

REVISED FOR SCHEDULES B-5 AND K-3

FOUNDATION ACADEMY CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2018

FOUNDATION ACADEMY CHARTER SCHOOL

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

***Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
FOUNDATION ACADEMY CHARTER SCHOOL
TRENTON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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**FOUNDATION ACADEMY CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
INTRODUCTORY SECTION	1
Transmittal Letter	2
Organizational Chart	7
Consultants and Advisors	13
FINANCIAL SECTION.....	14
REQUIRED SUPPLEMENTARY INFORMATION – PART I.....	19
Management’s Discussion and Analysis.....	20
BASIC FINANCIAL STATEMENTS.....	26
SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS.....	27
A-1 Statement of Net Position	28
A-2 Statement of Activities	29
SECTION B – FUND FINANCIAL STATEMENTS.....	30
GOVERNMENTAL FUNDS	31
B-1 Balance Sheet	32
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	33
B-3 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
PROPRIETARY FUNDS.....	35
B-4 Statement of Net Position	36
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	37
B-6 Statement of Cash Flows.....	38
FIDUCIARY FUNDS	39
B-7 Statement of Fiduciary Net Position	40
B-8 Statement of Changes in Fiduciary Net Position	41
NOTES TO THE FINANCIAL STATEMENTS.....	42
REQUIRED SUPPLEMENTARY INFORMATION – PART II.....	81

**FOUNDATION ACADEMY CHARTER SCHOOL
TABLE OF CONTENTS**

Page

FINANCIAL SECTION (CONTINUED)

SECTION C – BUDGETARY COMPARISON SCHEDULE	82
C-1 Budgetary Comparison Schedule – General Fund	83
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b Community Development Block Grant - Budget and Actual	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	85
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	86
C-3 Budget-to-GAAP Reconciliation	87
REQUIRED SUPPLEMENTARY INFORMATION – PART III	88
SCHEDULE L - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)	89
L-1 Schedules of the Charter School’s Proportionate Share of the Net Pension Liability - PERS	90
L-2 Schedules of Charter School Contributions - PERS	91
L-3 Schedules of the Charter School’s Proportionate Share of the Net Pension Liability - TPAF	92
SCHEDULE M - SCHEDULES RELATED TO OTHER THAN PENSIONS	93
M-1 Schedule of Changes in the Total OPEB Liability and Related Ratios	94
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III	95
OTHER SUPPLEMENTARY INFORMATION	98
SECTION D – SCHOOL BASED BUDGET SCHEDULES	N/A
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual	N/A

**FOUNDATION ACADEMY CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
FINANCIAL SECTION (CONTINUED)	
SECTION E – SPECIAL REVENUE FUND	99
E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis	100
E-2 Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis.....	N/A
SECTION F – CAPITAL PROJECTS FUND.....	N/A
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	N/A
F-2(x) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis	N/A
SECTION G – PROPRIETARY FUNDS.....	101
ENTERPRISE FUND	109
G-1 Combining Schedule Net Position.....	N/A
G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position.....	N/A
G-3 Combining Schedule of Cash Flow	N/A
INTERNAL SERVICE FUND	109
G-4 Combining Schedule Net Position.....	N/A
G-5 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position.....	N/A
G-6 Combining Schedule of Cash Flow	N/A
SECTION H – FIDUCIARY FUNDS	102
H-1 Combining Statement of Fiduciary Net Position	103
H-2 Combining Statement of Changes in Fiduciary Net Position	104
H-3 Student Activities Fund – Schedule of Receipts and Disbursements.....	105
H-4 Payroll Agency Fund – Schedule of Receipts and Disbursements	106
SECTION I – LONG-TERM DEBT SCHEDULES	107
I-1 Schedule of Serial Bonds.....	108
I-1 Schedule of Serial Bonds of Obligations under Capital Leases.....	N/A
I-1 Schedule of Serial Bonds Service Fund Budgetary Comparison Schedule	N/A

**FOUNDATION ACADEMY CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
STATISTICAL SECTION (UNAUDITED).....	109
INTRODUCTION TO THE STATISTICAL SECTION.....	110
FINANCIAL TRENDS.....	111
J-1 Net Assets/Position by Component.....	112
J-2 Changes in Net Assets/Position.....	113
J-3 Fund Balances – Governmental Funds.....	114
J-4 Changes in Fund Balances – Governmental Funds.....	115
J-5 General Fund Other Local Revenue by Source.....	116
REVENUE CAPACITY	N/A
J-6 Assessed Value and Estimated Actual Value of Taxable Property.....	N/A
J-7 Direct and Overlapping Property Tax Rates.....	N/A
J-8 Principal Property Taxpayers*.....	N/A
J-9 Property Tax Levies and Collections.....	N/A
DEBT CAPACITY.....	N/A
J-10 Ratios of Outstanding Debt by Type.....	N/A
J-11 Ratios of General Bonded Debt Outstanding.....	N/A
J-12 Direct and Overlapping Governmental Activities Debt.....	N/A
J-13 Legal Debt Margin Information.....	N/A
DEMOGRAPHIC AND ECONOMIC INFORMATION.....	117
J-14 Demographic and Economic Statistics.....	118
J-15 Principal Employers, Current and Nine Years Ago.....	119
OPERATING INFORMATION.....	120
J-16 Full-Time Equivalent Charter School Employees by Function/Program.....	121
J-17 Operating Statistics.....	122
J-18 School Building Information.....	123
J-20 Insurance Schedule.....	124
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios.....	125

**FOUNDATION ACADEMY CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
SINGLE AUDIT SECTION	126
K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	127
K-2 Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control over Compliance In Accordance With New Jersey OMB Circular 04-04	129
K-3 Schedule of Expenditures of Federal Awards – Schedule A.....	132
K-4 Schedule of Expenditures of State Financial Assistance – Schedule B.....	133
K-5 Notes to the Schedules of Expenditures of Awards and Financial Assistance.....	134
K-6 Schedule of Findings and Questioned Costs	138
K-7 Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by Management.....	139
K-8 Summary Schedule of Prior Year Audit Findings	140

INTRODUCTORY SECTION

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

January 24, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Foundation Academy Charter School (Charter School) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the 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 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

The Chief Executive Officer of the Charter School is responsible to the Board for total educational and support operations. The Chief Academic Officer is responsible to the Chief Executive Officer for the educational programs of all campuses. The Primary School Principal, the Intermediate School Principal, the Middle School Principal and the High School Principal are responsible to the Chief Academic Officer for the instructional program of each campus. The Business Administrator is the Chief Financial Officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES:

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

During the eleventh year of operation, the 2017-2018 school year, Foundation Academy Charter School provided a full range of educational services to students in grades kindergarten through 12th grade. These services included regular, as well as special education instruction. Two hundred and thirty-four primary school students were enrolled in kindergarten, grade 1 and grade 2. Two hundred and forty intermediate school students were enrolled in grades 3 through 5. Two hundred and fifty-two middle school students were enrolled in grades 6 through 8. Two hundred and eighty-two high school students were enrolled in grades 9-12. As a college-preparatory school, Foundation Academy Charter School's mission is to ensure that all students secure the academic knowledge and skills to prepare them for the nation's finest colleges, and to instill in them the core values of caring, respect, responsibility and honesty. Foundation Academy Charter School's program is modeled after some of the highest performing urban charters schools in the country and includes standardized classroom procedures, regular testing to track student progress, more time on task, a focus on values and building community, clear and innovative rewards and consequences designed to teach and emphasize positive academic and social behavior, school uniforms, 90-120 minutes of homework each night, and an overall rigorous academic program. Foundation Academy Charter School provides a longer school day and a longer school year which includes a two-week summer session.

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

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-2018	1028.0	2.33%
2016-2017	1004.6	13.64%
2015-2016	884	16.79%
2014-2015	756.9	43.79%
2013-2014	526.4	55.51%

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

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

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

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

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

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

the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2018.

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

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

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

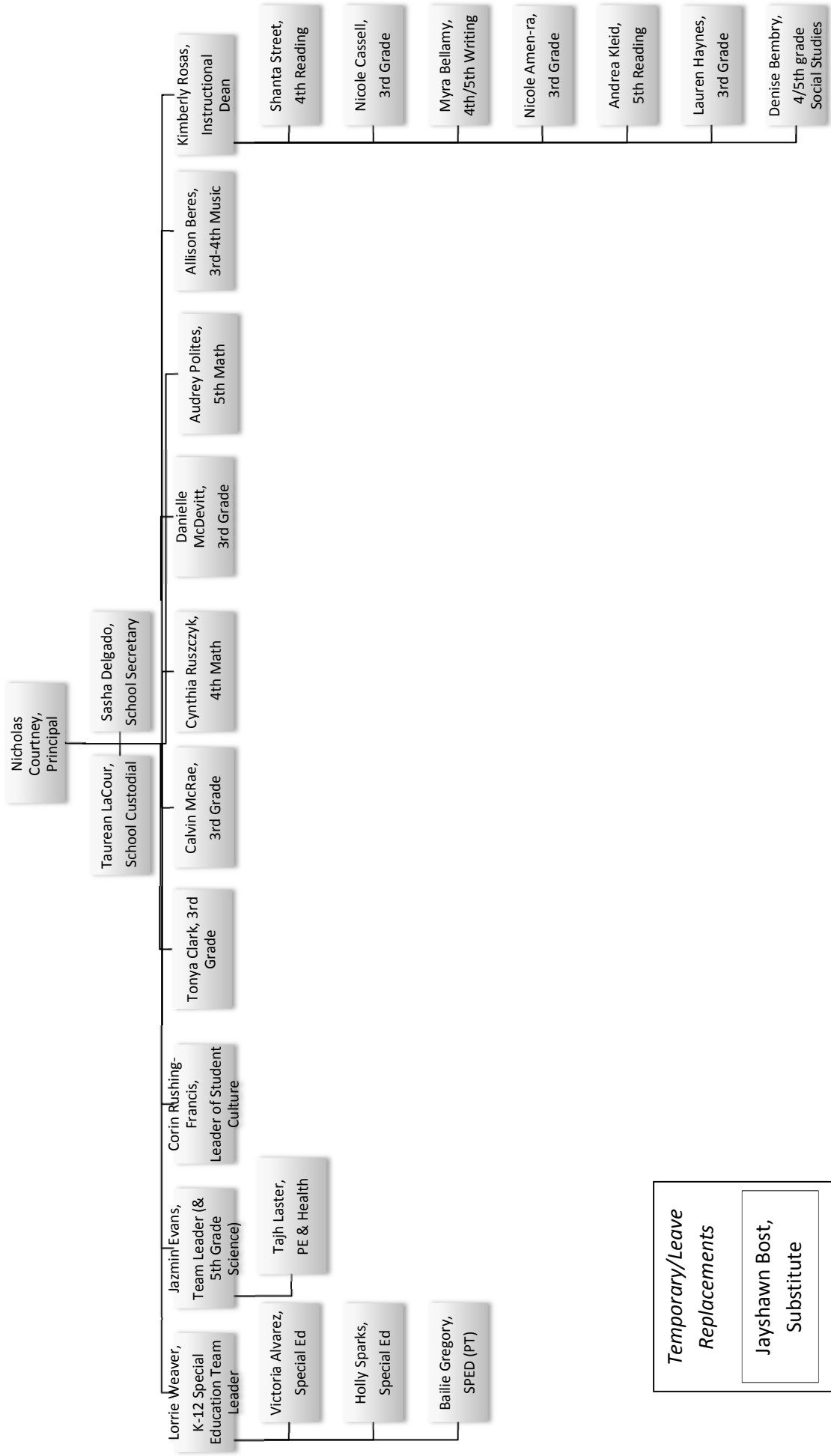
9. ANTI-BULLYING: On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, anti-bullying specialists, anti-bullying coordinators, administrative staff and board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2017-2018, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

Respectfully submitted,

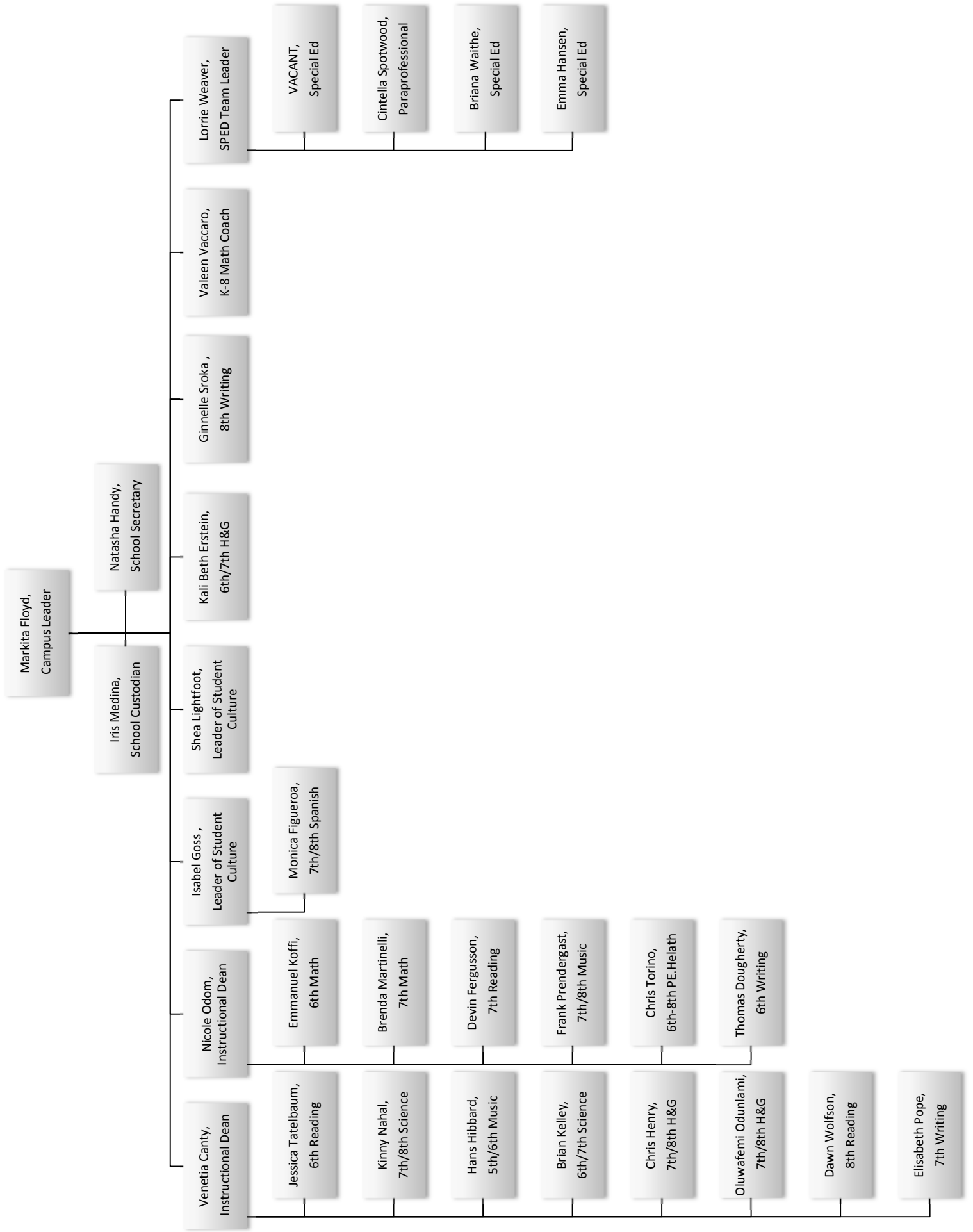


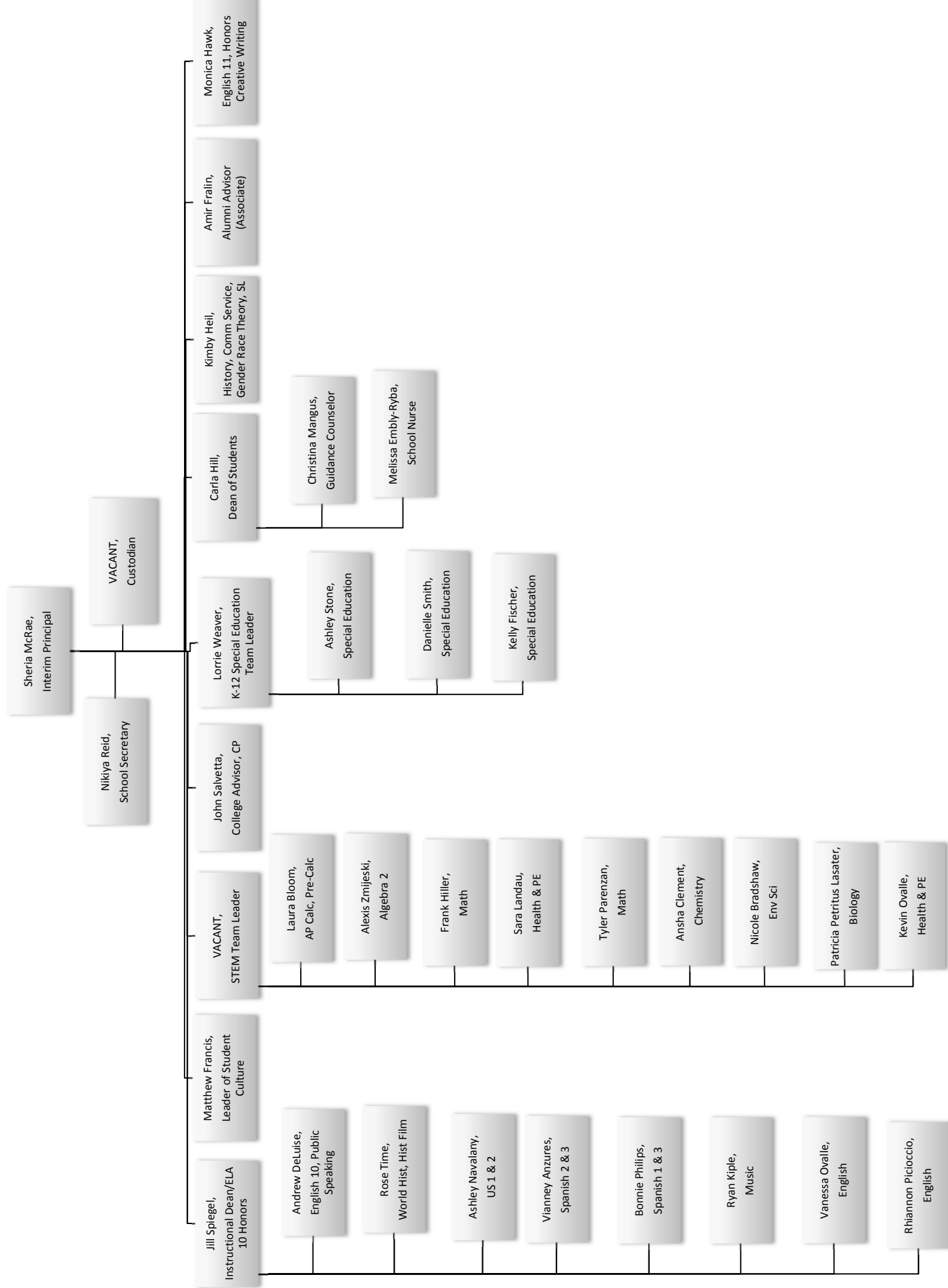
Graig Weiss
Chief Executive Officer

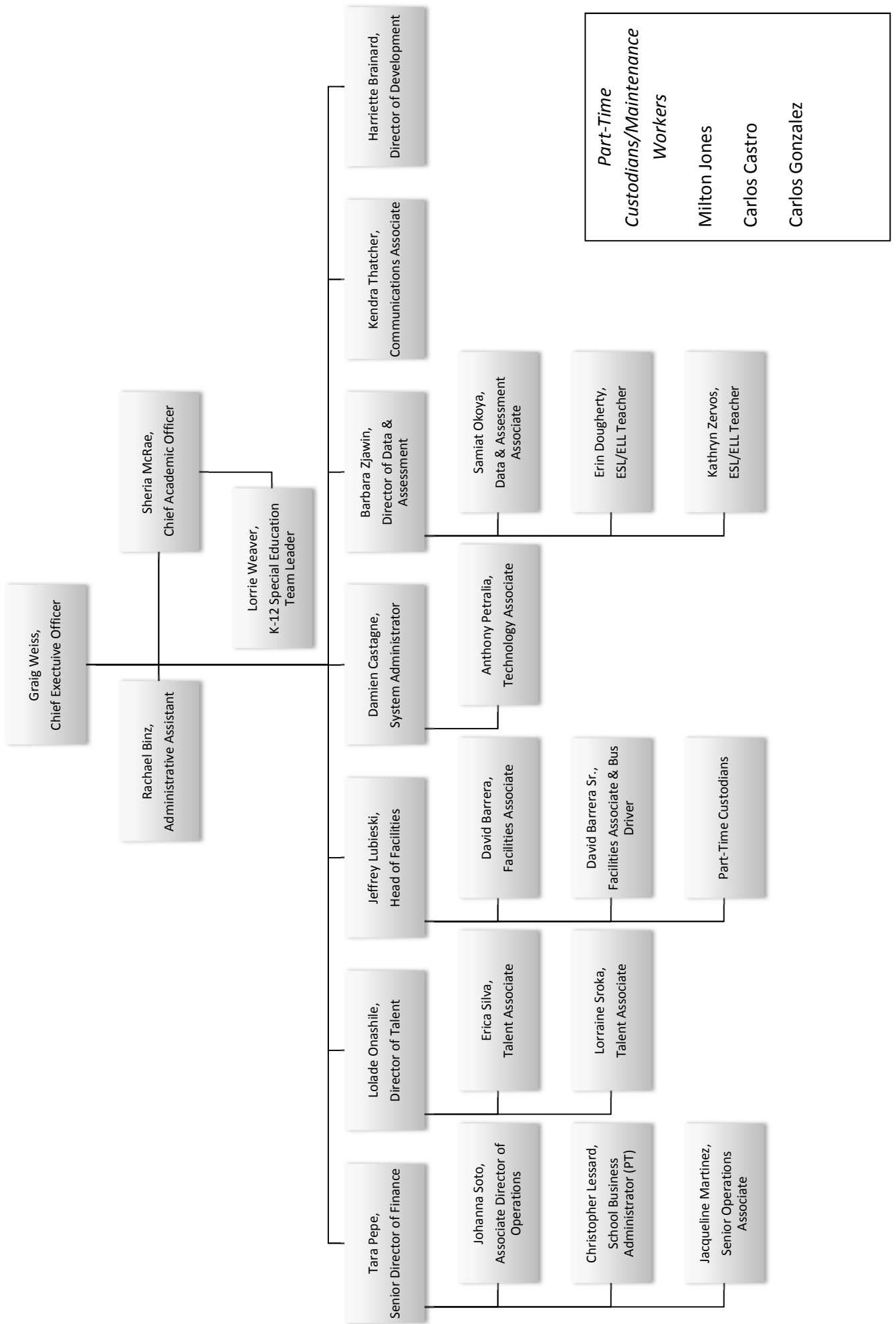


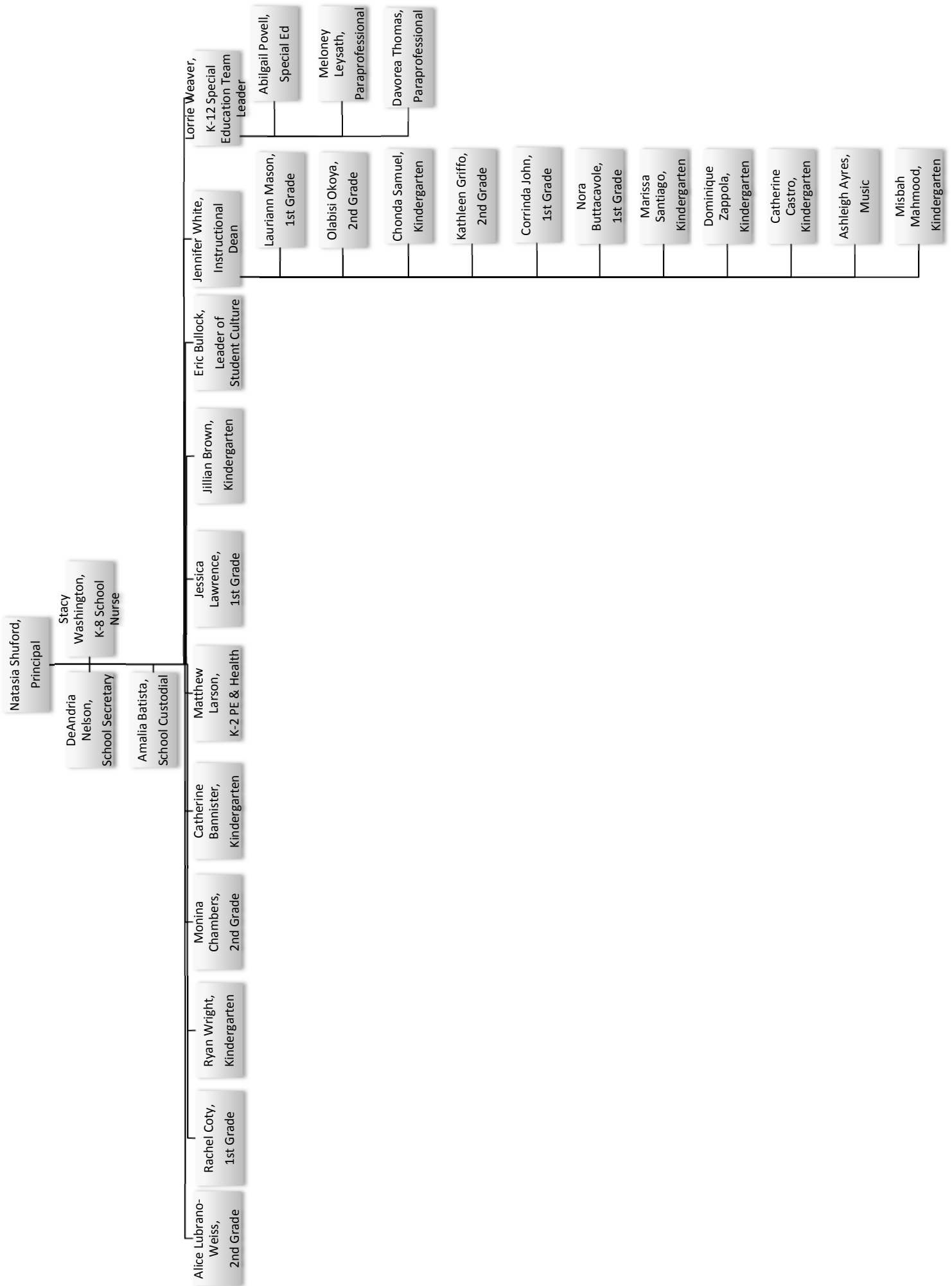
Temporary/Leave Replacements

Jayshawn Bost, Substitute









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

**ROSTER OF OFFICIALS
JUNE 30, 2018**

MEMBERS OF THE BOARD OF TRUSTEES

Allan Kehrt, Board President

Grecia Montero, Board Secretary/Treasurer

Jessica Gamble, Member

Jacqui Griffith, Member

Patrick Hall, Member

Todd Kent, Member

Paris McLean, Member

Stephen Silverman, Member

OTHER OFFICIALS

Graig Weiss, Chief Executive Officer

Sheria McRae, Chief Academic Officer

Nick Courtney, Intermediate School Principal

Natasia Shuford, Primary School Principal

Christopher Lessard, Business Administrator

Tara Pepe, Senior Director of Finance

Monique Bonnier, Treasurer

Stefani Schwartz , Board Counsel

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

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Stefani Schwartz
Weiner Law Group, LLP
629 Parsippany Road
PO Box 438
Parsippany, New Jersey 07054

Official Depository

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

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Union, New Jersey 07083
(908) 686-3484
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Foundation Academy Charter School (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2018, 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 in compliance with audit requirements as prescribed by the Division 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 Foundation Academy Charter School, in the County of Mercer, State of New Jersey, as of June 30, 2018, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 5 to the basic financial statements, the Charter School implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-4 and the related notes be presented to supplement the basic financial statements and budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 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 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* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated January 24, 2019 on our consideration of the Foundation Academy Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls 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
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 24, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The discussion and analysis of Foundation Academy Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2018. 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 2018 are as follows:

- ❖ General revenues accounted for \$18,665,290 or 95% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$928,565 or 5% of total revenues of \$19,593,855.
- ❖ The Charter School had \$18,027,833 in expenses; only \$928,565 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$18,665,290 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$16,453,191 in revenues and \$14,451,191 in expenditures. The General Fund's fund balance increased \$2,002,000 over 2017. 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 Foundation Academy Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2018?" 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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

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

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.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 42 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 \$4,761,220 for 2018 and \$3,195,198 for 2017.

Governmental Activities

The Charter School's total revenues were \$19,001,817 for 2018 and \$16,455,010 for 2017, this includes \$376,425 for 2018 and \$372,564 for 2017 of state reimbursed TPAF social security contributions.

The total cost of all program and services were 15,369,826 for 2018 and \$15,031,989 for 2017. Instruction comprises 55% for 2018 and 51% for 2017 of Charter School expenses.

Business-Type Activities

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

- ❖ Food service revenues exceeded expenses by \$16,029 for 2018 and by \$67,496 for 2017.
- ❖ Charges for services represent \$74,116 for 2018 and \$55,131 for 2017 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$517,922 for 2018 and \$486,181 for 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Governmental Activities

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

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

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

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

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

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$19,001,817 for 2018 and \$16,455,010 for 2017 and expenditures were \$15,369,826 for 2018 and \$16,013,562 for 2017. The net change in fund balance was most significant in the general fund, an increase of \$2,002,000 in 2018 and an increase of \$441,448 in 2017.

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, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Local Sources	\$ 1,583,878	9.12%	\$ 65,294	4.30%
Intermediate Sources	87,320	0.50%	61,508	238.29%
State Sources	14,812,585	85.27%	676,173	4.78%
Federal Sources	888,043	5.11%	113,841	14.70%
Total	\$ 17,371,826	100.00%	\$ 916,816	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2018, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Instruction	\$ 6,250,967	40.67%	\$ 342,594	5.80%
Administration	6,583,203	42.83%	868,748	15.20%
Support Services	2,212,553	14.40%	(317,926)	-12.56%
Capital Outlay	323,103	2.10%	(1,537,152)	-82.63%
Total	\$ 15,369,826	100.00%	\$ (643,736)	

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 had \$4,501,932 for 2018 and \$4,467,883 for 2017 invested in a newly purchased building, building improvements, and equipment.

For the Future

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Contacting the Charter School's Financial Management

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

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

FOUNDATION ACADEMY CHARTER SCHOOL
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 5,641,482	\$ 138,341	\$ 5,779,823
Internal Balances	32,007		32,007
Other Receivables	531,628	38,285	569,913
Other Assets	80,885		80,885
Capital Assets, Net	4,501,932		4,501,932
Total Assets	10,787,934	176,626	10,964,560
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	2,812,976		2,812,976
Total Deferred Outflows of Resources	2,812,976	-	2,812,976
LIABILITIES:			
Interfund Payable		12,768	12,768
Accounts Payable	211,149	42,143	253,292
Accrued Expenses (Interest)			-
Deferred Revenue	217,792		217,792
Other Current Liabilities	72,517		72,517
Noncurrent Liabilities:			
Due Within One Year	88,595		88,595
Due Beyond One Year:			
Other Long Term Liabilities	2,641,355		2,641,355
Net Pension Liability	4,772,107		4,772,107
Total Liabilities	8,003,515	54,911	8,058,426
DEFERRED INFLOWS OF RESOURCES:			
Pensions	957,890		957,890
Total Deferred Inflows of Resources	957,890	-	957,890
NET POSITION:			
Net Investment in Capital Assets	1,480,241		1,480,241
Restricted for:			
Encumbrances	666,006		666,006
Unassigned	2,493,258	121,715	2,614,973
Total Net Position	\$ 4,639,505	\$ 121,715	\$ 4,761,220

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

FOUNDATION ACADEMY CHARTER SCHOOL

Statement of Activities

For The Fiscal Year Ended June 30, 2018

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	\$ 6,259,879	\$ 2,142,549	\$ -	\$ 336,527	\$ -	\$ (8,065,901)	\$ -	\$ (8,065,901)
Administration	5,500,859	885,095				(6,385,954)		(6,385,954)
Support Services	2,203,641	267,572				(2,471,213)		(2,471,213)
Capital Outlay	31,362					(31,362)		(31,362)
Unallocated Depreciation	160,867					(160,867)		(160,867)
Total Governmental Activities	14,156,608	3,295,216	-	336,527	-	(17,115,297)	-	(17,115,297)
BUSINESS-TYPE ACTIVITIES:								
Food Service	576,009		74,116	517,922			16,029	16,029
Total Business-Type Activities	576,009		74,116	517,922			16,029	16,029
Total Primary Government	\$ 14,732,617		\$ 74,116	\$ 854,449	\$ -	\$ (17,115,297)	\$ 16,029	\$ (17,099,268)
GENERAL REVENUES								
General Purposes			\$	\$ 1,502,124	\$	\$	\$ -	\$ 1,502,124
Federal and State Aid Not Restricted				17,081,412				17,081,412
Miscellaneous Income				81,754				81,754
Total General Revenues				18,665,290				18,665,290
Change in Net Position				1,549,993			16,029	1,566,022
Net Position - Beginning of Year				3,089,512			105,686	3,195,198
Net Position - Ending				4,639,505			121,715	4,761,220

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

FOUNDATION ACADEMY CHARTER SCHOOL

Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 5,393,745	\$ 172,737	\$ 5,566,482
Restricted	75,000		75,000
Investments			
Interfund Receivables	32,004	3	32,007
Receivables From Other Governments	160,719	187,380	348,099
Other Receivables	183,529		183,529
Prepaid Expenses			
Other Assets	80,885		80,885
	5,925,882	360,120	6,286,002
Total Current Assets			
	5,925,882	360,120	6,286,002
Total Assets	\$ 5,925,882	\$ 360,120	\$ 6,286,002
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ -	\$ -
Accounts Payable	68,821	142,328	211,149
Deferred Revenue		217,792	217,792
Other Current Liabilities	72,517		72,517
	141,338	360,120	501,458
Total Current Liabilities			
	141,338	360,120	501,458
Total Liabilities			
	141,338	360,120	501,458
Fund Balances:			
Reserved For:			
Encumbrances	666,006		666,006
Unassigned:			
General Fund	5,118,538		5,118,538
	5,784,544	-	5,784,544
Total Fund Balances			
	5,784,544	-	5,784,544
Total Liabilities and Fund Balances	\$ 5,925,882	\$ 360,120	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$4,801,291 and the accumulated depreciation is \$299,359.	4,501,932
Net pension liability of \$4,772,107, deferred inflows of resources of \$957,890 less deferred outflows of resources of \$2,812,976 related to pensions are not reported in the governmental funds	(2,917,021)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,729,950)
Net Position of Governmental Activities	\$ 4,639,505

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

FOUNDATION ACADEMY CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,502,124	\$ -	\$ 1,502,124
Contributions/Donations	72,557		72,557
Miscellaneous	9,197		9,197
Total Local Sources	1,583,878	-	1,583,878
Intermediate Sources		87,320	87,320
State Sources	14,812,585		14,812,585
Federal Sources	56,728	831,315	888,043
Total Revenues	16,453,191	918,635	17,371,826
EXPENDITURES:			
Current:			
Instruction	5,614,560	636,407	6,250,967
Administration	6,583,203		6,583,203
Support Services	1,930,325	282,228	2,212,553
Capital Outlay	323,103		323,103
Total Expenditures	14,451,191	918,635	15,369,826
NET CHANGE IN FUND BALANCES	2,002,000	-	2,002,000
FUND BALANCES, JULY 1	3,782,544	-	3,782,544
FUND BALANCES, JUNE 30	\$ 5,784,544	\$ -	\$ 5,784,544

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

FOUNDATION ACADEMY CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental fund (from B-2) \$ 2,002,000

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

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

Depreciation Expense	\$ (160,867)	
Capital Outlay	<u>194,916</u>	34,049

Repayment of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

83,729

In the statement of activities, interest on mortgage debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest net is an addition in the reconciliation.

13,096

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.

(582,881)

Change in net position of governmental activities

\$ 1,549,993

PROPRIETARY FUNDS

FOUNDATION ACADEMY CHARTER SCHOOL
 Proprietary Fund
 Statement of Net Position
 June 30, 2018

	Business-Type Activities
	Food Service
ASSETS:	
Cash and Cash Equivalents	\$ 138,341
Receivables From Other Governments	38,285
Total Assets	\$ 176,626
LIABILITIES:	
Current Liabilities:	
Interfund Accounts Payable	\$ 12,768
Accounts Payable	42,143
Total Current Liabilities	54,911
Total Liabilities	54,911
NET ASSETS:	
Unrestricted	121,715
Total Net Assets	121,715
Total Liabilities and Net Assets	\$ 176,626

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

FOUNDATION ACADEMY CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Business-Type Activities Enterprise Fund Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 49,410
Daily Sales Non-reimbursable Program	24,706
Total Operating Revenues	74,116
OPERATING EXPENSES:	
Supplies and Materials	67,888
Cost of Sales- Reimbursable Programs	496,015
Cost of Sales- Non-Reimbursable Programs	12,106
Total Operating Expenses	576,009
OPERATING LOSS	(501,893)
NONOPERATING REVENUES:	
State Source:	
State Lunch Program	7,116
Federal Source:	
Federal Breakfast Program	118,425
Federal Lunch Program	392,381
Total Nonoperating Revenues	517,922
CHANGE IN NET ASSETS	16,029
TOTAL NET ASSET, JULY 1	105,686
TOTAL NET ASSET, JUNE 30	\$ 121,715

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

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B-5

FOUNDATION ACADEMY CHARTER SCHOOL
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Fiscal Year Ended June 30, 2018

	Business-Type Activities Enterprise Fund
	Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	\$ 49,410
Daily Sales Non-reimbursable Program	24,706
	74,116
Total Operating Revenues	74,116
OPERATING EXPENSES:	
Supplies and Materials	67,888
Cost of Sales- Reimbursable Programs	524,366
Cost of Sales- Non-Reimbursable Programs	12,106
	604,360
Total Operating Expenses	604,360
OPERATING LOSS	(530,244)
NONOPERATING REVENUES:	
State Source:	
State Lunch Program	7,116
Federal Source:	
Federal Breakfast Program	118,425
Federal Lunch Program	392,381
U.S.D.A. Commodities	28,351
	546,273
Total Nonoperating Revenues	546,273
CHANGE IN NET ASSETS	16,029
TOTAL NET ASSET, JULY 1	105,686
TOTAL NET ASSET, JUNE 30	\$ 121,715

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

FOUNDATION ACADEMY CHARTER SCHOOL
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018

	Business-Type Activities Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	74,116
Cash Payments to Suppliers and Employees	(562,306)
Net Cash Used by Operating Activities	(488,190)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	517,922
Net Cash Provided by Noncapital Financing Activities	517,922
Net Decrease in Cash and Cash Equivalents	29,732
Cash and Cash Equivalents, July 1	108,609
Cash and Cash Equivalents, June 30	\$ 138,341
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss Used for Operating Activities	\$ (501,893)
Increase in Intergovernmental Accounts Receivable	(14,138)
Increase in Interfund Accounts Payable	8,726
Increase in Accounts Payable	19,115
Net Cash Used by Operating Activities	\$ (488,190)

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

FIDUCIARY FUNDS

FOUNDATION ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2018

	Trusts			Total Agency Funds
	Unemployment Compensation Trust	Flexible Spending Account	Ronald Brady Scholarship Account	
ASSETS:				
Cash and Cash Equivalents	\$ 3,332	\$ 6,000	\$ 3,174	\$ 109,102
Total Assets	<u>\$ 3,332</u>	<u>\$ 6,000</u>	<u>\$ 3,174</u>	<u>\$ 109,102</u>
LIABILITIES:				
Interfund Payable	\$ -	\$ 6,000	\$ -	\$ 13,239
Accounts Payable	13,277			-
Payroll Deductions and Withholding Payable				61,922
Due to Student Groups				7,568
Total Liabilities	<u>13,277</u>	<u>6,000</u>	<u>-</u>	<u>\$ 109,102</u>
NET POSITION:				
Held in Trust	<u>(9,945)</u>		<u>3,174</u>	
Total Net Position	<u>(9,945)</u>	<u>-</u>	<u>3,174</u>	
Total Liabilities and Net Position	<u>\$ 3,332</u>	<u>\$ 6,000</u>	<u>\$ 3,174</u>	

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

FOUNDATION ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Year Ended June 30, 2018

	Trusts		
	Unemployment Compensation Trust	Flexible Spending Account	Ronald Brady Scholarship Account
ADDITIONS:			
Contributions:			
Employees	\$ 39,132	\$ 32,171	
Donations			500
Total Additions	<u>39,132</u>	<u>32,171</u>	<u>500</u>
DEDUCTIONS:			
Payments	35,361	32,171	
Miscellaneous Expenses			486
Total Deductions	<u>35,361</u>	<u>32,171</u>	<u>486</u>
CHANGE IN NET POSITION	3,771	-	14
NET POSITION, JULY 1	<u>(13,716)</u>	<u>-</u>	<u>3,160</u>
NET POSITION, JUNE 30	<u>\$ (9,945)</u>	<u>\$ -</u>	<u>\$ 3,174</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Foundation Academy Charter School include two schools a Grade K-6 and a Grade 7-12 located in the City of Trenton. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements – Government-Wide 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 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Government-Wide Statements (Continued)

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

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

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

General Fund – The general fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, charter school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type - The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, 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:

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income.

The Charter School’s Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

In its accounting and financial reporting, the Charter School follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School’s business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be sued to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds):
The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The government-wide proprietary and fiduciary 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government 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.

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

F. Budgets/Budgetary Control

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

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

Total Revenues & Expenditures (Budgetary Basis)		\$ 918,635
Adjustments:		
Less Encumbrances at June 30, 2018		-
Plus Encumbrances at June 30, 2017		-
Total Revenues and Expenditures (GAAP Basis)		\$ 918,635

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including 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. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

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

Additionally, the Charter School had adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

2. Short-term Interfund Receivables/Payables

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

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Charter School has included all infrastructure assets in the current fiscal year.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

5. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Balance Reserves

In the fund financial statements, governmental funds report the following classifications of fund balance:

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, and the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

I. Impact of Recently Issued Accounting Principles

During fiscal year 2018, the District adopted the following GASB statements as required:

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.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The provisions in Statement No. 83 are effective for reporting periods beginning after June 15, 2018. The School is assessing if GASB 83 will have any impact on its financial statements.

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.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

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 in substance.

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.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, which is effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The School is assessing if GASB 88 will have any impact on its financial statements.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which is effective for fiscal years beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The School is assessing if GASB 89 will have any impact on its financial statements.

J. 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: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

Deposits and Investments (Continued)

Deposits (Continued)

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits 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.

As of June 30, 2018, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	<u>\$ 5,468,745</u>	<u>\$ 172,737</u>	<u>\$ 138,341</u>	<u>\$ 121,608</u>	<u>\$ 5,901,431</u>

The Charter School had no investments at June 30, 2018.

The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$5,901,431 and the bank balance was \$6,248,403. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2018, none of the cash and cash equivalents for Foundation Academy Charter School were exposed to custodial credit risk.

The Charter School does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
 - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
 - (6) Local government investment pools;
 - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
 - (8) Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2018.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Investments (Continued)

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2018.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2018.

Receivables

Receivables at June 30, 2018, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 160,719	\$ 161,237
Federal Aid	187,380	225,147
Other	183,529	183,529
Gross Receivables	531,628	569,913
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 531,628</u>	<u>\$ 569,913</u>

A. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 32,004	\$ -
Special Revenue Fund	3	
Proprietary Fund		12,768
Fiduciary Fund		19,239
Total	<u>\$ 32,007</u>	<u>\$ 32,007</u>

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land and Land Improvements	\$ 770,000	\$ -	\$ -	\$ 770,000
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>770,000</u>	<u>-</u>	<u>-</u>	<u>770,000</u>
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 3,732,717	\$ -	\$ -	\$3,732,717
Machinery and Equipment	103,658	194,916	-	298,574
Total Capital Assets Being Depreciated	<u>3,836,375</u>	<u>194,916</u>	<u>-</u>	<u>4,031,291</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	101,708	93,770	-	195,478
Machinery and Equipment	36,784	67,097	-	103,881
Total Accumulated Depreciation	<u>138,492</u>	<u>160,867</u>	<u>-</u>	<u>299,359</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>3,697,883</u>	<u>34,049</u>	<u>-</u>	<u>3,731,932</u>
Government Activity Capital Assets, Net	<u>\$ 4,467,883</u>	<u>\$ 34,049</u>	<u>\$ -</u>	<u>\$4,501,932</u>

On January 11, 2001, the NJ 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 was charged to functions as follows:

Unallocated	<u>160,867</u>
Total	<u>\$ 160,867</u>

Rental Lease

On June 11, 2015, the lease between Divine Mercy Parish, LLC located at 201 Adeline Street, Trenton, New Jersey and Foundation Academy Charter School was extended for five years commencing on July 1, 2015 and ending on June 30, 2020. The lease requires future annual rental payments as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2019	304,000
June 30, 2020	<u>306,000</u>
Total future rental payments	<u>\$ 610,000</u>

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: 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.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (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 ratios of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2016 through June 30, 2017. 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. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

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. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (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. District contributions to PERS amounted to \$ 212,714 for fiscal year 2017.

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

At June 30, 2018, the Charter School reported a liability of \$ 4,772,107 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 which was rolled forward to June 30, 2017. 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, 2017, the Charter School's proportion was 0.02050015%, which was an increase of 0.01590080% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the Charter School recognized pension expense of \$582,881. At June 30, 2017, 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
	<u> </u>	<u> </u>
Changes in Assumptions	\$ 961,415	957,890
Difference Between Expected and Actual Experience	\$ 112,367	
Changes in Proportion	\$ 1,706,699	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 32,495	-
	<u>\$ 2,812,976</u>	<u>\$ 957,890</u>

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

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

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

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
2018	\$ 112,340
2019	169,524
2020	102,723
2021	(136,622)
2022	(99,579)
	\$ 148,386

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuations as of July 1, 2016. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.00%

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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 2 years for males and females 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 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for the 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. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is like 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield Bonds	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2040. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

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, 2017 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, 2017			
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School proportionate share of the Net Pension Liability	\$ 5,920,123	\$ 4,772,107	\$ 3,815,668
Fiscal Year Ended June 30, 2016			
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School proportionate share of the Net Pension Liability	\$ 3,956,850	\$ 3,184,724	\$ 2,535,349

Pension Plan Fiduciary Net Position

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

B. 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.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

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

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Allocation Methodology (Continued)

ended June 30, 2017. 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 contributions policy for TPAF is set by N.J.S.A. 18A:66 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 contribution 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. For fiscal year 2017, the State's pension contribution was less than the actuarial 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contribution was less than the actuarial determined amount.

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 2018, the State of New Jersey contributed \$ 79,176 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 484,334 .

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.

As June 30, 2017, the State's proportionate share of the net pension liability associated with the Charter School was \$ 29,681,577 . The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

The \$ 14,353,461,035 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 \$ 11,992,821,439 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	varies based on experience
Thereafter	varies based on experience
Investment Rate of Return	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% at June 30, 2017) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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 expecting inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2017 is summarized in the following table:

Long Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield Bonds	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 3.58% 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Charter School's proportionate share of the Net Pension Liability	\$ 34,587,997	\$ 29,113,707	\$ 24,603,963

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount 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	\$ 5,770,772	\$ 4,709,361	\$ 3,833,074

Pension Plan Fiduciary Net Position – TPAF

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

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

C. 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 pension expense of \$ 1,642 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$3,010 for the fiscal year ended June 30, 2018.

NOTE 5: POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

The school is in a "special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75,

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

Plan Description and Benefits Provided (Continued)

Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011 , future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Employees covered by benefit terms:

At June 30, 2017, the following employees were covered by the benefit terms:

TPAF participant retirees:

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS participant retirees:

The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%			
		<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases				
Through 2026		1.55% to 4.55%	2.15% to 4.15%	2.10% to 8.98%
		based on years of service	based on age	based on age
Rate thereafter		2.00% to 5.45%	3.15% to 5.15%	3.15% to 9.98%
		based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

Discount rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Service cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Effect of Changes of Assumptions	(7,086,599,129)
Contributions - Employee	45,748,749
Gross Benefits Paid by the State	(1,242,412,566)
Net Changes	(4,191,942,326)
Balance at June 30, 2017	53,639,841,858

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was 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, 2017		
	At 1% Decrease (2.58%)	At current discount rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability	\$ 63,674,362,200	\$ 53,639,841,858

	Fiscal Year Ended June 30, 2016		
	At 1% Decrease (1.58%)	At current discount rate (2.58%)	At 1% Increase (3.58%)
	Total OPEB Liability	\$ 69,383,705,084	\$ 57,831,784,184

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	At 1% decrease	Trend Rate	At 1% Increase
	Total OPEB Liability	\$ 44,113,584,560	\$ 53,639,841,858

	Fiscal Year Ended June 30, 2016		
	At 1% decrease	Trend Rate	At 1% Increase
	Total OPEB Liability	\$ 47,452,589,164	\$ 57,831,784,184

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the Charter School recognized OPEB expense of \$1,629,991 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (Continued)

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	\$ -	\$ -
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	-	(6,343,769,032)
Sub Total	-	(6,343,769,032)
Contributions Made in Fiscal Year 2018 after June 30, 2017 Measurement Date	1,190,373,242	N/A
Total	1,190,373,242	(6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2018	\$ 742,830,097
2019	\$ 742,830,097
2020	\$ 742,830,097
2021	\$ 742,830,097
2022	\$ 742,830,097
Total Thereafter	\$ 2,629,618,547
	<u>\$ 6,343,769,032</u>

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6: MORTGAGES PAYABLE

The composition of the mortgage payable at the end of:

	2018
5.66% mortgage note due 2036	<u>\$ 2,729,950</u>
Less current portion of long-term debt	<u>88,595</u>
Total Mortgages Payable-Long-Term	<u><u>\$ 2,641,355</u></u>

On July 15, 2016, Foundation Academy Charter School into a mortgage agreement with the New Jersey Community Capital for \$2,880,000. The mortgage has monthly principal and interest payments of \$20,077.23 and a twenty (20) year amortization schedule bearing a fixed annual interest rate of 5.663%. Payments commenced on September 1, 2016 with the last payment due on August 1, 2036. The loan is collateralized with the real property located at 363 West State Street, Trenton, New Jersey. The loan carries a prepayment penalty. There is no unpaid principal and accrued interest as of June 30, 2018.

Maturities of outstanding mortgage payable are as follows:

<u>Year ending June 30,</u>	
2019	\$ 240,927
2020	240,927
2021	240,927
2022	240,927
2023 and Thereafter	<u>3,252,511</u>
Total Payments	<u>4,216,218</u>
Less Portion Representing Interest	<u>1,486,268</u>
Long Term Debt Obligation	<u><u>\$ 2,729,950</u></u>

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7: RISK MANAGEMENT

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

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The Charter School pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance

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

**FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance (Continued)

table below is a summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust fund for the current year.

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017-2018	\$ -	\$ 39,132	\$ 35,361	\$ (9,945)
2016-2017	-	15,468	34,215	(13,716)
2015-2016	-	99,203	96,816	2,387

NOTE 8: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

The General Fund balance at June 30, 2018 is \$5,784,544 of which \$5,118,538 and is unassigned and undesignated and \$666,006 is reserved for encumbrances.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 24, 2019, the date the financial statements were available to be issued. There were no subsequent events to report except for the following:

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

FOUNDATION ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Equalization Aid-Local	\$ 1,585,172	\$ -	\$ 1,585,172	\$ 1,502,124	\$ (83,048)
Total Local Sources	1,585,172	-	1,585,172	1,502,124	(83,048)
Categorical Aid:					
Equalization Aid-State	11,742,523		11,742,523	11,277,015	(465,508)
Special Education	360,447		360,447	336,527	(23,920)
Security Aid	359,260		359,260	330,720	(28,540)
Non-Public Student Aid	770,330		770,330	1,115,788	345,458
Total Categorical Aid	13,232,560	-	13,232,560	13,060,050	(172,510)
Revenues From Other Sources:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				833,086	833,086
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				538,073	538,073
On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted)				4,951	4,951
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				376,425	376,425
Other Local Sources					
Federal Sources				56,728	56,728
Contributions/Donations				72,557	72,557
Miscellaneous Revenue				9,197	9,197
Total Revenues From Other Sources	-	-	-	1,891,017	1,891,017
Total Revenues	14,817,732	-	14,817,732	16,453,191	1,635,459
EXPENDITURES:					
Instruction:					
Salaries of Teachers	5,442,485	450,900	5,893,385	4,991,585	901,800
Other Salaries for Instruction	63,500	22,514	86,014	52,962	33,052
Purchased Prof/Tech Services	29,000	74,595	103,595	90,122	13,473
Other Purchased Services	91,160	862	92,022	72,818	19,204
General Supplies	365,373	(38,913)	326,460	298,129	28,331
Textbooks	5,000	1,256	6,256	6,256	-
Miscellaneous	111,135	11,500	122,635	102,688	19,947
Total Instruction	6,107,653	522,714	6,630,367	5,614,560	1,015,807
Administration:					
Salaries - General Administration	898,917	(13,067)	885,850	724,317	161,533
Salaries - Technical	410,549	(38,098)	372,451	372,207	244
Salaries of Secretarial/Clerical Assistants	1,123,596	(127,791)	995,805	987,232	8,573
Total Benefits Cost	2,398,942	(70,929)	2,328,013	2,085,705	242,308
Purchases Prof/Tech Services	83,505	220,740	304,245	202,100	102,145
Other Purchased Services	14,000	8,000	22,000	20,139	1,861
Communications/Telephone	154,431	7,000	161,431	134,114	27,317
Supplies and Materials	123,142	13,445	136,587	124,156	12,431
Interest on Current Loans	157,198		157,198	157,198	-
Miscellaneous Expenses	38,312	1,500	39,812	23,500	16,312
Total Administration	5,402,592	800	5,403,392	4,830,668	572,724

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

FOUNDATION ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	193,980	(67,147)	126,833	111,728	15,105
Salaries - Nurse	66,332	(25,420)	40,912	39,106	1,806
Salaries - Improvement of Instruction	223,101	(28,076)	195,025	137,431	57,594
Salaries - Custodial	292,000	59,241	351,241	342,115	9,126
Purchased Prof/Tech Services	110,550	55,479	166,029	82,513	83,516
Cleaning, Repair, and Maintenance Services	469,299	(122,388)	346,911	292,690	54,221
Rental of Land and Buildings	302,000		302,000	302,000	-
Transportation-Other Than To/From School	95,960	(62,523)	33,437	27,841	5,596
Insurance for Property, Liability and Fidelity	125,095	3,350	128,445	128,166	279
Non-Mandated Transportation To/From School	16,000	3,761	19,761	16,184	3,577
Supplies and Materials	80,000	126,361	206,361	196,581	9,780
Energy Costs (Heat and Electricity)	295,000	1,800	296,800	253,432	43,368
Miscellaneous Expenses		1,800	1,800	538	1,262
Total Support Services	2,269,317	(53,762)	2,215,555	1,930,325	285,230
Capital Outlay:					
Instructional Equipment					
Non-Instructional Equipment		194,916	194,916	194,916	-
Building Purchases Other Than Lease Purchases	83,729	23,302	107,031	104,409	2,622
Miscellaneous Expenses		641,014	641,014	23,778	617,236
Total Capital Outlay	83,729	859,232	942,961	323,103	619,858
On-Behalf TPAF Pension Contributions (Non-Budgeted)				833,086	(833,086)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				538,073	(538,073)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				376,425	(376,425)
On Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				4,951	(4,951)
Total Expenditures	13,863,291	1,328,984	15,192,275	14,451,191	1,284,108
Excess (Deficiency) of Revenues Over (Under) Expenditures	954,441	(1,328,984)	(374,543)	2,002,000	2,376,543
FUND BALANCE, JULY 1	3,782,544	-	3,782,544	3,782,544	-
FUND BALANCE, JUNE 30	\$ 4,736,985	\$ (1,328,984)	\$ 3,408,001	\$ 5,784,006	\$ 2,376,005
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 4,736,985	\$ (1,328,984)	3,408,001	\$ 5,784,006	\$ 2,376,005
Total	\$ 4,736,985	\$ (1,328,984)	\$ 3,408,001	\$ 5,784,006	\$ 2,376,005

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

FOUNDATION ACADEMY CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Federal Sources	\$ 1,060,510	\$ (82,164)	\$ 978,346	\$ 831,315	\$ (147,031)
State Sources			-		-
Local Sources	305,112		305,112	87,320	(217,792)
Total Revenues	1,365,622	(82,164)	1,283,458	918,635	(364,823)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	511,181		511,181	485,030	26,151
Purchased Prof/Tech Services	104,292		104,292	36,400	67,892
General Supplies	122,667		122,667	114,067	8,600
Textbooks	911		911	910	1
Total Instruction	739,051	-	739,051	636,407	102,644
Support Services:					
Salaries of Supervisors of Instruction	13,652		13,652	12,152	1,500
Personal Services - Employee Benefits	124,714		124,714	120,318	4,396
Purchased Prof/Ed Services	126,452		126,452	82,104	44,348
Travel	68,393		68,393	2,574	65,819
Other Purchased Professional Services	674,583	(617,884)	56,699	3,486	53,213
Supplies and Materials	33,924		33,924	27,923	6,001
Indirect Costs	120,573		120,573	33,671	86,902
Total Support Services	1,162,291	(617,884)	544,407	282,228	262,179
Capital Outlay:					
Instructional Equipment			-		-
Non-Instructional Equipment			-		-
Total Capital Outlay		-	-		-
Total Expenditures	1,901,342	(617,884)	1,283,458	918,635	364,823
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (535,720)	\$ 535,720	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOUNDATION ACADEMY CHARTER SCHOOL
 Budgetary Comparison Schedule
 Budget-To-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2018

Note A - Explanation of differences between Budgetary Inflows 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]	\$ 16,453,191	[C-2]		918,635
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized					-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2]	\$ 16,453,191	[B-2]		\$ 918,635
 Uses/Outflows of resources					
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 14,451,191	[C-2]		918,635
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.					-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ 14,451,191	[B-2]		\$ 918,635

REQUIRED SUPPLEMENTARY INFORMATION – PART III

***SCHEDULE L - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
PENSIONS (GASB 68)***

FOUNDATION ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2014	2015	2016	2017
Charter School's proportion of the net pension liability	0.00619008%	0.00950671%	0.003641950%	0.015900800%
Charter School's proportionate share of the net pension liability	\$ 1,183,048	\$ 1,779,917	\$ 3,183,623	\$ 4,709,346
Charter School's covered employees payroll	\$ 1,080,422	\$ 1,254,656	\$ 1,376,213	\$ 1,674,096
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	109%	142%	231%	281%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%	45.37%
				2018
				0.020500151%
				\$ 4,772,107
				\$ 2,253,837

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

FOUNDATION ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 46,641	\$ 78,372	\$ 121,929	141,260	212,714
Contributions in relation to the contractually required contribution	<u>(48,449)</u>	<u>(78,372)</u>	<u>(121,929)</u>	<u>(141,260)</u>	<u>(212,714)</u>
Contribution deficiency/(excess)	<u>\$ (1,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 1,080,422	\$ 1,254,656	\$ 1,376,213	\$ 1,674,096	\$ 2,253,837
Contributions as a percentage of covered employee payroll	4.32%	6.25%	8.86%	8.44%	9.44%

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

FOUNDATION ACADEMY 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 FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2014	2015	2016	2017	2018
State's proportion of the net pension liability attributable of the Charter School	0.0129349%	0.01818950%	0.02061662%	0.03033860%	0.04302293%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,537,215	\$ 9,721,704	\$ 13,030,585	\$ 23,866,352	\$ 29,681,577
Charter School's covered employees payroll	\$ 4,209,720	\$ 2,744,160	\$ 5,754,175	\$ 5,341,124	\$ 5,825,395
Charter School's proportionate share of the net pension liability as a percentage of its covered employee payroll	155.29%	354.27%	226.45%	446.84%	509.52%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%	22.33%	25.41%

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

***SCHEDULE M - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS***

Foundation Academy Charter School
Required Supplementary Information Schedules
Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios
Last Two Fiscal Years
(Unaudited)

	Fiscal Years Ending	
	June 30, 2017	June 30, 2018
OPEB Liability at Beginning of Measurement Period		\$ 6,630,732
Service cost		1,441,265
Interest on Total OPEB Liability		227,898
Effect on Changes of Benefit Terms	NOT AVAILABLE	
Effect of Changes of Assumptions		(1,325,392)
Contributions - Employee		5,819
Gross Benefits Paid by the State		(158,019)
		<hr/>
Net Change in Total OPEB Liability	NOT AVAILABLE	191,571
OPEB Liability at Beginning of Measurement Period		<hr/> 6,630,732
		<hr/>
Total OPEB Liability at End of Measurement Period	<hr/> <u>6,630,732</u>	<hr/> <u>6,822,303</u>
The Charter School's Proportionate Share of the Total OPEB Liability	0.01%	0.01%
Charter School's Covered-Employee Payroll	7,015,219	8,079,232
Total Charter School's OPEB liability as a percentage of covered-employee payroll	94.519%	84.442%
Charter School's Contribution	None	None

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule:

Changes in benefit terms: None

Changes in assumptions:

The increase in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III

FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2018

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2018

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

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

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

FOUNDATION ACADEMY CHARTER SCHOOL
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2018

	Title I Carryover	Title II Part A	Title II Part A Carryover	Title IV	IDEA Part B	Local Grants	Idea Basic Part B Carryover	Total
Revenues:								
Federal Sources	\$ 503,022	\$ 85,961	\$ 65,132	\$ 2,804	\$ 8,429	\$ -	\$ 16,899	\$ 831,315
Local Sources						87,320		87,320
Total Revenues	\$ 503,022	\$ 85,961	\$ 65,132	\$ 2,804	\$ 8,429	\$ 87,320	\$ 16,899	\$ 918,635
Expenditures:								
Instruction:								
Salaries of Teachers	\$ 360,265	\$ 9,901	\$ 50,719	\$ 2,191	\$ 61,954	\$ -	\$ -	\$ 485,030
Purchased Prof/Tech Services	36,400							36,400
General Supplies		62,999			1,429	34,039	15,600	114,067
Textbooks					910			910
Total Instruction	396,665	72,900	50,719	2,191	62,864	34,039	15,600	636,407
Support Services:								
Other Salaries					10,152	2,000		12,152
Personal Services/Employee Benefits	101,337	757	14,413	613	3,198			120,318
Purchased Prof/Ed Services	250				72,854	9,000		82,104
Other Purchased Professional Services						3,486		3,486
Tuition and Travel						2,574		2,574
Supplies and Materials	4,770	12,304			7,000	2,550	1,299	27,923
Indirect Costs						33,671		33,671
Total Support Services	106,357	13,061	14,413	613	86,204	53,281	1,299	282,228
Total Expenditures	503,022	85,961	65,132	2,804	149,068	87,320	16,899	918,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

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

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

FOUNDATION ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2018

	Trusts			Agency			
	Unemployment Compensation Insurance	Flexible Spending Account	Ronald Brady Scholarship Account	Payroll Agency	Payroll Account	Student Activity	Total Agency Funds
ASSETS:							
Cash and Cash Equivalents	\$ 3,332	\$ 6,000	\$ 3,174	\$ 72,592	\$ 2,569	\$ 33,941	\$ 109,102
Total Assets	<u>\$ 3,332</u>	<u>\$ 6,000</u>	<u>\$ 3,174</u>	<u>\$ 72,592</u>	<u>\$ 2,569</u>	<u>\$ 33,941</u>	<u>\$ 109,102</u>
LIABILITIES:							
Liabilities:							
Interfund Payable	\$ -	\$ 6,000	\$ -	\$ 10,670	\$ 2,569	\$ -	\$ 13,239
Accounts Payable	13,277			-	-	-	-
Payroll Deductions and Withholding Payable Due to Student Groups				61,922		7,568	61,922
Total Liabilities	<u>13,277</u>	<u>6,000</u>	<u>-</u>	<u>\$ 72,592</u>	<u>\$ 2,569</u>	<u>\$ 33,941</u>	<u>\$ 109,102</u>
NET POSITION							
Held In Trust	(9,945)	-	3,174				
Total Net Position	<u>(9,945)</u>	<u>-</u>	<u>3,174</u>				
Total Liabilities and Net Position	<u>\$ 3,332</u>	<u>\$ 6,000</u>	<u>\$ 3,174</u>				

FOUNDATION ACADEMY CHARTER SCHOOL
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Trust Funds
For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Account</u>	<u>Ronald Brady Scholarship Account</u>
ADDITIONS:			
Contributions:			
Employees	\$ 39,132	\$ 32,171	\$ -
Donations			500
Total Additions	<u>39,132</u>	<u>32,171</u>	<u>500</u>
DEDUCTIONS:			
Payments	35,361	32,171	
Miscellaneous Expenses			486
Total Deductions	<u>35,361</u>	<u>32,171</u>	<u>486</u>
CHANGE IN NET POSITION	3,771	-	14
NET POSITION, JULY 1	<u>(13,716)</u>	<u>-</u>	<u>3,160</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ (9,945)</u>	<u>\$ -</u>	<u>\$ 3,174</u>

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

FOUNDATION ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Student Groups	<u>\$ 26,373</u>	<u>\$ 30,796</u>	<u>\$ 23,228</u>	<u>\$ 33,941</u>
Total	<u><u>\$ 26,373</u></u>	<u><u>\$ 30,796</u></u>	<u><u>\$ 23,228</u></u>	<u><u>\$ 33,941</u></u>

FOUNDATION ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
ASSETS:				
Cash and Cash Equivalents	\$ 67,954	\$ 3,653,500	\$ 3,648,862	\$ 72,592
Total Assets	\$ 67,954	\$ 3,653,500	\$ 3,648,862	\$ 72,592
LIABILITIES:				
Interfund Accounts Payable	\$ 11,472	\$ 3,591,578	\$ 3,592,380	\$ 10,670
Payroll Deductions and Withholdings	56,482	61,922	56,482	61,922
Totals	\$ 67,954	\$ 3,653,500	\$ 3,648,862	\$ 72,592

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SECTION I – LONG-TERM DEBT SCHEDULES

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

FOUNDATION ACADEMY CHARTER SCHOOL
 Schedule of Notes Payable
 June 30, 2018

Issue	Date of Issue	Amount of Issue	Interest Rate	Balance June 30, 2017	Issued	Retired	Balance June 30, 2018
Mortgage	7/15/17	\$ 2,880,000	5.66%	\$ 2,813,679	\$ -	\$ 83,729	\$ 2,729,950
				\$ 2,813,679	\$ -	\$ 83,729	\$ 2,729,950

**STATISTICAL SECTION
(UNAUDITED)**

Foundation Academy Charter School has been in operation for ten (10) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for ten (10) years is available and has been presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

FOUNDATION ACADEMY CHARTER SCHOOL
 Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 1,480,241	\$ 4,467,883	\$ 53,449	\$ 24,903	\$ 21,597	\$ 20,463	\$ 48,864	\$ 23,865	\$ (1,134)	\$ -
Restricted	666,006	33,608	18,805	16,725	16,290	16,290	16,125	-	-	-
Unrestricted	<u>2,493,258</u>	<u>(1,411,979)</u>	<u>411,189</u>	<u>2,674,079</u>	<u>1,210,197</u>	<u>859,442</u>	<u>1,315,851</u>	<u>981,413</u>	<u>814,210</u>	<u>429,175</u>
Total Governmental Activities Net Assets/ Position	<u>\$ 4,639,505</u>	<u>\$ 3,089,512</u>	<u>\$ 483,443</u>	<u>\$ 2,698,982</u>	<u>\$ 1,248,519</u>	<u>\$ 896,195</u>	<u>\$ 1,380,840</u>	<u>\$ 1,005,278</u>	<u>\$ 813,076</u>	<u>\$ 429,175</u>
Business-Type Activities										
Unrestricted	\$ 121,715	\$ 105,686	\$ 38,190	\$ 18,096	\$ 12,752	\$ 342	\$ 2,200	261	4,519	-
Total Business-Type Activities Net Assets/Position	<u>\$ 121,715</u>	<u>\$ 105,686</u>	<u>\$ 38,190</u>	<u>\$ 18,096</u>	<u>\$ 12,752</u>	<u>\$ 342</u>	<u>\$ 2,200</u>	<u>\$ 261</u>	<u>\$ 4,519</u>	<u>\$ -</u>
Charter School-Wide										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 1,480,241	\$ 4,467,883	\$ 53,449	\$ 24,903	\$ 21,597	\$ 20,463	\$ 48,864	\$ 23,865	\$ (1,134)	\$ -
Restricted	666,006	33,608	18,805	16,725	16,290	16,290	16,125	-	-	-
Unrestricted	<u>2,614,973</u>	<u>(1,306,293)</u>	<u>449,379</u>	<u>2,692,175</u>	<u>1,222,949</u>	<u>859,784</u>	<u>1,318,051</u>	<u>981,674</u>	<u>818,729</u>	<u>429,175</u>
Total Charter School Net Position	<u>\$ 4,761,220</u>	<u>\$ 3,195,198</u>	<u>\$ 521,633</u>	<u>\$ 2,717,078</u>	<u>\$ 1,261,271</u>	<u>\$ 896,537</u>	<u>\$ 1,383,040</u>	<u>\$ 1,005,539</u>	<u>\$ 817,595</u>	<u>\$ 429,175</u>

Source: Comprehensive Annual Financial Report

FOUNDATION ACADEMY CHARTER SCHOOL
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities:										
Instruction	\$ 8,402,428	\$ 7,678,694	\$ 7,729,591	\$ 6,094,237	\$ 4,090,815	\$ 2,977,758	\$ 2,302,647	\$ 1,573,592	\$ 1,417,686	\$ 789,263
Administration	6,385,954	4,325,503	4,723,047	2,502,298	2,125,623	1,750,269	1,111,614	820,878	567,984	218,468
Support Services	2,471,213	2,768,292	2,792,607	2,679,864	2,237,572	1,483,267	1,109,430	639,992	556,065	510,443
Capital Outlay	31,362	137,616	71,837	-	-	154,589	137,098	4,070	-	-
Unallocated	160,867	121,884	1,134	1,134	1,134	1,134	1,134	1,134	1,134	-
Total Governmental Activities Expenses	17,451,824	15,031,989	15,318,216	11,277,533	8,455,144	6,367,017	4,661,923	3,039,666	2,542,869	
Business-Type Activities:										
Food Service	576,009	473,816	469,464	428,013	275,701	202,114	157,022	112,463	109,063	84,786
Total Business-Type Activities Expenses	576,009	473,816	469,464	428,013	275,701	202,114	157,022	112,463	109,063	84,786
Total Charter School Expenses	\$ 18,027,833	\$ 15,505,805	\$ 15,787,680	\$ 11,705,546	\$ 8,730,845	\$ 6,569,131	\$ 4,818,945	\$ 3,152,129	\$ 2,651,932	
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 336,527	\$ 331,154	\$ 362,181	\$ 313,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,280
Total Governmental Activities Expenses	336,527	331,154	362,181	313,411	-	-	-	-	-	51,280
Business-Type Activities:										
Charges for Services	74,116	55,131	52,720	50,448	39,316	26,549	12,229	11,904	11,420	7,267
Operating Grants and Contributions	517,922	486,181	436,838	382,909	248,795	173,707	146,732	96,301	102,162	77,519
Total Business-Type Activities Expenses	592,038	541,312	489,558	433,357	288,111	200,256	158,961	108,205	113,582	84,786
Total Charter School Program Revenue	\$ 928,565	\$ 872,466	\$ 851,739	\$ 746,768	\$ 288,111	\$ 200,256	\$ 158,961	\$ 108,205	\$ 113,582	\$ 136,066
Net (Expense)/Revenue										
Governmental Activities	\$ (17,115,297)	\$ (14,700,835)	\$ (14,956,035)	\$ (10,964,122)	\$ (8,455,144)	\$ (6,367,017)	\$ (4,661,923)	\$ (3,039,666)	\$ (2,542,869)	\$ 51,280
Business-Type Activities	16,029	67,496	20,094	5,344	12,410	(1,858)	1,939	(4,258)	4,519	
Total Charter School Net Expense	\$ (17,099,268)	\$ (14,633,339)	\$ (14,935,941)	\$ (10,958,778)	\$ (8,442,734)	\$ (6,368,875)	\$ (4,659,984)	\$ (3,043,924)	\$ (2,538,350)	\$ 51,280
General Revenues and Other Changes in Net Position										
Governmental Activities:										
General Purposes	\$ 1,502,124	\$ 1,506,473	\$ 1,298,608	\$ 1,106,799	\$ 808,018	\$ 527,651	\$ 433,815	\$ 270,859	\$ 273,060	\$ 162,667
Federal and State Aid Not Restricted	17,081,412	14,605,272	12,753,308	11,079,761	7,984,084	5,290,858	4,575,657	2,941,848	2,653,701	1,557,487
Investment Earnings	-	-	-	-	-	-	95	75	9	11
Miscellaneous Income	81,754	12,111	39,164	38,087	15,367	63,864	27,918	19,086	-	36,846
Total Governmental Activities	18,665,290	16,123,856	14,091,080	12,224,647	8,807,469	5,882,373	5,037,485	3,231,868	2,926,770	1,757,011
Total Charter School Wide	\$ 18,665,290	\$ 16,123,856	\$ 14,091,080	\$ 12,224,647	\$ 8,807,469	\$ 5,882,373	\$ 5,037,485	\$ 3,231,868	\$ 2,926,770	
Change in Net Position										
Governmental Activities	\$ 1,549,993	\$ 1,423,021	\$ (864,955)	\$ 1,260,525	\$ 352,325	\$ (484,644)	\$ 375,562	\$ 192,202	\$ 383,901	\$ 1,808,291
Business-Type Activities	16,029	67,496	20,094	5,344	12,410	(1,858)	1,939	(4,258)		
Total Charter School	\$ 1,566,022	\$ 1,490,517	\$ (844,861)	\$ 1,265,869	\$ 364,735	\$ (486,502)	\$ 377,501	\$ 187,944	\$ 383,901	\$ 1,808,291

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted	\$ 666,006	\$ 33,608	\$ 18,805	\$ -	\$ 16,725	\$ 16,290	\$ 16,125	\$ -	\$ -	\$ -
Unassigned	5,118,538	3,748,936	3,322,291	2,674,079	1,210,197	857,174	1,340,850	980,279	786,943	429,175
Total General Fund	\$ 5,784,544	\$ 3,782,544	\$ 3,341,096	\$ 2,674,079	\$ 1,226,922	\$ 873,464	\$ 1,356,975	\$ 980,279	\$ 786,943	\$ 429,175

Source: Comprehensive Annual Financial Report

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local Sources:	\$ 1,583,878	\$ 1,518,584	1,337,772	1,144,886	823,385	591,515	461,828	290,020	273,069	200,755
Intermediate Sources	87,320	25,812	3,223	175,283	18,775	11,824	58,709	54,918	7,851	-
State Sources	14,812,585	14,136,412	12,224,805	10,728,092	7,589,730	4,967,261	4,287,698	2,655,686	2,481,297	1,522,264
Federal Sources	888,043	774,202	887,461	489,797	375,579	310,511	229,250	231,244	164,553	85,272
Total Revenues	17,371,826	16,455,010	14,453,261	12,538,058	8,807,469	5,881,111	5,037,485	3,231,868	2,926,770	1,808,291
Expenditures:										
Instruction	6,250,967	5,908,373	5,948,815	4,893,928	3,313,294	2,423,994	1,923,410	1,326,170	1,190,324	672,884
Administration	6,583,203	5,714,455	5,151,519	3,666,564	3,030,633	2,374,095	1,535,920	1,097,182	826,532	359,595
Support Services	2,212,553	2,530,479	2,576,507	2,525,185	2,110,084	1,411,944	1,064,361	611,110	524,879	485,695
Capital Outlay	323,103	1,860,255	109,403	5,224	-	154,589	137,098	4,070	27,267	-
Total Expenditures	15,369,826	16,013,562	13,786,244	11,090,901	8,454,011	6,364,622	4,660,789	3,038,532	2,569,002	1,518,174
Net Change in Fund Balance	\$ 2,002,000	\$ 441,448	\$ 667,017	\$ 1,447,157	\$ 353,458	\$ (483,511)	\$ 376,696	\$ 193,336	\$ 357,768	\$ 290,117

Source: Comprehensive Annual Financial Report

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

Fiscal Year Ending June 30,	Interest	Miscellaneous Revenue	Total
2018	\$ -	\$ 9,197	\$ 9,197
2017		4,761	4,761
2016		6,726	6,726
2015		5,939	5,939
2014	-	6,972	6,972
2013	-	591	591
2012	95	376	471
2011	75	1,097	1,172
2010	9		9
2009		17,950	17,950

Source: Charter School records

DEMOGRAPHIC AND ECONOMIC INFORMATION

FOUNDATION ACADEMY CHARTER SCHOOL
 Demographic and Economic Statistics
 Last Nine Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2018	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A
2016	84,034	N/A	N/A	9.1%
2015	84,470	N/A	\$ 56,906	N/A
2014	83,343	N/A	\$ 55,933	N/A
2013	84,476	N/A	\$ 53,037	N/A
2012	84,952	N/A	\$ 51,706	N/A
2011	83,242	N/A	\$ 50,991	9.9%
2010	82,960	N/A	\$ 52,521	N/A

Source: Charter School's Records

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

Employer	2018			Employer	2017		
	Employees	Rank	Percentage of Total Employment		Employees	Rank	Percentage of Total Employment
State of New Jersey	N/A		N/A	State of New Jersey	N/A		N/A
Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A	Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A
Trenton School System	N/A		N/A	Trenton School System	N/A		N/A
City of Trenton	N/A		N/A	City of Trenton	N/A		N/A
County of Mercer	N/A		N/A	County of Mercer	N/A		N/A
St. Francis Medical Center	N/A		N/A	St. Francis Medical Center	N/A		N/A
The Trenton Times	N/A		N/A	The Trenton Times	N/A		N/A
The Hibbert Company	N/A		N/A	The Hibbert Company	N/A		N/A
Mercer Street Friends Center	N/A		N/A	Mercer Street Friends Center	N/A		N/A
Water's Edge Convalescent Center	N/A		N/A	Water's Edge Convalescent Center	N/A		N/A

Source: Charter School's Records

OPERATING INFORMATION

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	91	90.5	87.5	72.5	47	34	33	19	17.5	11
Administrative	4.25	5.25	4.25	5.25	4.25	3.25	3.25	2.25	2.25	1.25
Support Services	34	35.5	34.5	32.5	23	16.25	10.5	7.25	6	5
Food Service	-	-	-	-	-	-	1	0.75	0.5	0.75
Total	<u>129.25</u>	<u>131.25</u>	<u>126.25</u>	<u>110.3</u>	<u>74.25</u>	<u>53.50</u>	<u>47.75</u>	<u>29</u>	<u>26.3</u>	<u>18</u>

Source: Charter School's Records

FOUNDATION ACADEMY CHARTER SCHOOL
 Operating Statistics
 Last Nine Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2018	1018	\$ 14,128,088	\$ 14,058	5.78%	91	11:1	1028.0	979.7	2.33%	95.31%
2017	1005	13,355,992	13,290	-8.45%	90.5	11:1	1004.6	962.9	13.64%	95.85%
2016	882	12,803,162	14,516	6.71%	87.5	11:1	884.0	859.0	16.79%	97.17%
2015	766	10,420,597	13,604	-10.71%	72.5	11:1	756.9	747.8	43.79%	98.80%
2014	529	8,059,657	15,236	-11.24%	47	11:1	526.4	520.5	55.51%	98.89%
2013	343	5,887,698	17,165	25.63%	34	10:1	338.5	323.4	11.53%	95.54%
2012	310	4,235,732	13,664	-0.57%	33	9:1	303.5	292.8	52.21%	96.47%
2011	200	2,748,300	13,742	11.35%	18	11:1	199.4	192.1	7.38%	96.34%
2010	192	2,369,331	12,340	60.45%	17.5	11:1	185.7	178.7	55.14%	96.23%
2009	120	922,952	7,691	0.00%	11	11:1	119.7	114.7	100.00%	95.81%

FOUNDATION ACADEMY CHARTER SCHOOL
 School Building Information
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Charter School Building										
<u>Primary/Intermediate/Middle</u>										
Foundation Academy Charter School										
Square Feet	93,567	93,567	93,567	28,000	28,000	28,000	28,000	28,000	28,000	N/A
Capacity (students)	630	542	341	225	225	200	120	120	192	N/A
<u>High School</u>										
Foundation Collegiate Academy										
Square Feet	32,000	32,000	32,000	32,000	32,000	N/A	N/A	N/A	N/A	
Capacity (students)	252	224	188	118	85					
Total Enrollment	882	766	529	343	303	199	117	85	186	

Number of Schools at June 30, 2018
 Primary/Intermediate/Middle = 1
 High = 1

Source: Charter School Facilities Office

FOUNDATION ACADEMY CHARTER SCHOOL
Insurance Schedule
June 30, 2018

	Coverage	Deductible
PACKAGE POLICY (NJSBAIG)		
Property Section		
Building Limit(Loc 1)	\$ 23,278,000	
Building Limit(Loc 2)	6,615,924	
Building Limit(Loc 3)	1,856,400	
Contents Limit(Loc 1)	1,000,000	
Contents Limit(Loc 2)	60,000	
Contents Limit(Loc 3)	50,000	
Blanket Extra Expense	50,000,000	
Blanket Valuable Papers & Records	10,000,000	
Loss of Rents	200,000	
Loss of Business Income/Tuition	2,000,000	\$ 1,000
Flood Zones A&V	25,000,000	\$ 500,000
All Other Flood Zones	75,000,000	\$ 10,000
EQ per occ/annual	50,000,000	
EDP		
Blanket Hardware/Software	\$ 100,000	
Blanket Extra Expense	Included	
Transit	Included	
Loss of Income	Included	
Computer Virus	250,000/\$10 Mil Pool aggregate	
Boiler & Machinery		
Property Damage & Extra Expense	\$ 100,000,000	\$ 1,000
Crime		
Public Employee Dishonesty	\$ 250,000	
Loss of Money & Securities	50,000	
Money Orders & Counterfeit	50,000	
Forgery or Alteration	250,000	
Computer Fraud	250,000	\$500 each coverage part
General Liability		
Each Occurrence	\$ 16,000,000	
Products/Completed Ops Annual Aggregate	16,000,000	
Sexual Abuse per Occurrence	16,000,000	
Sexual Abuse Annual Pool Aggregate	17,000,000	
Personal & Advertising Injury per Occurrence	16,000,000	
Personal & Advertising Injury Ann Aggregate	16,000,000	
Employment Benefits	16,000,000	\$ 1,000
Medical Payments	10,000	
Business Auto Section		
Hired & Non-Owned Auto Liability	\$ 16,000,000	
WORKERS COMPENSATION (NJSBAIG)		
Bodily Injury by Accident	\$ 2,000,000	each accident
Bodily Injury by Disease	2,000,000	each employee
Bodily Injury by Disease	2,000,000	aggregate limit
ERRORS & OMISSIONS LIABILITY (NJSBAIG)		
Coverage A:		
Limit of Liability Each Policy Period	\$ 16,000,000	\$ 5,000
Coverage B:		
Limit Each Claim	100,000	5,000
Limit Each Policy Period	300,000	
SUPPLEMENTAL INDEMNITY (NJSBAIG)		
Maximum Benefit Period	52 weeks	
Maximum Weekly Benefit	\$ 2,500	
STUDENT ACCIDENT INSURANCE (NJSBAIG)		
Full Excess - Basic Only	\$ 5,000,000	
Cat Cash	1,000,000	
BONDS (Selective)		
Christopher Lessard	\$ 125,000	
Monique Bonnier	215,000	
FF Group Catastrophe	\$ 50,000,000	

FOUNDATION ACADEMY CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2016	2017	2018	Source
Cash	3,554,393	3,807,098	5,779,823	Audit: Exhibit A-1
Current Assets (includes CASH)	4,180,803	4,433,938	6,462,628	Audit: Exhibit A-1
Total Assets	5,741,008	8,901,821	10,964,560	Audit: Exhibit A-1
Current Liabilities	801,517	558,804	556,569	Audit: Exhibit A-1
Total Liabilities	852,704	5,268,150	5,328,476	Audit: Exhibit A-1
Net Assets	521,633	3,195,198	4,761,220	Audit: Exhibit A-1
Total Revenue	14,942,819	16,996,322	19,593,855	Audit: Exhibit A-2
Total Expenses	15,787,680	15,505,805	18,027,833	Audit: Exhibit A-2
Change in Net Assets	(844,861)	1,490,517	1,566,022	Audit: Exhibit A-2
Depreciation Expense ***	9,020	121,884	160,867	Financial Statements/Audit Workpapers
Interest Expense	0	153,147	157,198	Financial Statements/Audit Workpapers
Amortization of Finance Charges	0	0	0	Financial Statements/Audit Workpapers
Pension Expense	0	1,560,518	582,881	Financial Statements/Audit Workpapers
Principal Payments	0	66,321	83,729	Financial Statements/Audit Workpapers
Interest Payments	0	153,147	157,198	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	884	1,005	1,028	DOE Enrollment Reports
March 30th Budgeted Enrollment	882	1,005	1,018	Charter School Budget

Near Term Indicators	RATIOS ANALYSIS...			Source:	Target
	2016	2017	2018		
1a. Current Ratio	5.22	7.93	11.62	Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	82.18	89.62	117.02	Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	100%	100%	101%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d. Default	N/A	No	No	Audit	not in default
Sustainability Indicators					
2a. Total Margin	-6%	9%	8%	Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	0.15	0.59	0.49	Total Liabilities/Total Assets	<.9
2c.** Cash Flow	989,349	252,705	1,972,725	Net change in cash flow from prior years	3 yr cum positive
2d. Debt Service Coverage Ratio	N/A	8.04	7.82	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10
2e. Cash on Hand	82	90	118	Available Cash (+) liquid investment balances (as per Audit or period-end)-(Annual operating expense (-) depreciation (-) extraordinary one-time expense /365 days)	>60
2f. Coverage Ratio	N/A	1446%	959%	(Net income + Long Term Debt Interest + Lease Payments + Depreciation Expense /252 W State Street) + Finance Charge Amortization + Net Pension Liability /non-cash expense deducted from revenues/ Total Lease and Loan Payments	>110%

Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 * 2018 = 2018 Cash - 2017 Cash; 2017 = 2017 Cash; 2016 = 2016 Cash; 2015 = 2015 Cash
 ** building depreciation is \$93,770 in 2017 and 2018

N/A No No
 N/A No No
 N/A No No

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

N/A

SINGLE AUDIT SECTION

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K-1
Page 1

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; 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 Foundation Academy Charter School (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated January 24, 2019.

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 a 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses 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 audit requirements as prescribed by 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
Certified Public Accountants
Public School Accountants



Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 24, 2019

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K-2
Page 1

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

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

Report on Compliance for Each Major Federal and State Program

We have audited the Foundation Academy Charter School’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, 2018. 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 Foundation Academy Charter School, in the County of Mercer, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Foundation Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 24, 2019

REVISED

K-3
Schedule A

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years Balances	Balance at June 30, 2018	
					From	To						Accounts Receivable	Deferred Revenue
U.S. Department of Education													
General Fund:													
Medical Assistance Program	93.778		N/A	51,023	7/1/17	6/30/18	-	51,023	(51,023)	-	-	-	-
E Rate	XX.XXX		N/A	3,103	7/1/17	6/30/18	-	3,103	(3,103)	-	-	-	-
Total General Fund													
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind:													
Title I Part A	84.010A	S010A150030	NCLB - 6017 - 18	535,720	7/1/17	6/30/18	-	364,463	(503,022)	-	-	(138,469)	\$ -
Title I Part A Carryover	84.010A		NCLB - 6017 - 17	577,723	7/1/16	6/30/17	(65,636)	55,636	-	-	-	-	-
Title I Part A	84.010A		NCLB - 6017 - 18	58,174	7/1/15	6/30/16	(72,870)	48,400	-	-	-	-	-
Title II Part A	84.367A	S367A150029	NCLB - 6017 - 18	65,132	7/1/17	6/30/18	-	48,100	(65,132)	-	-	(17,032)	-
Title IV State & Drug Free	84.367A		NCLB - 6017 - 17	2,804	7/1/16	6/30/17	-	2,804	(2,804)	-	-	(2,335)	-
Total No Child Left Behind	84.186A		NCLB - 6017 - 18	10,000	7/1/17	6/30/18	(138,506)	6,094	(8,429)	-	-	(157,856)	-
Special Education Cluster (IDEA)													
I.D.E.A. Part B Basic	84.027	H027A150100	IDEA - 6017 - 18	197,814	7/1/17	6/30/18	-	119,514	(149,068)	-	-	(29,554)	-
I.D.E.A. Part B Basic Carryover	84.027		IDEA - 6017 - 17	176,244	7/1/16	6/30/17	(31,302)	48,201	(16,899)	-	-	(29,554)	-
Total Special Education Cluster (IDEA)				374,058			(62,604)	167,715	(163,967)	-	-	(59,108)	-
Other Special Revenue Funds:													
Charter School Expansion Grant	84.282	U282A120015	N/A	99,844	9/1/16	8/31/17	(2,283)	2,283	-	-	-	-	-
Public Charter Schools (CSP Grant)	84.282		N/A	144,122	9/1/16	8/31/17	(35,017)	35,017	-	-	-	-	-
Total Other Special Revenue Funds				243,966			(37,300)	37,300	-	-	-	-	-
Total Special Revenue Fund													
U.S. Department of Agriculture													
Passed-through State Department of Agriculture													
Child Nutrition Cluster													
Child Nutrition Program	10.553	16161NJ304N1099	N/A	118,025	7/1/17	6/30/18	-	109,401	(118,425)	-	-	(9,024)	-
School Breakfast Program	10.555		N/A	82,721	7/1/16	6/30/17	(5,961)	5,961	-	-	-	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	392,381	7/1/17	6/30/18	-	363,638	(392,381)	-	-	(28,743)	-
National School Lunch Program	10.555		N/A	294,540	7/1/16	6/30/17	(17,868)	17,868	-	-	-	-	-
Food Distribution Program	10.555	16161NJ304N1099	N/A	28,351	7/1/17	6/30/18	(23,829)	28,351	(28,351)	-	-	(37,787)	-
Total Child Nutrition Cluster				813,026			(47,687)	595,219	(539,157)	-	-	(75,714)	-
Total Enterprise Fund													
Total Federal Financial Awards													
								\$ 1,375,380	\$ (1,369,690)	\$ -	\$ -	\$ (225,147)	\$ -

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

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2018

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Balance at June 30, 2018			MEMO				
			From	To	Unearned Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance		(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable
State Department of Education															
General Fund															
State Aid-Public Cluster															
Equalization Aid- State Share	18-495-034-5120-078	\$ 11,277,015	7/1/17	6/30/18	\$ -	\$ -	\$ -	\$ 11,184,189	\$ (11,277,015)	\$ -	\$ -	\$ -	\$ -	\$ 112,826	\$ 11,277,015
Special Education Categorical Aid	18-495-034-5120-089	336,527	7/1/17	6/30/18				336,527	(336,527)						336,527
Security Aid	18-495-034-5120-084	330,720	7/1/17	6/30/18				330,720	(330,720)						330,720
Adjustment Aid	18-495-034-5120-085	115,788	7/1/17	6/30/18				1,096,425	(1,115,788)					(970,637)	1,115,788
Adjustment Aid	17-495-034-5120-085	-	7/1/16	6/30/17	(65,313)			55,313							
Total State Aid-Public Cluster					(65,313)			12,973,174	(13,060,060)					(142,189)	13,060,060
TPAF Post-Retirement Medical Contributions	18-495-034-5095-001	630/18	7/1/17	6/30/18				538,073	(538,073)						538,073
On-Behalf TPAF Pension Contributions	18-495-034-5095-006	630/18	7/1/17	6/30/18				833,086	(833,086)						833,086
TPAF Long Term Disability Insurance Premium	18-495-034-5094-004	630/18	7/1/17	6/30/18				4,951	(4,951)						4,951
Reimbursed TPAF - Social Security	18-495-034-5095-002	376,425	7/1/17	6/30/18				357,895	(376,425)						376,425
Reimbursed TPAF - Social Security	17-495-034-5095-002	372,564	7/1/16	6/30/17	(54,484)			54,484							318,080
Total Reimbursed TPAF - Social Security Cluster					(54,484)			472,379	(376,425)						336,610
Total General Fund					(103,797)			14,761,663	(14,812,585)						14,812,585
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program (State Share)	18-100-010-3350-023	7,116	7/1/17	6/30/18	(319)			6,598	(7,116)						518
National School Lunch Program (State Share)	17-100-010-3350-023	-	7/1/16	6/30/17				319							
Total Enterprise Fund					(319)			6,916	(7,116)						518
Total State Financial Assistance Subject to Major Program Determination for State Single Audit					\$ (110,115)			\$ 14,768,579	\$ (14,819,701)					\$ -	\$ 337,128
State Financial Assistance Not Subject to Major Program Determination:															
General Funds (Non-Cash Assistance)															
TPAF Post-Retirement Medical Contributions	18-495-034-5095-001	538,073	7/1/17	6/30/18				538,073	(538,073)						538,073
On-Behalf TPAF Pension Contributions	18-495-034-5095-006	833,086	7/1/17	6/30/18				833,086	(833,086)						833,086
TPAF Long Term Disability Insurance Premium	18-495-034-5094-004	4,951	7/1/17	6/30/18				4,951	(4,951)						4,951
Total General Funds (Non-Cash Assistance)								1,376,110	(1,376,110)						1,376,110
Total State Financial Assistance					\$ (110,115)			\$ 13,392,469	\$ (13,445,591)					\$ -	\$ 16,196,811

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

FOUNDATION ACADEMY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis 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 Title 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the New Jersey OMB Circular 15-08, "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 preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The 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:22-44.2*.

FOUNDATION ACADEMY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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	\$ 56,728	\$ 14,812,585	\$ 14,869,313
Special Revenue Fund	831,315	87,320	918,635
Food Service Fund	510,806	7,116	517,922
Total Awards & Financial Assistance	<u>\$ 1,398,849</u>	<u>\$ 14,907,021</u>	<u>\$ 16,305,870</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Foundation Academy Charter School has no loan balances outstanding at June 30, 2018.

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, 2018. 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, 2018.

FOUNDATION ACADEMY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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>	\$ 503,021
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>65,132</u>
Total	<u>\$ 576,582</u>

NOTE 9. DE MINIMIS INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unmodified

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 X None 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 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 Section .510(a) of Uniform Guidance? _____ Yes X No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>84.010A</u>	<u>Title I Part A</u>
_____	_____

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

Auditee qualified as low-risk auditee? X Yes _____ No

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

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 No

Internal control over major programs:

1) Material weakness(es) identified? Yes No

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

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

Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08-OMB, as applicable? Yes No

Identification of major state programs:

GMIS Number(s)	Name of State Program
	<u>STATE AID – PUBLIC CLUSTER</u>
<u>18-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>18-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>18-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>18-495-034-5120-084</u>	<u>Security Aid</u>

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section 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 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal 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

FOUNDATION ACADEMY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2018

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.

No Prior Year Findings