city to fill them. We continue to reach out to families and have an established core student body, but future expansion is difficult to predict/project based on demand and limited space constraints.
- ❖ **PARCC:** PARCC performance for 2016-2017 improved modestly over the prior year. Overall performance for the school specifically was better than the local district, but proficiency rates were low.

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 an 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.

INTERNAL ACCOUNTING CONTROLS (CONTINUED)

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, 2017.

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. **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.

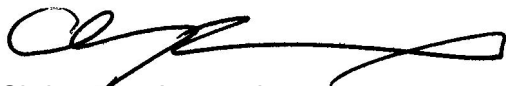
7. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, fidelity bonds, and workmen's compensation.

8. **OTHER INFORMATION:**


Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company LLC, 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 Uniform Guidance and the New Jersey Circular 15-08 OMB State Aid/Grant Compliance Supplement. The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

9. **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, 2017**

MEMBERS OF THE BOARD OF TRUSTEES

POSITION

Keisha Usher-Martin

President

Sean McGrew

Treasurer

Amanda Vega

Member

Tighe Burns

Member

Carole Kraemer

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, LLC
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 LLC
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, 2017, 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, 2017, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and District's Proportionate Share of the Net Pension Liability for TPAF and PERS and District's PERS Contributions and the related notes starting on pages 15 and 19 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 non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and 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 November 20, 2017 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.


Barre & Company LLC
Certified Public Accountants
Union, New Jersey



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

November 20, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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, 2017. 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.

Financial Highlights

Key financial highlights for 2017 are as follows:

- ❖ General revenues accounted for \$14,429,243 or 95% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$794,510 or 5% of total revenues of \$15,223,753.
- ❖ The Charter School had \$15,156,914 in expenses; only \$794,510 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,429,243 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$13,130,369 in revenues and \$12,797,378 in expenditures. The General Fund's fund balance increased by \$332,991 over 2016. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

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 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

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.

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 37 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 \$ 366,185 on June 30, 2017 and \$ 300,264 on June 30, 2016.

Governmental Activities

The Charter School's total revenues were \$14,429,243 for 2017 and \$13,584,614 for 2016, this includes \$296,935 for 2017 and \$200,045 for 2016 of state reimbursed TPAF social security contributions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

The total cost of all program and services were \$14,559,166 for 2017 and \$13,612,701 for 2016. Instruction comprises 34% for 2017 and 38% for 2016 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.

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 \$196,762 for 2017 and expenses exceeded revenues by \$82,771 for 2016.
- ❖ There were \$529 charges for services for 2017 and \$0 for 2016 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 \$793,981 for 2017 and \$645,550 for 2016.

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 \$14,429,243 and expenditures were \$14,096,252. The net change in fund balance for the year was most significant in the general fund, an increase of \$332,991 .

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Local Sources	\$ 561,306	4.19%	\$ (402,687)	-41.77%
State Sources	11,642,018	86.89%	619,170	5.62%
Federal Sources	1,195,874	8.92%	1,195,874	0.00%
Total	\$ 13,399,198	100.00%	\$ 1,412,357	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2017, and the amount and percentage of decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent of Increase/ (Decrease)
Instruction	\$ 5,325,093	39.55%	\$ (482,907)	-8.31%
Administration	4,768,273	35.41%	266,894	5.93%
Support Services	3,012,680	22.37%	11,083	0.37%
Capital Outlay	360,096	2.67%	360,096	0.00%
Total	\$ 13,466,142	100.00%	\$ 155,166	

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, 2017
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 \$0 invested in capital assets (net) for 2017 and \$4,528 for 2016.

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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,436,943	\$ 326,105	\$ 2,763,048
Interfund Receivables	278,172	7,723	285,895
Receivables	751,782	41,893	793,675
Capital Assets, Net		31,687	31,687
Total Assets	3,466,897	407,408	3,874,305
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	1,845,018		1,845,018
Deferred Outflows of Resources	1,845,018	-	1,845,018
LIABILITIES:			
Cash Overdraft			-
Interfund Payable	227,451	41,892	269,343
Payable to State Government	75,000		75,000
Accounts Payable and Accrued Expense	1,818,888	30,710	1,849,598
Deferred Revenue	3,188		3,188
Noncurrent Liabilities:			
Net Pension Liability	3,028,104		3,028,104
Total Liabilities	5,152,631	72,602	5,225,233
DEFERRED INFLOWS OF RESOURCES:			
Pensions	127,905		127,905
Deferred Inflows of Resources	127,905	-	127,905
NET POSITION:			
Unrestricted	31,379	334,806	366,185
Total Net Position	\$ 31,379	\$ 334,806	\$ 366,185

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, 2017

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 4,557,341	\$ 400,336	\$ -	\$ -	\$ -	(4,957,677)	\$ -	(4,957,677)
Administration	5,986,269	154,688	-	-	-	(6,140,957)	-	(6,140,957)
Support Services	3,012,680	83,228	-	-	-	(3,095,908)	-	(3,095,908)
Capital Outlay	360,096	-	-	-	-	(360,096)	-	(360,096)
Unallocated Depreciation	4,528	-	-	-	-	(4,528)	-	(4,528)
Total Governmental Activities	<u>13,920,914</u>	<u>\$ 638,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,559,166)</u>	<u>-</u>	<u>(14,559,166)</u>
BUSINESS-TYPE ACTIVITIES:								
Food Service	597,748	-	529	793,981	-	-	196,762	196,762
Total Business-Type Activities	<u>597,748</u>	<u>-</u>	<u>529</u>	<u>793,981</u>	<u>-</u>	<u>-</u>	<u>196,762</u>	<u>196,762</u>
Total Primary Government	<u>\$ 14,518,662</u>	<u>\$ 638,252</u>	<u>\$ 529</u>	<u>\$ 793,981</u>	<u>\$ -</u>	<u>\$ (14,559,166)</u>	<u>\$ 196,762</u>	<u>\$ (14,362,404)</u>
GENERAL REVENUES								
General Purposes						\$ 474,844	\$ -	\$ 474,844
Federal and State Aid Not Restricted						13,741,247		13,741,247
Miscellaneous Income						213,152		213,152
Total General Revenues						<u>14,429,243</u>	<u>-</u>	<u>14,429,243</u>
Change in Net Position						(129,923)	196,762	66,839
Net Position - Beginning of Year						161,302	138,044	299,346
Net Position - Ending						\$ 31,379	\$ 334,806	\$ 366,185

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, 2017

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,034,423	\$ 402,520	\$ 2,436,943
Interfund Receivables	278,172		278,172
Receivables from Other Governments	616,571		616,571
Other Receivables	40,252	94,959	135,211
Total Assets	<u>\$ 2,969,418</u>	<u>\$ 497,479</u>	<u>\$ 3,466,897</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	\$ -	\$ 227,451	\$ 227,451
Payables to State Government	75,000		75,000
Payable to District	670,627		670,627
Accounts Payable & Accrued Expenses	881,421	266,840	1,148,261
Deferred Revenues		3,188	3,188
Total Liabilities	<u>1,627,048</u>	<u>497,479</u>	<u>2,124,527</u>
Fund Balances:			
Unassigned:			
General Fund	<u>1,342,370</u>		<u>1,342,370</u>
Total Fund Balances	<u>1,342,370</u>	<u>-</u>	<u>1,342,370</u>
Total Liabilities and Fund Balances	<u>\$ 2,969,418</u>	<u>\$ 497,479</u>	

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

Net pension liability of \$3,028,104 ,deferred inflows of resources of \$127,905 less deferred outflows of resources of \$1,845,018 related to pensions are not reported in the governmental funds	<u>(1,310,991)</u>
Net Position of Governmental Activities	<u>\$ 31,379</u>

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, 2017

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 474,844	\$ -	\$ 474,844
Miscellaneous	86,462	103,000	189,462
Total Local Sources	561,306	103,000	664,306
State Sources	12,569,063		12,569,063
Federal Sources		1,195,874	1,195,874
Total Revenues	13,130,369	1,298,874	14,429,243
EXPENDITURES:			
Instruction	4,557,341	767,752	5,325,093
Administration	5,398,383		5,398,383
Support Services	2,481,558	531,122	3,012,680
Capital Outlay	360,096		360,096
Total Expenditures	12,797,378	1,298,874	14,096,252
NET CHANGE IN FUND BALANCES	332,991	-	332,991
FUND BALANCES, JULY 1	1,009,379	-	1,009,379
FUND BALANCES, JUNE 30	\$ 1,342,370	\$ -	\$ 1,342,370

-

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, 2017

Total net change in fund balances - governmental funds (B-2)	\$	332,991
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		(4,528)
<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>(458,386)</u>
Change in net position of governmental activities	\$	<u>(129,923)</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, 2017

	Business-Type Activities
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 326,105
Due From Other Funds	7,723
Intergovernmental Accounts Receivable:	
Federal	41,491
State	402
Total Current Assets	375,721
Noncurrent Assets:	
Machinery and Equipment	41,632
Less Accumulated Depreciation	(9,945)
Total Noncurrent Assets	31,687
Total Assets	407,408
LIABILITIES:	
Liabilities:	
Current Liabilities:	
Interfund Accounts Payable	41,892
Accounts Payable	30,710
Total Current Liabilities	72,602
Total Liabilities	72,602
NET ASSETS:	
Unreserved Net Position	334,806
Total Net Position	\$ 334,806
Total Liabilities and Net Position	\$ 407,408

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, 2017

	Business-Type Activities
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ -
Daily Sales Non-reimbursable Program	529
	529
Total Operating Revenues	529
OPERATING EXPENSES:	
Salaries	190,278
Management Fees	27,500
Supplies and Materials	17,096
Depreciation Expense	5,419
Cost of Sales- Reimbursable Programs	333,939
Cost of Sales- Non- Reimbursable Programs	-
Miscellaneous Expenses	23,516
	597,748
Total Operating Expenses	597,748
OPERATING LOSS	(597,219)
NONOPERATING REVENUES:	
State Source:	
State School Lunch Program	7,550
Federal Source:	
National School Lunch Program	436,531
National School Breakfast Program	262,215
Healthy Hunger-Free Kids Act	8,236
After School Snacks Program	79,449
	793,981
Total Nonoperating Revenues	793,981
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES:	196,762
CHANGE IN NET POSITION	196,762
TOTAL NET POSITION, JULY 1	138,044
TOTAL NET POSITION, JUNE 30	\$ 334,806

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, 2017

	Business-Type Activities
	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 529
Cash Payments to Suppliers and Employees	(554,311)
Net Cash Used In Operating Activities	(553,782)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	785,378
Net Cash Provided By Noncapital Financing Activities	785,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition And Construction Of Capital Assets	(7,396)
Net Cash Used For Capital And Related Financing Activities	(7,396)
Net Increase (Decrease) In Cash And Cash Equivalents	224,200
Cash And Cash Equivalents, Beginning Of Year	101,905
Cash And Cash Equivalents, End Of Year	\$ 326,105
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss Used In Operating Activities	\$ (597,219)
Depreciation	5,419
Change In Assets And Liabilities:	
(Increase) Decrease In Due From Other Funds	1
Increase In Interfund Payable	41,892
Increase In Accounts Payable	(3,875)
Net Cash Used In Operating Activities	\$ (553,782)

-

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, 2017

	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	Student Activities	Total Agency Fund
ASSETS:					
Cash and Cash Equivalents	\$ 4,313	\$ 11,681	\$ 4,870	\$ 571	\$ 17,122
Total Assets	<u>4,313</u>	<u>\$ 11,681</u>	<u>\$ 4,870</u>	<u>\$ 571</u>	<u>\$ 17,122</u>
LIABILITIES:					
Interfund Accounts Payable	\$ -	11,681	4,870	-	\$ 16,551
Accounts Payable	6,146	-	-	-	-
Due to Student Groups				571	571
Total Liabilities	<u>6,146</u>	<u>\$ 11,681</u>	<u>\$ 4,870</u>	<u>\$ 571</u>	<u>\$ 17,122</u>
NET POSITION:					
Unreserved		<u>(1,833)</u>			
Total Net Position	<u>\$ (1,833)</u>				

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, 2017

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Contributions:	
Employee	\$ 11,696
Employer	<u>52,415</u>
Total Additions	<u>64,111</u>
DEDUCTIONS:	
Unemployment Claims Paid	<u>64,019</u>
Total Deductions	<u>64,019</u>
CHANGE IN NET POSITION	92
NET POSITION, JULY 1	<u>(1,925)</u>
NET POSITION, JUNE 30	<u><u>\$ (1,833)</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, 2017**

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.

For fiscal year 2016, 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.

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.

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, 2017**

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 requirement 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 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.

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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charter School-Wide and Fund Financial Statements (Continued)

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 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

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

General Fund (Continued)

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:

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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

G. 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, 2017**

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.

H. 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.

I. 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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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.

A. 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.

B. Capital Assets

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land 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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

D. 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.

E. 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.
- 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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

F. 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.

G. Impact of Recently Issued Accounting Principles

During fiscal year 2017, the District adopted the following GASB statements as required:

GASB No. 73, Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB No.77, Tax Abatement Disclosures. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

GASB No. 80, Blending Requirements for Certain Component Units- An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. The Financial Reporting Entity, as amended.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

GASB No. 82, *Pension Issues -An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pension, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include: GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other postemployment benefits (OPEB)).

GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased substance.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

J. Subsequent Events

The Freedom Prep Charter School has evaluated subsequent events occurring after June 30, 2017 through the date of November 20, 2017, which is the date the financial statements were available to be issued.

K. 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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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

Deposits

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

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

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

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, 2017**

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

Investments (Continued)

As of June 30, 2017, 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	\$ 2,034,423	\$ 402,520	\$ 326,105	\$ 21,435	\$ 2,784,483

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, 2017 was \$2,784,483 and the bank balance was \$2,845,049. 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, 2017, 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.

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

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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, 2017, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2017, 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	\$ 40,252	\$ 40,654
Federal Aid	94,959	136,450
Other	616,571	616,571
Gross Receivables	751,782	793,675
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 751,782	\$ 793,675

NOTE 4: 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, 2017:

Fund	Interfund Receivable	Interfund Payable
General Fund	278,171	\$ -
Special Revenue Fund		227,451
Proprietary Fund	7,723	41,892
Fiduciary Fund		16,551
Total	\$ 285,894	\$ 285,894

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<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	415,393	4,528	-	419,921
Total Accumulated Depreciation	415,393	4,528	-	419,921
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	4,528	(4,528)	-	-
Government Activity Capital Assets, Net	\$ 4,528	\$ (4,528)	\$ -	\$ -

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 \$4,528 was charged to an unallocated function.

NOTE 6: RENTAL LEASE

The Charter School entered into 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, 2017 total rent expense amounted to \$1,257,265. Future minimum lease rental payments are as follows:

<u>School Year</u>	<u>Rent Expense</u>
2017-2018	\$ 1,157,292

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: 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.

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 1/55th 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 1/60th 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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2015 through June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The state's pension contributions is based on an actuarially determined amount, which includes 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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions (Continued)

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 the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their 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 \$91,758 for fiscal year 2016.

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

At June 30, 2017, the Charter School reported a liability of \$3,028,104 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, 2016. 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, 2016, the Charter School's proportion was \$779,293, which was a decrease of from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the Charter School recognized pension expense of \$91,758. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 627,261	\$ -
Difference Between Expected and Actual Experience	56,314	
Changes in Proportion	1,100,449	127,905
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-
	<u>\$ 1,784,024</u>	<u>\$ 127,905</u>

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

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

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
2017	\$ 179,896
2018	179,896
2019	208,417
2020	175,100
2021	55,730
	\$ 799,039

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuations as of July 1, 2015. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases:	
2012-2021	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combines Healthy male and Female Mortality Tables (set back 3 years for males and set forward 1 year for females).

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated.

The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.66% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate-Term Bonds	10.00%	1.79%
Mortgage	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through 2034 and the municipal bond rate was applied to projected benefit payments after the 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, 2016 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, 2016			
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's proportionate share of the Net Pension Liability	\$ 3,710,588	\$ 3,028,104	\$ 2,464,654

Fiscal Year Ended June 30, 2015			
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the Net Pension Liability	\$ 968,566	\$ 779,293	\$ 620,608

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: 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.

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:

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

Service retirement benefits of 1/55th 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 1/60th 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

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Benefit Provided (Continued)

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 member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. 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.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

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 2016, the State's pension contribution was less than the actuarially determined amount.

Special Funding Situation

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.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Special Funding Situation (Continued)

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 2017, the State of New Jersey contributed \$ 34,314 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 124,246 . 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 1st 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, 2017, the State's proportionate share of the net pension liability associated with the Charter School was \$ 12,272,750 . The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016.

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, 2016, Charter School's proportion was 0.0156010%, which was a decrease of -0.0017716% from its proportion measured as of June 30, 2015.

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

Table 1

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	12,272,750
Total	\$ 12,272,750

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the Charter School in the amount of \$ 124,246 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

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	\$ 15,702,750,875	\$ -
Difference Between Expected and Actual Experience	277,221,464	-
Changes in Proportion and differences between employer contributions and proportionate share of contributions	1,434,728,663	134,532,594
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-
	\$ 17,414,701,002	\$ 134,532,594

The \$ 17,414,701,002 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 \$ 134,532,594 reported as a deferred inflow of resources resulting from the difference between projected and actual.

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

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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	7.65%

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.65% at June 30, 2016) 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, 2016 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
U.S. Equity Markets	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds- Multi Strategy	5.00%	3.70%
Hedge Funds- Equity Hedge	3.75%	4.72%
Hedge Funds- Distressed	3.75%	3.49%

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: PENSION PLANS (CONTINUED)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after the 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, 2016 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:

For the Fiscal Year Ended June 30, 2016			
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Charter School's proportionate share of the Net Pension Liability	\$ 14,723,951	\$ 12,272,750	\$ 10,373,776

For the Fiscal Year Ended June 30, 2015			
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Charter School's proportionate share of the Net Pension Liability	\$ 15,912,210	\$ 13,384,690	\$ 11,214,922

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7: 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, 2017. There were no employee contributions to DCRP for the fiscal year ended June 30, 2017.

NOTE 8: 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

**FREEDOM PREP CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016 there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 benefits 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2014.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

NOTE 9: 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, 2017**

NOTE 10: 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 11: FUND BALANCE DISCLOSURE

General Fund – of the \$1,342,370 General Fund fund balance at June 30, 2017, \$1,342,370 is unassigned and none is assigned.

NOTE 12: 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. The balance as of June 30, 2017 is \$75,000.

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, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 454,213	\$ -	\$ 454,213	\$ 474,844	\$ 20,631
Total Local Levy Budget	454,213	-	454,213	474,844	20,631
Categorical Aid:					
Equalization Aid					
"Local Levy" State Share-Charter School Aid	10,668,752		10,668,752	10,007,634	(661,118)
Special Education	377,454		377,454	410,675	33,221
Security Aid	366,532		366,532	336,281	(30,251)
Adjustment Aid				788,619	788,619
Non-Public Aid	672,980		672,980	98,809	(574,171)
Total Categorical Aid	12,085,718	-	12,085,718	11,642,018	(443,700)
Revenues From Other Sources:					
Donations and Contributions				363	363
Miscellaneous Revenue				86,099	86,099
On-Behalf TPAF Pension Aid (Non-Budgeted)				341,317	341,317
On-Behalf TPAF Post Retirement Medical Aid (Non-Budgeted)				284,395	284,395
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)				4,398	4,398
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				296,935	296,935
Total Revenues From Other Sources	-	-	-	1,013,507	1,013,507
Total Revenues	12,539,931	-	12,539,931	13,130,369	590,438
EXPENDITURES:					
Instruction:					
Salaries of Teachers	4,359,577	(579,780)	3,779,797	3,708,200	71,597
Purchased Prof/Tech Services	450,100	(323,650)	126,450	110,587	15,863
Other Purchased Services	156,500	(3,000)	153,500	140,197	13,303
General Supplies	545,000	(140,247)	404,753	322,186	82,567
Textbooks	20,000	25,247	45,247	44,747	500
Miscellaneous	265,000	(25,000)	240,000	231,424	8,576
Total Instruction	5,796,177	(1,046,430)	4,749,747	4,557,341	192,406
Administration:					
Salaries - General Administration	761,100	491,133	1,252,233	1,251,697	536
Salaries of Secretarial/Clerical Assistants		3,700	3,700	3,700	-
Total Benefits Cost	1,105,872	25,700	1,131,572	1,060,185	71,387
Purchases Prof/Tech Services	1,809,497	164,200	1,973,697	1,936,201	37,496
Other Purchased Services	51,700		51,700	44,847	6,853
Communications/Telephone	130,500	(32,150)	98,350	83,738	14,612
Supplies and Materials	47,000	(10,350)	36,650	36,542	108
Miscellaneous Expenses	75,000	(11,000)	64,000	54,428	9,572
Total Administration	3,980,669	631,233	4,611,902	4,471,338	140,564

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, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 438,463	\$ (143,691)	\$ 294,772	\$ 216,263	\$ 78,509
Purchased Prof/Tech Services	178,500	189,669	368,169	351,581	16,588
Rental of Land and Buildings	1,205,000	53,200	1,258,200	1,257,265	935
Transportation-Other Than To/From School	380,000	128,923	508,923	508,908	15
Insurance for Property, Liability and Fidelity	62,000		62,000	61,957	43
Supplies and Materials	55,000	20,000	75,000	68,685	6,315
Miscellaneous Expenses	19,000	(1,000)	18,000	16,899	1,101
Total Support Services	<u>2,337,963</u>	<u>247,101</u>	<u>2,585,064</u>	<u>2,481,558</u>	<u>103,506</u>
Capital Outlay:					
Miscellaneous Expenses		360,096	360,096	360,096	-
Total Capital Outlay	<u>-</u>	<u>360,096</u>	<u>360,096</u>	<u>360,096</u>	<u>-</u>
On-Behalf TPAF Pension Contributions (Non-Budgeted)			-	341,317	(341,317)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				284,395	(284,395)
On-Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				4,398	(4,398)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				296,935	(296,935)
Total Expenditures	<u>12,114,809</u>	<u>192,000</u>	<u>12,306,809</u>	<u>12,797,378</u>	<u>(490,569)</u>
Excess of Revenues Over Expenditures	425,122	(192,000)	233,122	332,991	99,869
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	425,122	(192,000)	233,122	332,991	99,869
FUND BALANCE, JULY 1	<u>1,009,379</u>	<u>-</u>	<u>1,009,379</u>	<u>1,009,379</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,434,501</u>	<u>\$ (192,000)</u>	<u>\$ 1,242,501</u>	<u>\$ 1,342,370</u>	<u>\$ 99,869</u>
Recapitulation of Excess of Revenues Over Expenditures					
Budgeted Fund Balance	<u>\$ 1,434,501</u>	<u>\$ (192,000)</u>	<u>\$ 1,242,501</u>	<u>\$ 1,342,370</u>	<u>\$ 99,869</u>
Total	<u>\$ 1,434,501</u>	<u>\$ (192,000)</u>	<u>\$ 1,242,501</u>	<u>\$ 1,342,370</u>	<u>\$ 99,869</u>

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, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Federal Sources	\$ 983,273	\$ 212,601	\$ 1,195,874	\$ 1,195,874	\$ -
State Sources					
Other Sources	\$ 135,000	\$ (32,000)	103,000	\$ 103,000	-
Total Revenues	<u>1,118,273</u>	<u>180,601</u>	<u>1,298,874</u>	<u>1,298,874</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	20,000	720,000	740,000	740,000	-
Purchased Prof/Tech Services		20,000	20,000	20,000	-
Other Purchased Services	10,000	(2,248)	7,752	7,752	-
Total Instruction	<u>30,000</u>	<u>737,752</u>	<u>767,752</u>	<u>767,752</u>	<u>-</u>
Support Services:					
Support Salaries	120,000		120,000	120,000	-
Personal Services - Employee Benefits	443,273	(212,800)	230,473	230,473	-
Other Purchased Services		4,079	4,079	4,079	-
Supplies and Materials	125,000	(29,752)	95,248	95,248	-
Miscellaneous Expenditures	400,000	(318,678)	81,322	81,322	-
Total Support Services	<u>1,088,273</u>	<u>(557,151)</u>	<u>531,122</u>	<u>531,122</u>	<u>-</u>
Total Expenditures	<u>1,118,273</u>	<u>180,601</u>	<u>1,298,874</u>	<u>1,298,874</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</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, 2017

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 13,130,369	[C-2] 1,298,874
	[B-2] \$ 13,130,369	[B-2] \$ 1,298,874
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.		
	[B-2] \$ 13,130,369	[B-2] \$ 1,298,874
	[B-2] \$ 13,130,369	[B-2] \$ 1,298,874
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 12,797,378	[C-2] \$ 1,298,874
	[B-2] \$ 12,797,378	[B-2] \$ 1,298,874
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.		
	[B-2] \$ 12,797,378	[B-2] \$ 1,298,874
	[B-2] \$ 12,797,378	[B-2] \$ 1,298,874

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 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Charter School's proportion of the net pension liability	0.004557260%	0.004210287%	0.003471548%	0.010224163%
Charter School's proportionate share of the net pension liability	\$ 870,982	\$ 788,281	\$ 779,293	\$ 3,028,104
Charter School's covered employees payroll	\$ 179,904	\$ 391,189	\$ 968,807	\$ 1,333,808
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll		202%	80%	227%
Plan fiduciary net position as a percentage of the total pension liability		48.72%	52.08%	47.93%

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 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Contractually required contribution	\$ 34,338	\$ 35,621	\$ 30,764	\$ 91,758
Contributions in relation to the contractually required contribution	(34,338)	(35,621)	(30,764)	(91,758)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -
Charter School's covered employee payroll	\$ 179,904	\$ 393,189	\$ 968,807	\$ 1,333,808
Contributions as a percentage of covered employee payroll	19.09%	9.06%	3.18%	6.88%

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 4 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
State's proportion of the net pension liability attributable of the Charter School	0.0140738%	0.0128181%	0.0138294%	0.01560101%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 7,112,787	\$ 6,850,878	\$ 8,740,795	\$ 12,272,750
Charter School's covered employees payroll	\$ 1,272,903	\$ 1,429,773	\$ 2,864,587	\$ 3,742,939
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	558.78%	479.16%	428.43%	327.89%
Plan fiduciary net position as a p ercentage of the total pension liability	33.76%	33.64%	28.71%	22.33%

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 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

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 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016.

OTHER SUPPLEMENTARY INFORMATION

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

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

FREEDOM PREP CHARTER SCHOOL
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2017

	Local Grants	Title I	Title II Part A	IDEA	Total
REVENUES:					
Federal Sources	\$ -	1,008,522	\$ 4,079	\$ 183,273	\$ 1,195,874
Other Sources	103,000				103,000
Total Revenues	\$ 103,000	\$ 1,008,522	\$ 4,079	\$ 183,273	\$ 1,298,874
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ -	\$ 720,000	\$ -	\$ 20,000	\$ 740,000
Purchased Prof/Tech Services		20,000			20,000
Other Purchased Services	7,752				7,752
Total Instruction	7,752	740,000	-	20,000	767,752
Support Services:					
Support Salaries				120,000	120,000
Employee Benefits		187,200		43,273	230,473
Other Purchased Services			4,079		4,079
Supplies and Materials	95,248				95,248
Miscellaneous Expenditures		81,322			81,322
Total Support Services	95,248	268,522	4,079	163,273	531,122
Total Expenditures	\$ 103,000	\$ 1,008,522	\$ 4,079	\$ 183,273	\$ 1,298,874

**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, 2017

	Trust	Agency			
	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	Student Activities	Agency Funds
ASSETS:					
Cash and Cash Equivalents	\$ 4,313	\$ 11,681	\$ 4,870	\$ 571	\$ 17,122
Interfund Accounts Receivable		-			-
Total Assets	<u>4,313</u>	<u>\$ 11,681</u>	<u>\$ 4,870</u>	<u>\$ 571</u>	<u>\$ 17,122</u>
LIABILITIES:					
Interfund Accounts Payable		11,681	4,870	-	16,551
Accounts Payable	6,146	-	-	-	-
Due to Student Groups				571	571
Total Liabilities	<u>6,146</u>	<u>\$ 11,681</u>	<u>\$ 4,870</u>	<u>\$ 571</u>	<u>\$ 17,122</u>
NET POSITION:					
Unreserved	<u>(1,833)</u>				
Total Net Position	<u>\$ (1,833)</u>				

FREEDOM PREP CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Contributions	
Employee	\$ 11,696
Employer	<u>52,415</u>
Total Additions	<u>64,111</u>
DEDUCTIONS:	
Unemployment Claims Paid	<u>64,019</u>
Total Deductions	<u>64,019</u>
CHANGE IN NET POSITION	92
NET POSITION, JULY 1	<u>(1,925)</u>
NET POSITION, JUNE 30	<u><u>\$ (1,833)</u></u>

FREEDOM PREP CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
Cash	\$ 571	\$ 2,152	\$ 2,152	\$ 571
Total	<u>\$ 571</u>	<u>\$ 2,152</u>	<u>\$ 2,152</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, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS:				
Cash and Cash Equivalents	\$ 11,683	\$ 2,676,070	\$ 2,676,072	\$ 11,681
Interfund Accounts Receivable	-	-	-	-
Total Assets	\$ 11,683	\$ 2,676,070	\$ 2,676,072	\$ 11,681
LIABILITIES:				
Interfund Accounts Payable	\$ 11,683	\$ 2,676,070	\$ 2,676,072	\$ 11,681
Payroll Deductions and Withholdings	-	-	-	-
Total Liabilities	\$ 11,683	\$ 2,676,070	\$ 2,676,072	\$ 11,681

**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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ -	\$ 4,528	\$ 46,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	100,558	133,185	176,208	142,880	155,001	184,802	150,963
Unrestricted	31,379	157,692	1,009,379	636,539	511,802	850,647	408,021	(3,484)	531,238	687,238
Total Governmental Activities Net Assets/Position	\$ 31,379	\$ 162,220	\$ 1,055,899	\$ 737,097	\$ 644,987	\$ 1,026,855	\$ 550,901	\$ 151,517	\$ 716,040	\$ 838,201
Business-Type Activities										
Unrestricted	\$ 334,806	\$ 138,044	\$ 55,425	\$ 304	\$ 35,729	\$ 51,671	\$ 69,924	\$ 59,677	\$ 11,597	\$ -
Total Business-Type Activities Net Position	\$ 334,806	\$ 138,044	\$ 55,425	\$ 304	\$ 35,729	\$ 51,671	\$ 69,924	\$ 59,677	\$ 11,597	\$ -
Charter School-wide										
Restricted	-	-	-	100,558	133,185	176,208	142,880	155,001	184,802	150,963
Unrestricted	366,185	295,736	1,064,804	636,843	547,531	902,318	477,945	56,193	542,835	687,238
Total Charter School-wide Net Assets/Position	\$ 366,185	\$ 300,264	\$ 1,111,324	\$ 737,401	\$ 680,716	\$ 1,078,526	\$ 620,825	\$ 211,194	\$ 727,637	\$ 838,201

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
Instruction	\$ 4,957,677	\$ 5,118,959	\$ 4,455,813	\$ 1,792,925	\$ 1,787,295	\$ 1,680,212	\$ 1,447,522	\$ 1,451,402	\$ 1,668,078	\$ 1,654,480
Administration	6,140,957	5,395,431	3,942,779	1,183,930	1,112,647	961,091	920,714	1,264,895	1,093,152	749,985
Support Services	3,095,908	3,056,319	1,810,724	668,276	730,313	700,379	600,363	693,563	666,454	547,547
Unallocated Benefits	-	-	-	267,014	311,899	251,906	183,265	-	-	-
Unallocated Depreciation	4,528	41,992	40,877	40,877	40,621	39,851	29,000	29,801	12,857	12,857
Fixed Asset Appraisal Adjustment	-	-	-	-	(5,132)	(60,734)	-	-	-	-
Total Governmental Activities Expenses	14,559,166	13,612,701	10,250,193	3,953,022	3,977,643	3,572,705	3,180,864	3,439,661	3,440,541	2,964,869
Business-Type Activities:										
Food Service	597,748	562,779	712,329	712,329	693,447	170,575	138,979	121,181	149,614	-
Total Business-Type Activities Expenses	597,748	562,779	712,329	712,329	693,447	170,575	138,979	121,181	149,614	-
Total Charter School Expenses	\$ 15,156,914	\$ 14,175,480	\$ 10,962,522	\$ 4,665,351	\$ 4,671,090	\$ 3,743,280	\$ 3,319,843	\$ 3,560,842	\$ 3,590,155	\$ 2,964,869
Program Revenues										
Governmental Activities:										
Capital Grants and Contributions	\$ -	\$ -	\$ -	\$ 324,493	\$ 139,910	\$ 378,487	\$ 241,725	\$ 360,330	\$ 262,292	\$ 343,510
Total Governmental Activities Expenses	-	-	-	324,493	139,910	378,487	241,725	360,330	262,292	343,510
Business-Type Activities:										
Charges for Services	529	-	-	231	3,874	1,174	257	34,116	-	-
Operating Grants and Contributions	793,981	645,550	585,130	-	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	136,512	143,622	151,148	148,969	135,145	161,211	-
Transfers	-	-	-	10,000	-	-	-	-	-	-
Total Business-Type Activities Expenses	794,510	645,550	585,130	146,743	147,496	152,322	149,226	169,261	161,211	-
Total Charter School Program Revenue	\$ 794,510	\$ 645,550	\$ 585,130	\$ 471,236	\$ 287,406	\$ 530,809	\$ 390,951	\$ 529,591	\$ 423,503	\$ 343,510
Net (Expense)/Revenue										
Governmental Activities	\$ (14,559,166)	\$ (13,612,701)	\$ (10,250,193)	\$ (3,628,529)	\$ (3,837,733)	\$ (3,194,218)	\$ (2,939,139)	\$ (3,079,331)	\$ (3,178,249)	\$ (2,621,359)
Business-Type Activities	196,762	82,771	55,121	(35,577)	(15,942)	(18,253)	10,247	48,080	11,597	-
Total Charter School Net Expense	\$ (14,362,404)	\$ (13,529,930)	\$ (10,195,072)	\$ (3,664,106)	\$ (3,853,675)	\$ (3,212,471)	\$ (2,928,892)	\$ (3,031,251)	\$ (3,166,652)	\$ (2,621,359)
General Revenues										
Governmental Activities:										
General Purposes	\$ 474,844	\$ 418,033	\$ 340,328	\$ 110,660	\$ 111,019	\$ 138,567	\$ 126,547	\$ 112,001	\$ 98,626	\$ 421,341
Grants and Contributions	13,741,247	12,817,144	10,037,411	3,598,928	3,266,919	3,477,898	3,135,618	2,389,292	2,830,715	2,339,989
Miscellaneous Income	213,152	349,437	161,025	21,051	78,227	53,407	76,358	13,515	126,747	2,700
Transfers	-	-	-	(10,000)	-	-	-	-	-	-
Total Governmental Activities	14,429,243	13,584,614	10,538,764	3,720,639	3,456,165	3,669,872	3,338,523	2,514,808	3,056,088	2,764,030
Total Charter School Wide	\$ 14,429,243	\$ 13,584,614	\$ 10,538,764	\$ 3,720,639	\$ 3,456,165	\$ 3,669,872	\$ 3,338,523	\$ 2,514,808	\$ 3,056,088	\$ 2,764,030
Change in Net Assets/Position										
Governmental Activities	\$ (129,923)	\$ (28,087)	\$ 288,571	\$ 92,110	\$ (381,568)	\$ 475,654	\$ 399,384	\$ (564,523)	\$ (122,161)	\$ 142,671
Business-Type Activities	196,762	82,771	55,121	(35,577)	(15,942)	(18,253)	10,247	48,080	11,597	-
Total Charter School	\$ 66,839	\$ 54,684	\$ 343,692	\$ 56,533	\$ (397,510)	\$ 457,401	\$ 409,631	\$ (516,443)	\$ (110,564)	\$ 142,671

Source: Charter School's Records

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ 13,161	\$ 4,911	\$ 12,445	\$ -	\$ -	\$ -	\$ -
Unreserved	1,342,370	1,009,379	1,009,379	636,539	511,802	850,347	408,021	(18,484)	516,238	687,238
Total General Fund	\$ 1,342,370	\$ 1,009,379	\$ 1,009,379	\$ 649,700	\$ 516,713	\$ 862,792	\$ 408,021	\$ (18,484)	\$ 516,238	\$ 687,238
All Other Governmental Funds										
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund	-	-	-	-	-	-	-	1,500	-	-
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ -

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

	2017	2016	2015	2014	2013	2012
Revenues:						
Local Sources	\$ 474,844	418,033	\$ 340,328	\$ 131,711	\$ 189,246	\$ 191,974
Miscellaneous	189,462	125,580	100,633			
State Sources	12,569,063	11,496,531	9,332,180	3,597,658	3,258,840	3,463,502
Federal Sources	1,195,874	1,597,773	765,623	325,763	147,989	392,883
Total Revenues	14,429,243	13,637,917	10,538,764	4,055,132	3,596,075	4,048,359
Expenditures:						
Instruction	5,325,093	5,808,000	4,698,194	1,792,925	1,787,295	1,680,212
Administration	5,398,383	4,775,017	3,738,028	1,183,930	1,112,647	961,091
Support Services	3,012,680	3,001,597	1,742,863	668,276	730,313	700,379
Capital Outlay	360,096	-	-	-	-	-
Unallocated Benefits				267,014	311,899	251,906
Total Expenditures	14,096,252	13,584,614	10,179,085	3,912,145	3,942,154	3,593,588
Excess (Deficiency) of Revenues Over (Under) Expenditures	332,991	53,303	359,679	142,987	(346,079)	454,771
Other Financing Uses:						
Transfers Out	-	-	-	(10,000)	-	-
Total Other Financing Uses	-	-	-	(10,000)	-	-
Net Change in Fund Balance	\$ 332,991	\$ 53,303	\$ 359,679	\$ 132,987	\$ (346,079)	\$ 454,771

Source: Charter School's Records

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
2017	\$ 363	\$ -	\$ 5,969	\$ 80,130	\$ 86,462
2016	200	-	57,023	3,718	60,941
2015	-	-	53,276	20,095	73,371
2014	-	-	-	-	-
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	-	-	-	-	-
2008	-	-	-	-	-

Source: Charter School records

OPERATING INFORMATION

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

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction	85	81	49	24	26	23	23	21	18	18
Administrative	20	20	9	8	5	5	5	6	8	5
Support Services	6	10	25	2	3	3	3	3	2	2
Food Service	-	-	2	2	2	2	2	2	2	1
Total	111	111	85	36	36	33	33	32	30	26

FREEDOM PREP CHARTER SCHOOL

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2017	759	\$ 11,510,237	\$ 15,165	-0.03%	85	1:9	808	770	2.67%	95.30%
2016	759	11,513,158	15,169	23.84%	81	1:9	787	707	24.53%	89.83%
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	106.60%	17	1:17	249.6	245	100.15%	98.16%

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Charter School Building</u>										
School Building:										
Square Feet	300,000	300,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Capacity (students)	731	731	255	255	255	255	255	255	320	240
Enrollment	731	731	234	246	234	234	227	243	292	226

Number of Schools at, June 30, 2017:
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, 2017

	<u>Coverage</u>	<u>Deductible</u>	
Property Insurance:			
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		
Flood Deductibles:			
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	
Electronic Data Processing:			
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		
Boiler and Machinery:			
Combined Single Limit Per Accident for PD & Busi	100,000,000	1,000	Per Accident for PD 12 hours per accident for Business Interruption/Extra Expense. Interruption of Service Waiting Period 24 Hours
Crime:			
Public Employee Dishonest with Faithful Performa	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
 Fiscal Ratios
 Last Three Fiscal Years

	2015	2016	2017	Source
	Audit	Audit	Audit	
Cash	\$ 2,633,971	\$ 1,594,558	2,763,048	Audit: Exhibit A-1
Current Assets (includes CASH)	1,422,364	2,120,348	3,842,618	Audit: Exhibit A-1
Total Assets	3,508,771	3,776,829	3,874,305	Audit: Exhibit A-1
Current Liabilities	1,634,498	1,947,493	2,197,129	Audit: Exhibit A-1
Total Liabilities	1,737,509	1,960,023	5,225,233	Audit: Exhibit A-1
Net Assets	982,829	1,037,361	366,185	Audit: Exhibit A-1
Total Revenue	15,315,769	18,422,039	15,223,753	Audit: Exhibit A-2
Total Expenses	14,915,444	18,310,822	15,156,914	Audit: Exhibit A-2
Change in Net Assets	400,225	111,217	66,839	Audit: Exhibit A-2
Depreciation Expense	40,877	41,992	4,528	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	632.00	787.00	808.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	731	759	977	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2013	2014	2015	3 YR CUM	Target
1a. Current Ratio	0.87	1.09	1.75	Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	64.46	31.79	66.54	Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	86%	104%	83%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.* Default	N/A	N/A	N/A	Audit	not in default
Sustainability Indicators					
2a. Total Margin	3%	1%	0%	Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	0.50	0.52	1.35	Total Liabilities/Total Assets	<.9
2c.** Cash Flow	2,633,971	(1,039,413)	1,168,490	Net change in cash flow from prior years	3 yr cum positive
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

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

** 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash; 2015 = 2015 Cash - 2014 Cash

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206
Union, New Jersey 07083
(908) 686-3484
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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, 2017, 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 November 20, 2017.

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.


Barre & Company LLC
Union, New Jersey


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

November 20, 2017

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH UNIFORM GUIDANCE AND NEW JERSEY CIRCULAR 15-08 OMB**

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 Paterson Charter School for Science and Technology's (Charter School) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey Circular 15-08 OMB State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017. 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 of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, Uniform Guidance and New Jersey Circular 15-08 OMB require that we plan and perform the audit to obtain reasonable assurance about

whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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, 2017.

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 Uniform Guidance and New Jersey Circular 15-08 OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance and New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.



Barre & Company LLC
Union, New Jersey



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

November 20, 2017

FREEDOM PREP CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2016	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2017 Deferred Revenue	Due to Grantor																																																																	
U.S. Department of Education																																																																													
Passed-through State Department of Education																																																																													
Special Revenue Fund:																																																																													
No Child Left Behind Cluster:																																																																													
84.01	NCLB - - - 17	\$ 1,006,522	7/1/16	\$ -	-	1,008,522	(1,008,522)	\$ -	\$ -	\$ -	\$ -	-																																																																	
84.01	NCLB - - - 16	1,152,688	7/1/15	(405,931)	-	405,931	-	-	-	-	-	-																																																																	
84.01	NCLB - - - 17	-	7/1/16	-	-	-	-	-	-	-	-	-																																																																	
84.01	NCLB - - - 16	15,335	7/1/15	(6,735)	-	6,735	-	-	-	-	-	-																																																																	
84.367A	NCLB - - - 17	4,079	7/1/16	(412,666)	-	1,425,267	(1,012,601)	-	-	-	-	-																																																																	
Total No Child Left Behind Cluster																																																																													
Individuals with Disabilities Cluster:																																																																													
84.027	IDEA - - - 17	183,273	7/1/16	-	-	183,273	(183,273)	-	-	-	-	-																																																																	
84.027	IDEA - - - 16	171,347	7/1/15	(76,905)	-	76,905	-	-	-	-	-	-																																																																	
Total Individuals with Disabilities Cluster																																																																													
Other Special Revenue Funds:																																																																													
84.282	N/A	288,675	7/1/15	(9,429)	-	-	-	9,429	-	-	-	-																																																																	
Public Charter Schools (CSP Grant)																																																																													
Total Other Special Revenue Funds																																																																													
Total Special Revenue Fund																																																																													
U.S. Department of Agriculture																																																																													
Passed-through State Department of Agriculture																																																																													
Enterprise Fund:																																																																													
10.553	N/A	262,215	7/1/16	(10,619)	-	262,215	(262,215)	-	-	-	-	-																																																																	
10.553	N/A	-	7/1/15	-	-	10,619	-	-	-	-	-	-																																																																	
10.555	N/A	444,767	7/1/16	(20,273)	-	444,767	(444,767)	-	-	-	-	-																																																																	
10.555	N/A	-	7/1/15	-	-	20,273	-	-	-	-	-	-																																																																	
10.558	N/A	79,448	7/1/16	(2,044)	-	79,448	(79,448)	-	-	-	-	-																																																																	
10.558	N/A	-	7/1/15	-	-	2,044	-	-	-	-	-	-																																																																	
Total Enterprise Fund																																																																													
Sub-Total Federal Financial Awards																																																																													
<table style="width:100%; border:none;"> <tr> <td style="width:5%;"></td> <td style="width:5%;"></td> <td style="width:5%;"></td> <td style="width:5%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> <td style="width:10%;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align:right">\$</td> <td></td> <td style="text-align:right">\$</td> <td></td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> <td></td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> </tr> <tr> <td></td> <td></td> <td style="text-align:right">1,685,445</td> <td></td> <td style="text-align:right">(499,000)</td> <td></td> <td style="text-align:right">1,685,445</td> <td style="text-align:right">(1,195,874)</td> <td></td> <td style="text-align:right">9,429</td> <td style="text-align:right">-</td> <td style="text-align:right">-</td> <td style="text-align:right">-</td> </tr> <tr> <td></td> <td></td> <td style="text-align:right">\$</td> <td></td> <td style="text-align:right">\$</td> <td></td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> <td></td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> <td style="text-align:right">\$</td> </tr> <tr> <td></td> <td></td> <td style="text-align:right">2,504,811</td> <td></td> <td style="text-align:right">(531,936)</td> <td></td> <td style="text-align:right">2,504,811</td> <td style="text-align:right">(1,982,304)</td> <td></td> <td style="text-align:right">9,429</td> <td style="text-align:right">-</td> <td style="text-align:right">-</td> <td style="text-align:right">-</td> </tr> </table>																												\$		\$		\$	\$		\$	\$	\$	\$			1,685,445		(499,000)		1,685,445	(1,195,874)		9,429	-	-	-			\$		\$		\$	\$		\$	\$	\$	\$			2,504,811		(531,936)		2,504,811	(1,982,304)		9,429	-	-	-
		\$		\$		\$	\$		\$	\$	\$	\$																																																																	
		1,685,445		(499,000)		1,685,445	(1,195,874)		9,429	-	-	-																																																																	
		\$		\$		\$	\$		\$	\$	\$	\$																																																																	
		2,504,811		(531,936)		2,504,811	(1,982,304)		9,429	-	-	-																																																																	

FREEDOM PREP CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2017		MEMO
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor				Accounts Receivable	Deferred Revenue/ Interfund Payable	
State Department of Education												
General Fund:												
State Aid Public Cluster												
Equitation Aid	17-495-034-5120-078	10,007,634	7/1/16	6/30/17			10,007,634	(10,007,634)	*			10,007,634
Special Education Aid	17-495-034-5120-089	410,675	7/1/16	6/30/17			410,675	(410,675)	*			410,675
Special Education Categorical Aid	17-495-034-5120-084	336,281	7/1/16	6/30/17			336,281	(336,281)	*			336,281
Security Aid	17-495-034-5120-085	788,619	7/1/16	6/30/17			788,619	(788,619)	*			788,619
Adjustment Aid							11,543,209	(11,543,209)				11,543,209
Total State Aid Public Cluster												
Nonpublic Aid	17-100-034-5120-064	98,809	7/1/16	6/30/17			98,809	(98,809)	*			98,809
On Behalf TPAF Post-Retirement Medical Aid	17-495-034-5094-001	284,395	7/1/16	6/30/17			284,395	(284,395)	*			284,395
On-Behalf TPAF Pension Aid	17-495-034-5094-002	341,317	7/1/16	6/30/17			341,317	(341,317)	*			341,317
On-Behalf TPAF Long-Term Disability Aid	17-495-034-5094-004	4,269	7/1/16	6/30/17			4,269	(4,269)	*			4,269
Reimbursed TPAF - Social Security	17-495-034-5094-003	286,635	7/1/16	6/30/17			286,635	(286,635)	*	13,291		296,935
Reimbursed TPAF - Social Security	16-495-034-5094-003	200,045	7/1/15	6/30/16		(12,989)	12,989					296,935
Total General Fund						(12,989)	12,568,642	(12,568,634)		(13,291)		12,568,934
State Department of Agriculture												
Enterprise Fund:												
National School Lunch Program (State Share)	17-100-010-3350-023	7,550	7/1/16	6/30/17		(354)	7,550	(7,550)				7,550
National School Lunch Program (State Share)	16-100-010-3350-023	-	7/1/15	6/30/16			354					7,550
Total Enterprise Fund						(354)	7,904	(7,550)				7,550
Total All Funds						(13,353)	12,576,546	(12,576,484)		(13,291)		12,576,484
State Financial Assistance Not Subject to Major Program Determination:												
General Funds:												
On Behalf TPAF Post-Retirement Medical Aid	17-495-034-5094-001	284,395	7/1/16	6/30/17			(284,395)	284,395	*			(284,395)
On-Behalf TPAF Pension Aid	17-495-034-5094-002	341,317	7/1/16	6/30/17			(341,317)	341,317	*			(341,317)
On-Behalf TPAF Long-Term Disability Aid	17-495-034-5094-004	4,269	7/1/16	6/30/17			(4,269)	4,269	*			(4,269)
Total General Fund							(629,981)	629,981				(629,981)
Total State Financial Assistance Subject to Single Audit						(13,353)	11,946,565	(11,946,503)		(13,291)		11,946,503

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

FREEDOM PREP CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2017

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 2 (CFR) Part 200 -Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB, 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 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.

FREEDOM PREP CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2017

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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:

	Federal	State	Total
General Fund	\$ -	12,569,063	\$ 12,569,063
Special Revenue Fund	1,195,874	-	1,195,874
Food Service Fund	786,431	7,550	793,981
Total Awards & Financial Assistance	<u>\$ 1,982,305</u>	<u>\$ 12,576,613</u>	<u>\$ 14,558,918</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, 2017.

NOTE 6. OTHER INFORMATION

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, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2017. 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, 2017.

FREEDOM PREP CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2017

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

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits Contributions, and Long Term Disability Contributions 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>	\$ 1,008,522
Title I, Part SIA: <i>Grants to Local Education Agencies</i>	
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>4,079</u>
 Total	 <u><u>\$ 1,012,601</u></u>

FREEDOM PREP CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None __X__ Reported
Noncompliance material to basic financial statements noted?	___ Yes	__X__ No

Federal Awards

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None __X__ 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 the Uniform Guidance?	_____ Yes	__X__ No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I Part
10.555	Child Nutrition Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	__X__ Yes	_____ No
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FREEDOM PREP CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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

State Awards

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ Yes __X__ No

Internal control over major programs:

 1) Material weakness(es) identified? ___ Yes __X__ No

 2) Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes __X__ ^{None} Reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08? ___ Yes __X__ No

Identification of major state programs:

GMIS Number(s)	Name of State Program
	<u>STATE AID-PUBLIC CLUSTER:</u>
<u>17-495-034-5120-078</u>	<u>EQUALIZATION AID</u>
<u>17-495-034-5120-089</u>	<u>SPECIAL EDUCATION CATEGORICAL AID</u>
<u>17-495-034-5120-084</u>	<u>SECURITY AID</u>
<u>17-495-034-5120-085</u>	<u>ADJUSTMENT AID</u>
<u>16-495-034-5095-002</u>	<u>TPAF REIMBURSEMENT-SOCIAL SECURITY</u>

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, 2017

Part II – Schedule of Financial Statement Findings

The section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S Uniform Guidance and New Jersey OMB's Circular Letter 15-08.

CURRENT YEAR FEDERAL AWARDS

No Current Year Findings

CURRENT YEAR STATE AWARDS

No Current Year Findings

FREEDOM PREP CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2017

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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

Findings

No Prior Year Findings