

***FREEDOM PREP CHARTER SCHOOL***

***ANNUAL COMPREHENSIVE  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2021***

***FREEDOM PREP CHARTER SCHOOL***

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

***Annual Comprehensive Financial Report  
For The Fiscal Year Ended June 30, 2021***

***ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
OF THE  
FREEDOM PREP CHARTER SCHOOL  
CAMDEN, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021***

***Prepared by***

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

***And***

***Barre & Company LLC, CPAs***

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**Angelica Allen-McMillan, Ed. D, Acting Commissioner  
Secretary, State Board of Education**

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***INTRODUCTORY SECTION***

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

February 8, 2022

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

Dear Board Members:

The Annual Comprehensive Financial Report of Freedom Prep Charter School (Charter School) for the fiscal year ended June 30, 2021, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## **Charter School Organization**

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

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

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

### **School Descriptions**

**Startup:** The Charter School began operating in the 2004-2005 school year with student enrolled in fifth grade. In 2020-2021, the Charter School served students in grades K-12.

**Address:** In 2020-2021, the Charter School was located at 1000 Atlantic Ave, Camden New Jersey 08104.

**Facility:** In 2020-2021, the Charter School occupied parts of the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> Floors of the Virtua Health facility located at the aforementioned address, previously occupied by D.U.E. Season Charter School.

**Number of Students, Grades, and Classes:** The Charter School was authorized to serve a maximum enrollment of 1,020 students in 2020-2021 in grades K-12. Freedom Prep Charter School ended the 2020-2021 school year with an enrollment of 849 students.

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

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

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

### Board Members

The Charter School is governed by an independent nonprofit Board of Trustees. The following Chart identifies trustees who served during the 2020-2021 year.

<b>Trusteed</b>	<b>Term Ends</b>	<b>Role</b>	<b>Voting/Non-Voting</b>
Carole Kraemer	05/30/2023	President	Voting
Tighe Burns	05/30/2023	Vice President	Voting
Krystie Birdsall	08/31/2021	Member	Voting
Matthew Davidoff	06/30/2022	Member	Voting
James Fridie	04/30/2023	Member	Voting
Anna Russo	06/30/2022	Member	Voting
Tomas Varela	06/30/2021	Member	Voting

### Board Training

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

### Anticipated Issues:

- ❖ Staffing: Placing the highest caliber adults stand in front of Freedom Prep’s scholars on a daily basis is the single most important factor in ensuring their academic success. As enrollment levels off, our focus shifts from finding a high quantity of individuals to fill our growing openings to focusing more on filling the fewer number of vacancies with high-quality professionals. Recruiting a team of mission-aligned professionals who will push scholars to succeed in a college of their choice and a life of active citizenship is always challenging given the significant amount of sacrifice and work we expect from every staff member. This is a particular focus for our Special Education and STEM educators.
- ❖ Enrollment: With the influx of numerous other providers in Camden, families have a multitude of options available to them. While this is a great asset to the families of Camden, it makes it difficult for us to project enrollment figures moving forward in such an environment where there are more seats being offered by all providers than there are children in the city to fill them. We continue to reach out to families and have an established core student body, but future expansion is difficult to predict/project based on demand and limited space constraints.
- ❖ Bilingual Programming and Support: FP has a growing population of ELL and bilingual students. The school needs to continue to grow in our work with these populations and develop more programs for these scholars.

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

The concept of reasonable assurance recognizes that:

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

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

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

**4. BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. 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 assignments of fund balance at June 30, 2021.

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

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

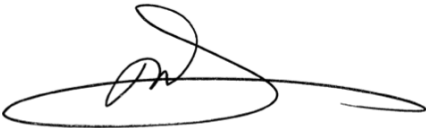
**7. RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, fidelity bonds, and workmen's compensation.

**8. OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company LLC, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Uniform Guidance and the New Jersey Circular 15-08 OMB State Aid/Grant Compliance Supplement. The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Michael Falkowski', is written over a large, horizontal oval scribble.

Michael Falkowski  
School Business Administrator

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

**ROSTER OF OFFICIALS  
JUNE 30, 2021**

**MEMBERS OF THE BOARD OF TRUSTEES**

**POSITION**

Carole Kraemer

President

Tighe Burns

Vice President

Thomas Varela

Member

Anna Russo

Member

Krystie Birdsall

Member

James Fridie

Member

Matthew Davidoff

Member

**OTHER OFFICIALS**

Constance Faith Horton

Executive Director

Michael Falkowski

School Business Admin

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

**CONSULTANTS AND ADVISORS**

***Audit Firm***

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

***Attorney***

Busch Law Group LLC  
450 Main Street  
Metuchen, New Jersey 08840

***Official Depository***

WSFS Bank  
1901 Marlton Pike East  
Cherry Hill, New Jersey 08003

***Insurance***

Gallagher  
707 State Road, Suite 101  
Princeton, New Jersey 08540



FINANCIAL SECTION

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

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*(908) 686-3484*  
*FAX – (908) 686-6055*

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund information of the Freedom Prep Charter School (Charter School), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Freedom Prep Charter School, in the County of Camden, State of New Jersey, as of June 30, 2021, and the respective changes in the financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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

#### *Adoption of New Accounting Principle*

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2021, the Charter School adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

#### *Consistency of Financial Statements*

Because of the implementation of GASB Statement No. 84, several funds of the Charter School that were reported as fiduciary fund types in the prior fiscal year are now reported in governmental activities and governmental fund types. Our opinion is not modified with respect to this matter.

#### *Prior Period Restatement*

In addition, because of the implementation of GASB Statement No. 84, net position and fund balance as of July 1, 2020 on the statement of activities and statement of revenues, expenditures, and changes in fund balances, have been restated, as discussed in note 1 to the financial statements. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, and M-1, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Freedom Prep Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements, and statistical section are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022 on our consideration of the Freedom Prep Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.

  
Barre & Company LLC  
Certified Public Accountants  
Union, New Jersey



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

February 8, 2022

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED**

The discussion and analysis of Freedom Prep Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2021. 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 2021 are as follows:

- ❖ General revenues accounted for \$19,615,476 or 97% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$688,426 or 3% of total revenues of \$20,303,902.
- ❖ The Charter School had \$16,551,849 in expenses; only \$688,426 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$19,615,476 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$16,521,076 in revenues and \$12,108,235 in expenditures. The General Fund's fund balance increased by \$4,412,841 over 2020. This increase was mostly due to the \$1,658,705 of revenue recognized with the forgiveness of the PPP loan. The remaining increase was anticipated by the Board of Trustees.

#### **Using this Annual Comprehensive Financial Report (ACFR)**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**Reporting the Charter School as a Whole**

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

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2021?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**Fund Financial Statements**

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**Governmental Funds**

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

**Proprietary Fund**

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 34 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 (Deficit) were \$ 3,264,571 on June 30, 2021 and \$ (527,540) on June 30, 2020.

**Governmental Activities**

The Charter School's total revenues were \$18,234,988 for 2021 and \$16,583,693 for 2020, this includes \$273,200 for 2021 and \$300,822 for 2020 of state reimbursed TPAF social security contributions and pension contributions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**Governmental Activities (Continued)**

The total cost of all program and services were \$16,230,229 for 2021 and \$16,106,849 for 2020. Instruction comprises 45% for 2021 and 45% for 2020 of Charter School expenses.

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

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

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

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

**Business-Type Activities**

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

- ❖ Revenues exceeded expenses by \$88,589 for 2021 and by \$49,111 for 2020.
- ❖ There were \$664 charges for services for 2021 and \$0 for 2020. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast, and state snack program were \$409,545 for 2021 and \$587,430 for 2020.

**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 \$18,234,988 and expenditures were \$13,981,295. The net change in fund balance for the year was most significant in the general fund, an increase of \$4,412,841.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2021, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2020	Percent of Increase/ (Decrease)
Local Sources	\$ 865,854	5.19%	\$ (1,469,179)	-62.92%
State Sources	13,952,897	83.59%	2,133,720	18.05%
Federal Sources	1,873,060	11.22%	1,873,060	0.00%
<b>Total</b>	<b>\$ 16,691,811</b>	<b>100.00%</b>	<b>\$ 2,537,601</b>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2021, and the amount and percentage of decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2020	Percent of Increase/ (Decrease)
Instruction	\$ 4,732,037	33.85%	\$ (550,799)	-10.43%
Administration	7,048,449	50.41%	2,443,539	53.06%
Support Services	2,200,809	15.74%	(1,132,449)	-33.97%
Capital Outlay	-	0.00%	-	0.00%
<b>Total</b>	<b>\$ 13,981,295</b>	<b>100.00%</b>	<b>\$ 760,291</b>	

Changes in expenditures were the results of varying factors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights**

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

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

**Capital Assets (Net of Depreciation) and Debt Administration**

The Charter School has \$0 invested in capital assets (net) for 2021 and \$36,812 for 2020. At the end of fiscal years 2021 and 2020 there is no debt outstanding.

**For the Future**

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

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

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

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

***BASIC FINANCIAL STATEMENTS***

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

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

**FREEDOM PREP CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 7,090,477	\$ 543,457	\$ 7,633,934
Internal Balances	28,737	(28,737)	-
Receivables	538,020	84,918	622,938
Prepaid Expenses	82,972		82,972
Capital Assets, Net		40,112	40,112
<b>Total Assets</b>	<b>7,740,206</b>	<b>639,750</b>	<b>8,379,956</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	3,634,508		3,634,508
Deferred Outflows of Resources	3,634,508	-	3,634,508
<b>LIABILITIES:</b>			
Payable to State Government	86,385		86,385
Accounts Payable and Accrued Expense	780,290	26,936	807,226
Unearned Revenue	216,644		216,644
Net Pension Liability	4,893,440		4,893,440
<b>Total Liabilities</b>	<b>5,976,759</b>	<b>26,936</b>	<b>6,003,695</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	2,746,198		2,746,198
Deferred Inflows of Resources	2,746,198	-	2,746,198
<b>NET POSITION:</b>			
Invested in Capital Assets	-	40,112	40,112
Restricted for:			
Unemployment Compensation	(47,139)		(47,139)
Student Activities	12,672		12,672
Other Purposes	75,025		75,025
Unrestricted	2,611,199	572,702	3,183,901
<b>Total Net Position</b>	<b>\$ 2,651,757</b>	<b>\$ 612,814</b>	<b>\$ 3,264,571</b>

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

**FREEDOM PREP CHARTER SCHOOL**

Statement of Activities  
For the Fiscal Year Ended June 30, 2021

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	
<b>GOVERNMENTAL ACTIVITIES:</b>									
Instruction	\$ 6,407,281	\$ 853,738	\$ -	\$ -	\$ -	\$ (7,261,019)	\$ -	\$ -	\$ (7,261,019)
Administration	5,687,384	540,773	273,200	-	-	(5,954,957)	-	-	(5,954,957)
Support Services	2,585,121	119,120	5,681	-	-	(2,698,560)	-	-	(2,698,560)
Unallocated Depreciation	36,812	-	-	-	-	(36,812)	-	-	(36,812)
Total Governmental Activities	<u>14,716,598</u>	<u>\$ 1,513,631</u>	<u>273,200</u>	<u>273,200</u>	<u>-</u>	<u>(15,951,348)</u>	<u>-</u>	<u>-</u>	<u>(15,951,348)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>									
Food Service	321,620	-	409,545	-	-	-	-	87,925	87,925
Total Business-Type Activities	<u>321,620</u>	<u>-</u>	<u>409,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,925</u>	<u>87,925</u>
Total Primary Government	<u>\$ 15,038,218</u>	<u>\$ -</u>	<u>\$ 682,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,951,348)</u>	<u>\$ 87,925</u>	<u>\$ (15,863,423)</u>	
<b>GENERAL REVENUES</b>									
General Purposes						\$ 675,243	\$ -	\$ -	\$ 675,243
Federal and State Aid Not Restricted						17,071,525			17,071,525
Investment Income						8,807			8,807
Miscellaneous Income						200,532	664		201,196
Special item						1,658,705			1,658,705
Total General Revenues						<u>19,614,812</u>	<u>664</u>	<u>664</u>	<u>19,615,476</u>
Change in Net Position						3,663,464	88,589		3,752,053
Net Position - Beginning of Year						(923,434)	524,225		(399,209)
Prior Period Adjustments						(88,273)			(88,273)
Net Position, July 1 (Restated)						(1,011,707)	524,225		(487,482)
Net Position - Ending						<u>\$ 2,651,757</u>	<u>\$ 612,814</u>	<u>\$ 3,264,571</u>	

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



**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***

**FREEDOM PREP CHARTER SCHOOL**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2021

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,933,308	\$ 81,415	\$ 7,014,723
Restricted	75,754		75,754
Interfund Receivables	28,737		28,737
Receivables From Other Governments	359,728	152,992	512,720
Other Receivables	25,300		25,300
Prepaid Expenses	82,972		82,972
	<u>\$ 7,505,799</u>	<u>\$ 234,407</u>	<u>\$ 7,740,206</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Payable to District	\$ 238,288		\$ 238,288
Accounts Payable	484,940	5,091	490,031
Payroll Deductions and Withholdings	51,971		51,971
Unemployment Compensation Claims Payable	86,385		86,385
Unearned Revenue		216,644	216,644
	<u>861,584</u>	<u>221,735</u>	<u>996,934</u>
Total Current Liabilities	<u>861,584</u>	<u>221,735</u>	<u>996,934</u>
Total Liabilities	<u>861,584</u>	<u>221,735</u>	<u>996,934</u>
Fund Balances:			
Non-Spendable:			
Prepaid Expenses	82,972		82,972
Restricted For:			
Charter School Escrow Reserve	75,025		75,025
Student Activities		12,672	12,672
Unassigned:			
General Fund	6,533,357		6,533,357
Unemployment Compensation	(47,139)		(47,139)
	<u>6,644,215</u>	<u>12,672</u>	<u>6,656,887</u>
Total Fund Balances	<u>6,644,215</u>	<u>12,672</u>	<u>6,656,887</u>
Total Liabilities and Fund Balances	<u>\$ 7,505,799</u>	<u>\$ 234,407</u>	
Net pension liability of \$4,893,440, deferred inflows of resources of \$2,746,198 less deferred outflows of resources of \$3,634,508 related to pensions are not reported in the governmental funds			<u>(4,005,130)</u>
Net Position of Governmental Activities			<u>\$ 2,651,757</u>

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

**FREEDOM PREP CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 675,243	\$ -	\$ 675,243
Other Revenue from Local Government			
Interest on Investments	8,807		8,807
Miscellaneous	225,424	40,304	265,728
Total Local Sources	909,474	40,304	949,778
State Sources	13,952,897		13,952,897
Federal Sources		1,838,437	1,838,437
Total Revenues	14,862,371	1,878,741	16,741,112
EXPENDITURES:			
Current:			
Instruction	3,267,658	1,464,379	4,732,037
Administration	7,048,449		7,048,449
Support Services	1,792,128	408,681	2,200,809
Capital Outlay			
Total Expenditures	12,108,235	1,873,060	13,981,295
Excess (Deficiency) of revenues over expenditures	2,754,136	5,681	2,759,817
Special Items:			
Proceeds from Forgiveness of PPP Loan	1,658,705		1,658,705
NET CHANGE IN FUND BALANCES	4,412,841	5,681	4,418,522
FUND BALANCES, JULY 1	2,326,638	-	2,326,638
PRIOR PERIOD ADJUSTMENTS	(95,264)	6,991	(88,273)
FUND BALANCE, JULY 1, RESTATED	2,231,374	6,991	2,238,365
FUND BALANCES, JUNE 30	\$ 6,644,215	\$ 12,672	\$ 6,656,887

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

**FREEDOM PREP CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Fiscal Year Ended June 30, 2021

Total net change in fund balances - governmental fund (from B-2)	\$	4,418,522
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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	\$	(36,812)	
Capital Outlay		-	(36,812)

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.

		(718,246)
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Change in net position of governmental activities	\$	3,663,464
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The accompanying Notes to Basic Financial Statements are integral part of this statement.

***PROPRIETARY FUNDS***

**FREEDOM PREP CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Net Position  
 June 30, 2021

	Business-Type Activities
	Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 543,457
Receivables:	
Receivables From Other Governments	84,918
Total Current Assets	628,375
Noncurrent Assets:	
Machinery and Equipment	92,342
Less Accumulated Depreciation	(52,230)
Total Noncurrent Assets	40,112
Total Assets	\$ 668,487
<b>LIABILITIES:</b>	
Current Liabilities:	
Interfund Accounts Payable	\$ 28,737
Accounts Payable	26,936
Total Current Liabilities	55,673
Total Liabilities	55,673
<b>NET POSITION:</b>	
Net Investment in Capital Assets	40,112
Unrestricted	572,702
Total Net Position	612,814
Total Liabilities and Net Position	\$ 668,487

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

**FREEDOM PREP CHARTER SCHOOL**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities Enterprise Fund		
	Food Service Program		
	School Nutrition	Fixed Contract Price	Total Enterprise
OPERATING REVENUES:			
Charges for Services:			
Miscellaneous Revenue	\$ 664	-	\$ 664
Total Operating Revenues	664	-	664
OPERATING EXPENSES:			
Salaries	142,692		142,692
Management Fees	27,500		27,500
Supplies and Materials	43,191	-	43,191
Depreciation Expense	13,192		13,192
Cost of Sales- Reimbursable Programs	73,849	-	73,849
Miscellaneous Expenses	21,196	-	21,196
Total Operating Expenses	321,620	-	321,620
OPERATING LOSS	(320,956)	-	(320,956)
NONOPERATING REVENUES:			
State Source:			
State Lunch Program	13,177	-	13,177
Federal Source:			
Federal Breakfast Program	148,487	-	148,487
Federal Lunch Program	232,097	-	232,097
U.S.D.A. Commodities	15,784		15,784
Total Nonoperating Revenues	409,545	-	409,545
CHANGE IN NET POSITION	88,589	-	88,589
TOTAL NET POSITION, JULY 1	524,225	-	524,225
TOTAL NET POSITION, JUNE 30	\$ 612,814	-	\$ 612,814

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



**FREEDOM PREP CHARTER SCHOOL**  
 Proprietary Funds  
 Statement of Cash Flows  
 For The Fiscal Year Ended June 30, 2021

	Business-Type Activities Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers	\$ 664
Cash Payments to Suppliers and Employees	(94,247)
Net Cash Used by Operating Activities	(93,583)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Cash Received from State and Federal Reimbursements	448,838
Net Cash Provided by Noncapital Financing Activities	448,838
Net Decrease in Cash and Cash Equivalents	355,255
Cash and Cash Equivalents, July 1	188,202
Cash and Cash Equivalents, June 30	\$ 543,457
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss Used for Operating Activities	\$ (320,956)
Depreciation	13,192
<b>Changes in Assets and Liabilities:</b>	
Increase in Interfund Accounts Receivable	165,596
Increase in Interfund Accounts Payable	28,737
Increase in Accounts Payable	19,848
Net Cash Used by Operating Activities	\$ (93,583)

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

***NOTES TO THE FINANCIAL STATEMENTS***

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

**A. Reporting Entity**

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

**B. Component Units**

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

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

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

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

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

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

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

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

The charter school-wide financial statements (the statement of net position and the statement of activities) report information of all activities of the Charter School. Charter School activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**E. Fund Accounting**

The accounts of the Freedom Prep Charter School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds in the financial statements in this report, into seven fund types within three broad fund categories as follows:

**Governmental Funds**

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

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Fund Accounting (Continued)**

**General Fund (Continued)**

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

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

**Capital Projects Fund**: Not Applicable.

**Debt Service Fund**: Not Applicable.

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

The Charter School reports the following proprietary funds:

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**F. Basis of Accounting**

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

*Charter School-wide and Proprietary Fund Financial Statements:* The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund uses the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 – Fiduciary Activities. 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 establishes criteria for identifying fiduciary activities of all state and local government, including New Jersey school districts and their charter schools. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, or FY 2020-2021. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. After considering the criteria and guidance, it was determined that Payroll, Payroll Agency, and Unemployment Compensation Insurance (Fund 60), previously reported as fiduciary funds, that such activities are more appropriately reported in a general fund (Fund 10). Additionally, the charter school previously reported the activity of the Student Activity (Fund 90) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity are more appropriately reported in a special revenue fund (Fund 20).

**FREEDOM PREP CHARTER SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021**

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

**G. Budgets/Budgetary Control**

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

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

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

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

	2021	2020
Total Revenues & Expenditures (Budgetary Basis)	\$ 1,878,741	\$ 1,878,741
Adjustments:		
Less Encumbrances at June 30, 2021	-	-
Plus Encumbrances at June 30, 2020	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 1,878,741	\$ 1,878,741



**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**H. Encumbrances Accounting**

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

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

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

**I. Cash and Cash Equivalents**

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S. 18A:20-37* provides a list of permissible investments that may be purchased by New Jersey Charter Schools. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. *N.J.S.A. 17:9-41* e.t. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

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

**B. Capital Assets**

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

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

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

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

**C. Unearned Revenue**

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

**D. Long-Term Obligations**

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

**E. Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2021.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**F. 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.

**G. Fund Balance**

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

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

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

**H. Extraordinary and Special Items**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Payroll Protection Loan for \$1,658,705 was forgiven during the fiscal year 2021 resulting in revenue categorized as a special item in Schedule B-2.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**I. Net Position**

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

- ❖ Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- ❖ Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ❖ Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

During fiscal year 2021, the school adopted the following GASB statement:

GASB No. 84, Fiduciary Activities, was effective for fiscal year ending June 30, 2021. 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.

**The GASB has issued the following Statements that will become effective for the Charter School for fiscal years ending after June 30, 2021**

GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2022. 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.

**K. Restatement of Fiduciary Activities**

The charter school previously reported the activity of the Payroll, Payroll Agency, and Unemployment Compensation Insurance (Fund 60) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activities have been more appropriately reported in a general fund (Fund 10). Accordingly, the general fund reports a restated beginning balance as follows:

	NET POSITION	PRIOR PERIOD	RESTATED
	JULY 1, 2020 BALANCE	ADJUSTMENT	JULY 1, 2020 BALANCE
GOVERNMENTAL FUNDS-GENERAL FUND	\$ 2,326,638	\$ (95,264)	\$ 2,231,374

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

which is equal to the restatement of net current assets and current liabilities previously reported in the agency and unemployment funds. All remaining assets and liabilities, if any, previously reported in the agency fund are not recognized at the fund level under the modified accrual basis of accounting, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2020.

**Restatement of Fiduciary Activities (continued)**

Additionally, the charter school previously reported the activity of the Student Activity (Fund 90) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity have been more appropriately reported in a special revenue fund (Fund 20). Accordingly, the newly established special revenue fund reports a restated beginning balance as follows:

	NET POSITION	PRIOR PERIOD	RESTATED
	JULY 1, 2020 BALANCE	ADJUSTMENT	JULY 1, 2020 BALANCE
GOVERNMENTAL FUNDS-SPECIAL REVENUE FUND	\$ -	\$ 6,991	\$ 6,991

which is equal to the restatement of net current assets and current liabilities previously reported in the agency fund. All remaining assets and liabilities, if any, previously reported in the agency fund are not recognized at the fund level under the modified accrual basis of accounting, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2020.

**L. Subsequent Events**

The Freedom Prep Charter School has evaluated subsequent events occurring after June 30, 2021 through the date of February 8, 2022 which is the date the financial statements were available to be issued.

**M. Impact of Covid-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Although the School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the School’s results of future operations, financial position, and liquidity in fiscal year 2022.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**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.

**Deposits**

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

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

GASB Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Deposits (continued)**

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

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

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

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

**Investments**

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

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

As of June 30, 2021, cash and cash equivalents and investments of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Total
Operating Account	\$7,009,062	\$ 81,415	\$ 543,457	\$7,633,934

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2021 was \$7,633,934 and the bank balance was \$8,156,534. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Risk Category**

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

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

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

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

As of June 30, 2021, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 40 and are classified as Category 1, both at year-end and throughout the year.

**New Jersey Cash Management Fund**

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

As of June 30, 2021, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.



**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2021, consisted of accounts (tuition), intergovernmental, grants, and miscellaneous.

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

	Governmental Funds		Total Governmental Activities	Proprietary	Total Business Type Activities	Total
	General Fund	Special Revenue Fund		Food		
				Service Fund		
State Awards	\$ 359,728	\$ -	\$ 359,728	\$ 1,964	\$ 1,964	\$ 361,692
Federal Awards	-	152,992	152,992	82,954	82,954	235,946
Other	25,300	-	25,300	-	-	25,300
Gross Receivables	385,028	152,992	538,020	84,918	84,918	622,938
Less: Allowance for Uncollectibles			-	-	-	-
Total Receivables, Net	\$ 385,028	\$ 152,992	\$ 538,020	\$ 84,918	\$ 84,918	\$ 622,938

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

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

The following interfund balances remained on the fund financial statements at June 30, 2021:

Fund	Interfund Receivable	Interfund Payable
General Fund	704,765	\$ -
Special Revenue Fund		385,677
Proprietary Fund		313,860
Fiduciary Fund		5,228
Total	\$ 704,765	\$ 704,765

Interfund balances expect to be liquidated by end of June 30, 2022.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ -	\$ -	\$ -	\$ -
Machinery and Equipment	465,935	-	-	465,935
Total Capital Assets Being Depreciated	<u>465,935</u>	<u>-</u>	<u>-</u>	<u>465,935</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	429,123	36,812	-	465,935
Total Accumulated Depreciation	<u>429,123</u>	<u>36,812</u>	<u>-</u>	<u>465,935</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	36,812	(36,812)	-	-
Government Activity Capital Assets, Net	<u>\$ 36,812</u>	<u>\$ (36,812)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-Type Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 92,342	\$ -	\$ -	\$ 92,342
Less Accumulated Depreciation	(39,038)	(13,192)	-	(52,230)
Enterprise Fund Capital Assets, Net	<u>\$ 53,304</u>	<u>\$ (13,192)</u>	<u>\$ -</u>	<u>\$ 40,112</u>

In January 11, 2001, the New Jersey State Department of Education announced that effective July 1, 2001, the capitalization threshold used by Charter Schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets 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.

Depreciation expense of \$36,812 was charged to an unallocated function.

**NOTE 6: RENTAL LEASE**

The Charter School entered into a lease for the rental of a school facility on Atlantic Ave in Camden, New Jersey with Virtua-West Jersey Health Care System for the period of July 8, 2014 to July 8, 2018 for an annual rent of \$1,163,435.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6: RENTAL LEASE (CONTINUED)**

The lease has renewed with a 10 year period commencing on July 8, 2018 to July 8, 2028 with an option for two additional five year terms and includes annual rent increases of 2.5% per renewal year. Rents for the remainder of the lease are as follows:

Year Ended	Principal
June 30, 2021	1,025,533
June 30, 2022	1,025,533
June 30, 2023	1,056,299
June 30, 2024	1,087,988
June 30, 2025	1,120,628
Thereafter	3,329,244
Total future rental payments	\$8,645,225

For the fiscal year ended June 30, 2021 total rent expense amounted to \$ 1,025,533

**NOTE 7: PENSION PLANS**

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. In addition, certain employees may participate in 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 Annual Comprehensive Financial Report (ACFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

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

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

**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.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

**Basis of Presentation**

Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2019 through June 30, 2020. 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. Contributions from employers are recognized when due, based on statutory requirements.

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, 2020 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2021.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

**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 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 2020 measurement date, the State's pension contribution was less than the actuarial determined amount.

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 and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 333,120 for fiscal year 2021.

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

At June 30, 2021, the Charter School reported a liability of \$ 4,893,440 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 which was rolled forward to June 30, 2021. 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, 2020 measurement date, the Charter School's proportion was 0.030007508%, which was an increase of 0.01009634% from its proportion measured as of June 30, 2019.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

For the fiscal year ended June 30, 2021, the Charter School recognized pension expense of \$ 333,120 . At June 30, 2021, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 158,749	\$ 2,048,930
Difference Between Expected and Actual Experience	\$ 89,101	17,305
Changes in Proportion	\$ 3,219,396	680,230
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 167,262	(267)
	<u>\$ 3,634,508</u>	<u>\$ 2,746,198</u>

*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 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

Fiscal Year Ending June 30,	Total
2022	\$ 330,354
2023	301,183
2024	172,118
2025	69,602
2026	15,053
	\$ 888,310

**Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
through 2026	2.00-6.00% based on years of service
Thereafter	3.00-7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.



**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**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, 2020) 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, 2020 are summarized in the following table:

		Long Term Expected Real Rate of Return
Asset Class	Target Allocation	
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2020 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:

Measurement Date June 30, 2020			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Charter School proportionate share of the Net Pension Liability	\$ 6,208,463	\$ 4,893,440	\$ 3,848,736

Measurement Date June 30, 2019			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(5.28%)	(6.28%)	(7.28%)
Charter School's proportionate share of the Net Pension Liability	\$ 6,877,303	\$ 3,587,690	\$ 4,237,182

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

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

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

**Pension Description**

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

**Benefit Provided**

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Benefit Provided (Continued)**

25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2020 measurement date. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2020, the State's pension contribution was less than the actuarially determined amount.

**Special Funding Situation**

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7: PENSION PLANS (CONTINUED)**

**Special Funding Situation (Continued)**

However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer 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 2021, the State of New Jersey contributed \$ 110,857 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 982,676 .

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

As June 30, 2020, the State's proportionate share of the net pension liability associated with the Charter School was \$ 28,555,700 . The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020.

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, 2020 measurement date, Charter School's proportion was 0.0433655606%, which was a decrease of 0.0039891% from its proportion measured as of June 30, 2019.

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	28,555,700
<b>Total</b>	<b>\$ 28,555,700</b>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the Charter School in the amount of \$ 982,676 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2021 financial statements.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 7,815,939,253	\$ 14,241,964,752
Difference Between Expected and Actual Experience	986,767,511	182,357,860
Changes in Proportion and differences between employer contributions and proportionate share of contributions	167,666,229	167,666,229
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	656,175,235	-
	<u>\$ 9,626,548,228</u>	<u>\$ 14,591,988,841</u>

The \$ \$9,626,548,228 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 \$ 14,591,988,841 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year	
Ending June 30,	Total
2022	\$ (262,056,928)
2023	(188,358,995)
2024	(774,174,971)
2025	(1,939,112,462)
2026	(1,466,451,639)
Thereafter	(335,285,618)
	<u>\$ (4,965,440,613)</u>

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate		
Price		2.75%
Wages		3.25%
Salary Increases:		
Through 2026		1.55 - 4.45%
		based on years of service
Thereafter		2.75 - 5.65%
		based on years of service
Investment Rate of Return		7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

**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, 2020) 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, 2020 is summarized in the following table:

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return (continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Market Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

**Discount Rate – TPAF**

The discount rate used to measure the total pension liability was 5.40% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% as of June 30, 2020 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 based on 78% of the actuarially determined contributions for the State. 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.



**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 7: 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 net pension liability of the State as of June 30, 2020 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:

Measurement Date June 30, 2020			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.40%)	(5.40%)	(6.40%)
Charter School's proportionate share of the Net Pension Liability	\$ 33,615,722	\$ 28,555,700	\$ 24,469,056

Measurement Date June 30, 2019			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.60%)	(5.60%)	(6.60%)
Charter School's proportionate share of the Net Pension Liability	\$ 31,459,394	\$ 24,165,727	\$ 22,711,150

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

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

**Defined Contribution Retirement Program (DCRP)**

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

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

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (DCRP) (continued)**

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

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

For DCRP, the Charter School recognized no pension expense the fiscal year ended June 30, 2021. There were no employee contributions to DCRP for the fiscal year ended June 30, 2021.

**NOTE 8: 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, *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.



**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8: 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%			
		<b>TPAF/ABP</b>	<b>PERS</b>	<b>PFRS</b>
Salary Increases				
Through 2026		1.55% to 4.45%	2.00% to 6.00%	3.25% to 15.25%
		based on service	based on service	based on service
		years	years	years
Rate thereafter		1.55% to 4.45%	3.00% to 7.00%	Applied to all
		based on service	based on service	future
		years	years	years

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies for the periods July 1, 2015- June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013- June 30, 2018 for TPAF, PERS and PFRS, respectively.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

Discount rate

The discount rate for June 30, 2020 was 2.21%. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total Non-Employer OPEB Liability

The table below summarizes the State's proportionate share of the change in the total non-employer OPEB liability associated with the Charter School for the fiscal year ended June 31, 2020

				Total OPEB Liability
Balance at June 30, 2020				\$ 4,440,189
Service cost				1,103,713
Interest on Total OPEB Liability				191,631
Effect on Changes of Benefit Terms				
Difference between expected and actual experience				1,117,239
Effect of Changes of Assumptions				1,500,530
Effect of Changes of Proportion				
Contributions - Employee				4,335
Gross Benefits Paid by the State				(143,010)
<b>Net Changes</b>				<b>3,774,438</b>
Balance at June 30, 2021				8,214,627

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

The following presents the total nonemployer OPEB liability measured as of June 30, 2020 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:

	Measurement Date Ended June 30, 2020		
	At 1%	At current	At 1%
	Decrease (1.21%)	discount rate (2.21%)	Increase (3.21%)
Total OPEB Liability	\$ 5,972,118	\$ 8,214,627	\$ 4,326,743

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8: 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 measured as of June 30, 2020 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:

	Measurement Date Ended June 30, 2020		
	At 1%		At 1%
	decrease	Trend Rate	Increase
Total OPEB Liability	\$ 4,165,210	\$ 5,055,140	\$ 6,233,224

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

For the fiscal year ended June 30, 2021 the Charter School recognized OPEB expense of \$ 1,493,896 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.

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 the measurement date June 30, 2020 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	\$ 1,247,194	\$ (1,110,956)
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	\$ 1,397,281	(937,335)
Sub Total	2,644,475	(2,048,292)
Contributions Made in Fiscal Year 2021 after June 30, 2020 Measurement Date	N/A	N/A
Total	2,644,475	(2,048,292)

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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,	
2022	\$ 5,262
2023	\$ 5,262
2024	\$ 5,262
2025	\$ 5,262
2026	\$ 5,262
Total Thereafter	\$ 569,871
	\$ 596,181

**NOTE 9: RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**New Jersey Unemployment Compensation Insurance**

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

**NOTE 10: ECONOMIC DEPENDENCY**

The Charter School participates in numerous state and federal grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursements by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 10: ECONOMIC DEPENDENCY(CONTINUED)**

The Charter School is dependent on the State of New Jersey for a substantial portion of its operating funds. Due to funding uncertainties at the State level, funding for Charter Schools may be reduced. The ultimate effect of this possible reduction in funding on the Charter school's future operation is not yet determinable.

**NOTE 11: ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2021, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were \$ 1,210,331, \$273,200, \$379,299, and \$2,252, respectively.

**NOTE 12: CONTINGENCIES**

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter School expects such amount, if any, to be immaterial.

**NOTE 13: CONCENTRATIONS**

The Charter School depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the Charter School is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**NOTE 14: CHARTER MANAGEMENT ORGANIZATION**

The Charter School entered into a management agreement with Democracy Prep Public Schools Inc, ("DP") a New York nonprofit corporation, to provide educational and management services including operational and administrative support to the School. The term of this agreement is from July 1, 2019 to June 30, 2021 and is renewable every year. Under this agreement the School will pay DP on a monthly basis, fees equal to 12.5% of the non- competitive public revenue of the Charter School actually received by the School during the fiscal year. In 2021, the School paid \$1,677,470 to DP as a management fee based on the terms of the agreement.

**NOTE 15: FUND BALANCE DISCLOSURE**

**General Fund** – of the \$6,644,215 General Fund Balance at June 30, 2021, 6,486,218 is unassigned.



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

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

**FREEDOM PREP CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ -	\$ -	\$ -	\$ 675,243	\$ 675,243
Total Local Levy Budget	-	-	-	675,243	675,243
Categorical Aid:					
"Local Levy" State Share-Charter School Aid				10,084,396	10,084,396
Special Education	561,041	90,648	651,689	651,689	-
Security Aid	430,060	(104,063)	325,997	325,997	-
Adjustment Aid	11,829,308	(43,936)	11,785,372	1,025,733	(10,759,639)
Total Categorical Aid	12,820,409	(57,351)	12,763,058	12,087,815	(675,243)
Revenues From Other Sources:					
Interest Income				8,807	8,807
Miscellaneous Revenue				225,424	225,424
On-Behalf TPAF(Non-Budget)					
Pension Contributions				1,210,331	1,210,331
Post Retirement Medical Contributions				379,299	379,299
Non-Contributory Insurance Contributions				2,252	2,252
Reimbursed TPAF Social Security Contributions				273,200	273,200
Total Revenues From Other Sources	-	-	-	2,099,313	2,099,313
Total Revenues	12,820,409	(57,351)	12,763,058	14,862,371	2,099,313
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers: Kindergarten	3,253,337	(102,280)	3,151,057	39,166	3,111,891
Salaries of Teachers: Grades 1-5	126,518	-	126,518	1,280,513	(1,153,995)
Salaries of Teachers: Grades 6-8	265,477	-	265,477	844,397	(578,920)
Salaries of Teachers: Grades 9-12	350,932	-	350,932	924,240	(573,308)
Other Salaries for Instruction	272,000		272,000	62,519	209,481
Other Purchased Services	110,000	20,016	130,016	33,811	96,205
General Supplies	1,012,236	(816,965)	195,271	-	195,271
Textbooks	150,000		150,000	70,090	79,910
Miscellaneous	54,000		54,000	12,922	41,078
Total Instruction	5,594,500	(899,229)	4,695,271	3,267,658	1,427,613
Administration:					
Salaries - General Administration	1,198,450	1,051,396	2,249,846	1,572,000	677,846
Total Benefits Cost	1,489,500	176,691	1,666,191	1,565,000	101,191
Purchases Prof/Tech Services	1,823,556	46,785	1,870,341	1,773,760	96,581
Other Purchased Services	119,500		119,500	71,105	48,395
Communications/Telephone	88,500	7,926	96,426	91,842	4,584
Supplies and Materials	137,500	14,804	152,304	76,832	75,472
Miscellaneous Expenses	90,000	239	90,239	32,828	57,411
Total Administration	4,947,006	1,297,841	6,244,847	5,183,367	1,061,480

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

**FREEDOM PREP CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 1,353,853	\$ (361,784)	\$ 992,069	\$ 403,429	\$ 588,640
Purchased Prof/Tech Services	436,740	8,493	445,233	227,270	217,963
Rental of Land and Buildings	1,110,000		1,110,000	1,040,940	69,060
Transportation-Other Than To/From School	628,000	(76,064)	551,936	-	551,936
Insurance for Property, Liability and Fidelity	75,000		75,000	67,701	7,299
Supplies and Materials	115,000	483	115,483	19,116	96,367
Miscellaneous Expenses	128,000		128,000	33,672	94,328
Total Support Services	<u>3,846,593</u>	<u>(428,872)</u>	<u>3,417,721</u>	<u>1,792,128</u>	<u>1,625,593</u>
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				273,200	(273,200)
On-Behalf TPAF (Non-Budgeted)					
TPAF Pension Contributions			-	1,210,331	(1,210,331)
Post-Retirement Medical Contributions				379,299	(379,299)
Non-Contributory Insurance Contributions				2,252	(2,252)
Total Expenditures	<u>14,456,099</u>		<u>14,456,099</u>	<u>12,108,235</u>	<u>2,347,864</u>
Excess of Revenues Over Expenditures	(1,635,690)	(57,351)	(1,693,041)	2,754,136	4,447,177
Special Items:					
Proceeds from Forgiveness of PPP Loan			-	1,658,705	(1,658,705)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,635,690)	(57,351)	(1,693,041)	4,412,841	6,105,882
FUND BALANCE, JULY 1	<u>2,319,240</u>	<u>-</u>	<u>2,319,240</u>	<u>2,326,638</u>	<u>(7,398)</u>
PRIOR PERIOD ADJUSTMENT				(95,264)	(95,264)
FUND BALANCE, JULY 1- RESTATED	<u>2,319,240</u>	<u>-</u>	<u>2,319,240</u>	<u>2,231,374</u>	<u>(102,662)</u>
FUND BALANCE, JUNE 30	<u>\$ 683,550</u>	<u>\$ (57,351)</u>	<u>\$ 626,199</u>	<u>\$ 6,644,215</u>	<u>\$ 6,003,220</u>
Recapitulation of Excess of Revenues Over Expenditures					
Budgeted Fund Balance	<u>\$ 683,550</u>	<u>\$ (57,351)</u>	<u>\$ 626,199</u>	<u>\$ 6,644,215</u>	<u>\$ 6,018,016</u>
Total	<u>\$ 683,550</u>	<u>\$ (57,351)</u>	<u>\$ 626,199</u>	<u>\$ 6,644,215</u>	<u>\$ 6,018,016</u>

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

**FREEDOM PREP CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Federal Sources	\$ 1,485,517	\$ -	\$ 1,485,517	\$ 1,838,437	\$ 352,920
Other Sources	-	34,623	34,623	40,304	5,681
<b>Total Revenues</b>	<b>1,485,517</b>	<b>34,623</b>	<b>1,520,140</b>	<b>1,878,741</b>	<b>358,601</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	918,762	149,493	1,068,255	1,068,255	-
General Supplies	191,559	204,565	396,124	396,124	-
<b>Total Instruction</b>	<b>1,110,321</b>	<b>354,058</b>	<b>1,464,379</b>	<b>1,464,379</b>	<b>-</b>
Support Services:					
Support Salaries		70,000	70,000	70,000	-
Personal Services - Employee Benefits	193,811		193,811	193,811	-
Purchased Prof/Ed Services	177,382	(122,705)	54,677	54,677	-
Other Purchased Services	3,500	(3,500)	-	-	-
Supplies and Materials	503	89,689	90,192	90,193	(1)
<b>Total Support Services</b>	<b>375,196</b>	<b>33,484</b>	<b>408,680</b>	<b>408,681</b>	<b>(1)</b>
<b>Total Expenditures</b>	<b>1,485,517</b>	<b>387,542</b>	<b>1,873,059</b>	<b>1,873,060</b>	<b>(1)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (352,919)</b>	<b>\$ (352,919)</b>	<b>\$ 5,681</b>	<b>\$ 358,600</b>

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

**FREEDOM PREP CHARTER SCHOOL**  
 Budgetary Comparison Schedule  
 Budget To GAAP Reconciliation  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2021

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b> \$ 14,862,371	<b>[C-2]</b> 1,878,741
	<hr/>	<hr/>
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b> \$ <u>14,862,371</u>	<b>[B-2]</b> \$ <u>1,878,741</u>
 <b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b> \$ 12,108,235	<b>[C-2]</b> \$ 1,873,060
	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b> \$ <u>12,108,235</u>	<b>[B-2]</b> \$ <u>1,873,060</u>

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



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

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

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Charter School's proportion of the net pension liability	0.004557260%	0.004210287%	0.017884600%	0.010224200%	0.024340740%	0.017884600%	0.019911167%	0.030007508%
Charter School's proportionate share of the net pension liability	\$ 870,982	\$ 788,281	\$ 779,293	\$ 3,028,104	\$ 5,666,136	\$ 3,521,389	\$ 3,587,690	\$ 4,893,440
Charter School's covered payroll (plan measurement period)	\$ 179,904	\$ 391,189	\$ 968,807	\$ 1,333,808	\$ 1,209,844	\$ 1,979,014	\$ 2,314,040	\$ 1,493,649
Charter School's proportionate share of the net pension liability as a percentage of it's covered payroll	484%	202%	80%	227%	468%	178%	155%	328%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%	45.37%	51.55%	51.55%	53.60%	58.32%

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

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 34,338	\$ 35,621	\$ 30,764	\$ 91,758	\$ 241,469	\$ 182,159	\$ 197,577	\$ 333,120
Contributions in relation to the contractually required contribution	<u>(34,338)</u>	<u>(35,621)</u>	<u>(30,764)</u>	<u>(91,758)</u>	<u>(241,469)</u>	<u>(182,159)</u>	<u>(197,577)</u>	<u>(333,120)</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered payroll	\$ 179,904	\$ 393,189	\$ 968,807	\$ 1,333,808	\$ 1,209,844	\$ 1,979,014	\$ 2,314,040	\$ 1,493,649
Contributions as a percentage of covered payroll	19.09%	9.06%	3.18%	6.88%	19.96%	9.20%	8.54%	22.30%

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

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

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
State's proportion of the net pension liability attributable of the Charter School	0.0140738%	0.0128181%	0.0138294%	0.1560100%	0.0303448%	0.0408264%	0.03937650%	0.04336556%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 7,112,787	\$ 6,850,878	\$ 8,740,795	\$ 12,272,750	\$ 20,459,453	\$ 25,972,872	\$ 24,165,727	\$ 28,555,700
Charter School's covered payroll (plan measurement period)	\$ 1,272,903	\$ 1,429,773	\$ 2,864,587	\$ 3,742,939	\$ 4,039,602	\$ 4,293,389	\$ 4,245,857	\$ 3,732,075
Charter School's proportionate share of the net pension liability as a percentage of it's covered payroll	558.78%	479.16%	428.43%	327.89%	506.47%	604.95%	569.16%	765.14%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.64%	28.71%	22.33%	22.33%	22.33%	26.95%	24.60%

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

**SECTION M – SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
OPEB (GASB 75)**

**Freedom Prep Charter School**  
**Required Supplementary Information Schedules**  
**Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios**  
**Last Five Fiscal Years**  
**(Unaudited)**

	Measurement Date Ending				
	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
OPEB Liability at Beginning of Measurement Period		\$ 5,090,931	\$ 5,539,924	\$ 3,947,728	\$ 4,440,189
Service cost		1,529,307	1,251,791	1,026,243	1,103,713
Interest on Total OPEB Liability		186,928	241,335	189,958	191,631
Difference between expected and actual experience	NOT AVAILABLE		(2,530,387)	(657,683)	1,117,239
Effect of Changes of Assumptions		(1,143,651)	(453,022)	66,204	1,500,530
Contributions - Employee		4,725	3,648	4,040	4,335
Gross Benefits Paid by the State		(128,316)	(105,561)	(136,301)	(143,010)
Net Change in Total OPEB Liability	NOT AVAILABLE	448,993	(1,592,196)	492,461	3,774,438
OPEB Liability at Beginning of Measurement Period		5,090,931	5,539,924	3,947,728	4,440,189
Total OPEB Liability at End of Measurement Period	5,090,931	5,539,924	3,947,728	4,440,189	8,214,627

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

*Differences Between Expected and Actual Experiences:* The decrease in the Total OPEB Liability from June 30, 2018 to June 30, 2019 is due to changes in the census claims and premium experiences. The increase in liability from June 30, 2019 to June 30, 2020 is due to changes in the census, claims and premiums experience.

*Changes in Assumptions:*

The increase in the liability from June 30, 2018 to June 30, 2019 is due to the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019; and changes in the trend, excise tax, updated decrements, future spouse election, PPO/HMO future retiree elections, salary scale and mortality assumptions. The increase in the liability from June 30, 2019 to June 30, 2020 is due to the combined effect of the decrease in the assumed discount rate from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020; and changes in the trend, excise tax, updated mortality improvement assumptions.

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

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

A. **Benefit Changes**

There were none.

B. **Changes in Assumptions**

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.



**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

A. **Benefit Changes**

There were none.

B. **Changes in Assumptions**

The discount rate changed from 5.60% as of June 30, 2019 to 5.40% as of June 30, 2020.

***OTHER SUPPLEMENTARY INFORMATION***

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

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

**FREEDOM PREP CHARTER SCHOOL**  
 Special Revenue Fund  
 Combining Schedule of Revenues and Expenditures  
 Budgetary Basis  
 For the Fiscal Year Ended June 30, 2021

	CSE Grant	Elementary and Secondary Emergency Relief Fund	Corona Relief Fund	Student Activity / Athletics Fund	IDEA Part B	IDEA Pre School	Local Grants	Total
<b>Revenues:</b>								
Federal Sources	\$ -	\$ 506,400	\$ 116,175	\$ -	76,686	2,457	\$ -	\$ 1,838,437
Local Sources	\$ -	\$ -	\$ -	5,681	-	-	34,623	40,304
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 506,400</b>	<b>\$ 116,175</b>	<b>\$ 5,681</b>	<b>\$ 76,686</b>	<b>\$ 2,457</b>	<b>\$ 34,623</b>	<b>\$ 1,878,741</b>
<b>Expenditures:</b>								
Instruction:								
Salaries of Teachers	\$ -	\$ 130,000	\$ -	\$ -	19,493	\$ -	\$ -	\$ 1,066,255
General Supplies	24,146	216,207	116,175	4,973	4,973	-	34,623	396,124
<b>Total Instruction</b>	<b>-</b>	<b>346,207</b>	<b>116,175</b>	<b>-</b>	<b>24,466</b>	<b>-</b>	<b>34,623</b>	<b>1,464,379</b>
Support Services:								
Salaries of Supervisors of Instruction		70,000						70,000
Personal Services/Employee Benefits	193,811							193,811
Purchased Prof/Ecd Services		90,193			52,220	2,457		54,677
Supplies and Materials								90,193
<b>Total Support Services</b>	<b>193,811</b>	<b>160,193</b>	<b>-</b>	<b>-</b>	<b>52,220</b>	<b>2,457</b>	<b>-</b>	<b>408,681</b>
<b>Total Expenditures</b>	<b>1,136,719</b>	<b>506,400</b>	<b>116,175</b>	<b>-</b>	<b>76,686</b>	<b>2,457</b>	<b>34,623</b>	<b>1,873,060</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,681</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,681</b>

**SECTION G – PROPRIETARY FUND  
DETAIL STATEMENTS**

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

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

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

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

**SECTION H – FIDUCIARY FUNDS  
DETAIL STATEMENTS  
(NOT APPLICABLE)**

STATISTICAL SECTION  
(UNAUDITED)

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

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**Contents**

**Financial Trends**

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

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

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports (ACFR) for the relevant year.*



***FINANCIAL TRENDS***

**FREEDOM PREP CHARTER SCHOOL**

Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
Unaudited

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ -	\$ 36,812	\$ 41,413	\$ -	\$ -	\$ 4,528	\$ 46,520	\$ -	\$ -	\$ -
Restricted	75,025	75,025	-	-	-	-	-	100,558	133,185	176,208
Unrestricted	2,576,732	(1,035,273)	(1,441,693)	(714,902)	31,379	157,692	1,009,379	636,539	511,802	850,647
<b>Total Governmental Activities Net Assets/ Position</b>	<b>\$ 2,651,757</b>	<b>\$ (923,436)</b>	<b>\$ (1,400,280)</b>	<b>\$ (714,902)</b>	<b>\$ 31,379</b>	<b>\$ 162,220</b>	<b>\$ 1,055,899</b>	<b>\$ 737,097</b>	<b>\$ 644,987</b>	<b>\$ 1,026,855</b>
<b>Business-Type Activities</b>										
Unrestricted	\$ 572,702	\$ 470,921	\$ 475,114	\$ 341,619	\$ 334,806	\$ 138,044	\$ 55,425	\$ 304	\$ 35,881	\$ 51,823
<b>Total Business-Type Activities Net Assets/Position</b>	<b>\$ 612,814</b>	<b>\$ 524,225</b>	<b>\$ 475,114</b>	<b>\$ 341,619</b>	<b>\$ 334,806</b>	<b>\$ 138,044</b>	<b>\$ 55,425</b>	<b>\$ 304</b>	<b>\$ 35,881</b>	<b>\$ 51,823</b>
<b>Charter School-Wide</b>										
Net Investment in Capital Assets	\$ 40,112	\$ 90,116	\$ 41,413	\$ -	\$ -	\$ 4,528	\$ 46,520	\$ -	\$ -	\$ -
Restricted	75,025	75,025	-	-	-	-	-	100,558	133,185	176,208
Unrestricted	3,149,434	(564,352)	(966,579)	(373,283)	366,185	295,736	1,064,804	636,843	547,683	902,470
<b>Total Charter School Net Position</b>	<b>\$ 3,264,571</b>	<b>\$ (399,211)</b>	<b>\$ (925,166)</b>	<b>\$ (373,283)</b>	<b>\$ 366,185</b>	<b>\$ 300,264</b>	<b>\$ 1,111,324</b>	<b>\$ 737,401</b>	<b>\$ 680,868</b>	<b>\$ 1,078,678</b>

**Source: Annual Comprehensive Financial Report**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 7,261,019	\$ 7,304,344	\$ 6,617,506	\$ 6,866,834	\$ 4,957,677	\$ 5,118,959	\$ 4,465,813	\$ 1,792,925	\$ 1,787,295	\$ 1,680,212
Administration	6,228,157	5,030,834	7,877,158	7,742,466	6,140,957	5,395,431	3,942,779	1,183,930	1,112,647	961,091
Support Services	2,704,241	3,767,070	3,340,261	3,418,972	3,095,908	3,056,319	1,810,724	668,276	730,313	700,379
Capital Outlay					360,096					
Unallocated Benefits	36,812	4,601	4,601					267,014	311,899	251,906
Unallocated Depreciation						41,992	40,877	40,877	39,851	39,851
Fixed Asset Appraisal Adjustment									(5,132)	(60,734)
Total Governmental Activities Expenses	\$ 16,230,229	\$ 16,106,849	\$ 17,839,526	\$ 18,048,272	\$ 14,559,166	\$ 13,612,701	\$ 10,250,193	\$ 3,953,022	\$ 3,977,643	\$ 3,572,705
Business-Type Activities:										
Food Service	321,620	543,270	806,246	846,181	597,748	562,779	712,329	712,329	693,447	170,575
Total Business-Type Activities Expenses	\$ 321,620	\$ 543,270	\$ 806,246	\$ 846,181	\$ 597,748	\$ 562,779	\$ 712,329	\$ 712,329	\$ 693,447	\$ 170,575
Total Charter School Expenses	\$ 16,551,849	\$ 16,650,119	\$ 18,645,772	\$ 18,894,453	\$ 15,156,914	\$ 14,175,480	\$ 10,962,522	\$ 4,665,351	\$ 4,671,090	\$ 3,743,280
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	5,681									
Operating Grants and Contributions	273,200	300,822						\$ 324,493	\$ 139,910	\$ 378,487
Total Governmental Activities Expenses	\$ 278,881	\$ 300,822	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324,493	\$ 139,910	\$ 378,487
Business-Type Activities:										
Charges for Services					529				3,874	1,174
Operating Grants and Contributions	409,545	587,430	939,741	852,946	793,981	645,550	585,130	136,512	143,622	151,146
Capital Grants and Contributions								10,000		
Transfers								146,743	147,496	152,322
Total Business-Type Activities Expenses	\$ 409,545	\$ 587,430	\$ 939,741	\$ 852,946	\$ 794,510	\$ 645,550	\$ 585,130	\$ 146,743	\$ 147,496	\$ 152,322
Total Charter School Program Revenue	\$ 688,426	\$ 888,252	\$ 939,741	\$ 852,946	\$ 794,510	\$ 645,550	\$ 585,130	\$ 471,236	\$ 287,406	\$ 530,809
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (15,951,348)	\$ (15,806,027)	\$ (17,839,526)	\$ (18,048,272)	\$ (14,559,166)	\$ (13,612,701)	\$ (10,250,193)	\$ (3,628,529)	\$ (3,837,733)	\$ (3,194,218)
Business-Type Activities	87,925	44,160	133,495	67,651	196,782	82,771	55,121	(35,577)	(15,942)	(18,253)
Total Charter School Net Expense	\$ (15,863,423)	\$ (15,761,867)	\$ (17,706,031)	\$ (18,041,507)	\$ (14,362,404)	\$ (13,529,930)	\$ (10,195,072)	\$ (3,664,106)	\$ (3,853,675)	\$ (3,212,471)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
General Purposes	\$ 675,243	\$ 605,494	\$ 530,433	\$ 531,560	\$ 474,844	\$ 418,033	\$ 340,328	\$ 110,660	\$ 111,019	\$ 138,567
Federal and State Aid Not Restricted	17,071,525	15,634,276	16,486,912	16,357,388	13,741,247	12,817,144	10,037,411	3,598,928	3,266,919	3,477,898
Investment Earnings	8,807	22,067	1,915	432						
Miscellaneous Income	200,532	21,034	134,888	412,611	213,152	349,437	161,025	21,051	78,227	53,407
Special Items	1,658,705							(10,000)		
Transfers										
Total Governmental Activities	\$ 19,614,812	\$ 16,282,871	\$ 17,154,148	\$ 17,301,991	\$ 14,429,243	\$ 13,584,614	\$ 10,538,764	\$ 3,720,639	\$ 3,456,165	\$ 3,669,872
Business-Type Activities:										
Miscellaneous Income	664	4,951		48						
Total Business-Type Activities Expenses	\$ 664	\$ 4,951	\$ -	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Charter School Wide	\$ 19,615,476	\$ 16,287,822	\$ 17,154,148	\$ 17,302,039	\$ 14,429,243	\$ 13,584,614	\$ 10,538,764	\$ 3,720,639	\$ 3,456,165	\$ 3,669,872
<b>Change in Net Position</b>										
Governmental Activities	\$ 3,663,464	\$ 476,844	\$ (685,378)	\$ (746,281)	\$ (129,923)	\$ (28,087)	\$ 288,571	\$ 92,110	\$ (381,568)	\$ 475,654
Business-Type Activities	88,589	49,111	133,495	6,813	196,782	82,771	55,121	(35,577)	(15,942)	(18,263)
Total Charter School	\$ 3,752,053	\$ 525,955	\$ (551,883)	\$ (739,468)	\$ 66,839	\$ 54,684	\$ 343,692	\$ 56,533	\$ (397,510)	\$ 457,401

Source: Annual Comprehensive Financial Report

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Restricted	157,997	\$ 157,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,161	\$ 4,911	\$ 12,445
Unassigned	6,486,218	1,867,819	1,028,089	971,310	1,342,370	1,009,379	1,009,379	636,539	511,802	850,347
<b>Total General Fund</b>	<b>\$ 6,644,215</b>	<b>\$ 2,025,816</b>	<b>\$ 1,028,089</b>	<b>\$ 971,310</b>	<b>\$ 1,342,370</b>	<b>\$ 1,009,379</b>	<b>\$ 1,009,379</b>	<b>\$ 649,700</b>	<b>\$ 516,713</b>	<b>\$ 862,792</b>
All Other Governmental Funds										
Restricted										
Special Revenue Fund	\$ 12,672	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171	\$ -	\$ -	\$ -
<b>Total All Other Governmental Funds</b>	<b>\$ 12,672</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 171</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Source: Annual Comprehensive Financial Report**

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Revenues:</b>										
Local Sources:										
State Sources	\$ 675,243	605,494	530,433	\$ 531,560	\$ 474,844	\$ 418,033	\$ 340,328	\$ 131,711	\$ 189,246	\$ 191,974
Federal Sources	274,535	110,179	257,617	319,554	189,462	125,580	100,633			
Total Revenues	13,952,897	13,450,300	13,711,500	13,393,928	12,569,063	11,496,531	9,332,180	3,597,658	3,258,840	3,463,502
	1,838,437	1,361,433	1,420,217	1,347,240	1,195,874	1,597,773	765,623	325,763	147,989	392,883
	16,741,112	15,527,406	15,919,767	15,592,282	14,429,243	13,637,917	10,538,764	4,055,132	3,596,075	4,048,359
Special Items	1,658,705									
<b>Expenditures:</b>										
Instruction	4,732,037	5,282,836	5,944,624	6,306,159	5,325,093	5,808,000	4,698,194	1,792,925	1,787,295	1,680,212
Administration	7,048,449	5,935,211	6,616,426	6,031,211	5,398,383	4,775,017	3,738,028	1,183,930	1,112,647	961,091
Support Services	2,200,809	3,333,258	3,304,536	3,254,912	3,012,680	3,001,597	1,742,863	668,276	730,313	700,379
Capital Outlay	-	-	46,014	-	360,096	-	-	-	-	-
Unallocated Benefits	-	-	-	-	-	-	-	-	-	-
Total Expenditures	13,981,295	14,551,305	15,911,600	15,592,282	14,096,252	13,584,614	10,179,085	3,912,145	3,942,154	3,593,588
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,759,817	976,101	8,167	-	332,991	53,303	359,679	142,987	(346,079)	454,771
<b>Other Financing Uses:</b>										
Transfers Out	-	-	-	-	-	-	(10,000)	-	-	-
Total Other Financing Uses	-	-	-	-	-	-	(10,000)	-	-	-
Net Change in Fund Balance	\$ 4,418,522	\$ 976,101	\$ 8,167	\$ -	\$ 332,991	\$ 53,303	\$ 349,679	\$ 142,987	\$ (346,079)	\$ 454,771

Source: Annual Comprehensive Financial Report

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

Fiscal Year Ending June 30,	Sale of Capital Assets	Donations	Interest	Prior Year Refunds	Sale and Leaseback of Textbooks	Miscellaneous Revenue	Total
2021	\$ -	\$ -	\$ 8,807	\$ -	\$ -	\$ 225,424	\$ 234,231
2020	-	-	-	2,470	-	73,879	76,349
2019	-	30	-	13,337	-	157,807	171,174
2018	-	-	-	138,043	-	8,232	146,275
2017	-	363	-	5,969	-	5,011	11,343
2016	-	200	-	57,023	-	3,718	60,941
2015	-	-	-	53,276	-	20,095	73,371
2014	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-

Source: Charter School records

***OPERATING INFORMATION***

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

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Instruction	73	75	93	93	85	81	49	24	26	23
Administrative	7	6	23	23	20	20	9	8	5	5
Support Services	23	41	10	10	6	10	25	2	3	3
Food Service	-	1	-	-	-	-	2	2	2	2
<b>Total</b>	<b>103</b>	<b>123</b>	<b>126</b>	<b>126</b>	<b>111</b>	<b>111</b>	<b>85</b>	<b>36</b>	<b>36</b>	<b>33</b>



**FREEDOM PREP CHARTER SCHOOL**

Operating Statistics  
Last Ten 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
2021	826	\$ 10,243,153	\$ 12,401	-8.82%	66	1:12	814.7	653	-2.80%	80.15%
2020	849	11,546,986	\$ 13,601	-5.96%	70	1:9	838.2	764	-4.53%	91.15%
2019	891	12,885,986	\$ 14,462	-4.01%	93	1:9	878	806	5.02%	91.80%
2018	843	12,701,248	\$ 15,067	-0.65%	93	1:9	836	778	3.47%	93.06%
2017	759	11,510,237	\$ 15,165	28.55%	81	1:9	808	770	2.67%	95.30%
2016	759	8,953,800	\$ 11,797	140.37%	49	1:9	787	707	24.53%	89.83%
2015	731	3,587,652	\$ 4,908	-69.80%	23	1:15	632	584	167.57%	92.41%
2014	234	3,802,244	\$ 16,249	24.33%	23	1:10	236.2	216	-3.98%	91.45%
2013	246	3,215,101	\$ 13,070	6.22%	20	1:10	246.0	218	0.94%	88.62%
2012	234	2,879,061	\$ 12,304	N/A	21	1:12	243.7	243	17.73%	99.71%

Source: Charter School's Records

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b><u>Charter School Building</u></b>										
School Building:										
Square Feet	300,000	300,000	300,000	300,000	11,000	11,000	11,000	11,000	11,000	11,000
Capacity (students)	1020	1020	731	731	255	255	255	255	255	255
Enrollment	826	855	731	731	234	246	234	234	227	243

Number of Schools at, June 30, 2021:  
    School Building: 1

**Other**

Source: District Facilities Office

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

**Source: Charter School Facilities Office**

SCHEDULE OF YOUR CURRENT INSURANCE

Page 1 of 4

Prepared For:

**FREEDOM PREP CHARTER SCHOOL  
1000 ATLANTIC AVENUE  
CAMDEN, NJ 08104**

**A SERVICE OF  
ARTHUR J. GALLAGHER  
RISK MANAGEMENT SERVICES, INC.  
707 STATE ROAD - P.O. BOX 83  
PRINCETON, NEW JERSEY 08542  
PHONE: 609 924-5000**

DATE PREPARED: 12/18/2020

COVERAGE	AMOUNTS/LIMITS	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
<b><u>PACKAGE POLICY</u></b>		<b>1 YR.</b>	<b>7/1/2021</b>	<b>NJSIG</b>	<b>P924AL</b>	<b>\$37,915.07</b>	<b>DIRECT BILLED BY NJSIG (Prepaid)</b>
<b><u>Property</u></b>							
Contents Limit	\$689,585						Location: 1000 Atlantic Ave., Camden, NJ
Tenants Improvements & Betterments	\$1,060,900						
Extra Expense - NJSIG Limit	\$50,000,000						
Valuable Papers & Records - NJSIG Limit	\$10,000,000						
Loss of Rents	\$200,000						
Loss of Business Income/Tuition Deductible	\$2,000,000						
Flood Zones A & V NJSIG Agg	\$1,000						
Flood Zones A & V Deductible	\$25,000,000						
All Other Flood Zones NJSIG Agg	\$500,000						
All Other Flood Zones Deductible	\$75,000,000						
Earthquake occ/NJSIG annual agg	\$10,000						
Terrorism NJSIG Agg	\$50,000,000						
	\$1,000,000						
<b><u>EDP</u></b>							
Blanket Hardware/Software	\$188,255						
Computer Virus	\$250,000						
Deductible	\$10MIL NJSIG Aggregate						
	\$1,000						
<b><u>Equipment Breakdown</u></b>							
Property Damage & Business Income	\$1,750,485						
Deductible	\$25,000						
<b><u>Crime</u></b>							
Public Employee Dishonesty	\$250,000						
Forgery or Alteration	\$250,000						
Money & Securities On or Off Premises	\$50,000						
Money Orders & Counterfeit Paper	\$100,000						
Computer Fraud	\$250,000						
							Deductible \$1,000 Deductible \$1,000 Deductible \$500 Deductible \$500 Deductible \$1,000

We present this schedule so you may get an overall picture of your insurance protection. If you have policies from other insurance offices we suggest you add them to this list to present the complete picture.

Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

SCHEDULE OF YOUR CURRENT INSURANCE

Page 2 of 4

Prepared For: **FREEDOM PREP CHARTER SCHOOL**

**A SERVICE OF**  
**ARTHUR J. GALLAGHER**  
**RISK MANAGEMENT SERVICES, INC.**  
**707 STATE ROAD - P.O. BOX 83**  
**PRINCETON, NEW JERSEY 08542**  
**PHONE: 609 924-5000**

DATE PREPARED: 12/18/2020

COVERAGE	AMOUNTS/LIMITS	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
<b><u>General Liability</u></b> Bodily Injury & Property Damage Products/Completed Ops annual agg Sexual Abuse per occurrence Sexual Abuse annual NJSIG agg Personal & Advertising Injury per occ Personal & Adver. Injury Ann Agg Employee Benefits Liability Employee Benefits Liability Deductible Premises Medical Payments Premises Medical Payments	\$31,000,000 \$31,000,000 \$27,000,000 \$27,000,000 \$31,000,000 \$31,000,000 \$31,000,000 \$1,000 \$10,000 \$5,000	per accident per person					
<b><u>Business Auto</u></b> Hired & Non-Owned Auto Liability	\$31,000,000						
<b><u>Cyber Breach Response</u></b> Policy Aggregate of Liability Agg. Sublimit Per Scheduled Insured Privacy Breach Response Services: Notified Individuals Limit Computer Expert/Legal Services & PR/Crisis Mgmt. Expenses Combined Each Claim Retention Privacy Breach Response Retentions Retroactive Date *See policy for full list of sublimits/retentions	\$20,000,000 \$2,000,000 2,000,000 Aggregate 250,000 sublimit per Scheduled Insured \$2,500,000 Aggregate \$1,000,000 sublimit per Scheduled Insured \$25,000 Various amounts Full Prior Acts	1 YR.	7/1/2021	Beazley (NJSIG)	V15DC1200701	Incl. in Pkg.	Coverage for all Privacy Breach Response Services is separate from and in addition to the Policy Aggregate Limit of Liability.
<b><u>Environmental Impairment</u></b> Each Incident Deductible Aggregate per Named Insured Coverage Aggregate	\$1,000,000 \$50,000 \$2,000,000 \$11,000,000	1 YR.	7/1/2021	Ironshore (NJSIG)	003576402	Incl. in Pkg.	

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SCHEDULE OF YOUR CURRENT INSURANCE

Page 3 of 4

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FREEDOM PREP CHARTER SCHOOL

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 707 STATE ROAD - P.O. BOX 83  
 PRINCETON, NEW JERSEY 08542  
**PHONE: 609 924-5000**

DATE PREPARED: 12/18/2020

COVERAGE	AMOUNTS/LIMITS	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
<b><u>ERRORS &amp; OMISSIONS LIABILITY</u></b>							
Coverage A: Limit each policy period Deductible each claim	\$31,000,000 \$15,000	1 YR.	7/1/2021	NJSIG	E924AL	\$23,460.18	<b>DIRECT BILLED BY NJSIG (Prepaid)</b> Retroactive Dates: Cov. A for Limits up to \$25M 7/1/1986 Cov. A for Limits \$26M-\$31M 7/1/2012 Coverage B 7/1/1986
Coverage B: Limit each claim Limit each policy period Deductible each claim	\$100,000 \$300,000 \$15,000						
<b><u>WORKERS' COMPENSATION</u></b>							
Workers' Compensation Limits	Statutory	1 YR.	7/1/2021	NJSIG	W924AL	\$143,688.12	<b>DIRECT BILLED BY NJSIG (12 Equal Installments)</b> Estimated deposit premium may be verified; based on Prof. Payroll: \$7,043,044 Non-Prof. Payroll: \$81,648 Experience Mod: 0.9614 NJSIG Discount: 1.2820
Employers' Liability Limits							
Bodily Injury by Accident	\$3,000,000	each accident					
Bodily Injury by Disease	\$3,000,000	each employee					
Bodily Injury by Disease	\$3,000,000	aggregate limit					
<b><u>SUPPLEMENTAL INDEMNITY</u></b>							
(Salary Continuance)		1 YR.	7/1/2021	FEDERAL INS. CO. (Chubb)	6477-5774 (9907-15-88)	\$1,977.33	<b>DIRECT BILLED BY NJSIG (Prepaid)</b>
Maximum Weekly Benefit	\$2,500						
Maximum Benefit Period	52 Weeks						
Elimination Period	7 Days						
Aggregate per Accident	\$100,000						
<b><u>CAP EXCESS LIABILITY</u></b>							
Each Occurrence	\$25,000,000	1 YR.	7/1/2021	FIREMAN'S FUND INS. CO. (Allianz)	USL007293202	\$3,503	<b>BILLED BY AJG (prepaid)</b>
Aggregate	\$25,000,000						Shared Limit

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SCHEDULE OF YOUR CURRENT INSURANCE

Page 4 of 4

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PHONE: 609 924-5000**

DATE PREPARED: 12/18/2020

COVERAGE	AMOUNTS/LIMITS	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
<u>STUDENT ACCIDENT</u> Maximum Benefit: All Students including Athletics Football Excluded Catastrophe Cash Benefit Volunteers Non-Enrolled Campers	\$6,000,000 \$1,000,000 \$50,000 \$50,000	1 YR.	7/1/2021	ZURICH AMERICAN INS. CO. (Bollinger)	MCB5858702	\$3,625	BILLED BY AJG (prepaid) 19/20 COVID-19 Credit \$659 Full Excess 10 Year Benefit Period  1 Year Benefit Period 1 Year Benefit Period

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Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

New Jersey Performance Framework, Financial Ratios  
 Freedom Prep Charter School  
 Audited Performance Indicators

J-21

	2019 Audit	2020 Audit	2021 Audit	Source
Cash	\$ 2,461,819	\$ 5,311,379	\$ 7,633,934	Audit Exhibit A-1
Current Assets (include cash)	4,304,686	5,979,549	8,368,581	Audit Exhibit A-1
Current Liabilities	2,545,631	3,181,990	1,138,992	Audit Exhibit A-1
Total Expenses	18,645,772	16,650,119	16,551,849	Audit Exhibit A-2
Change in Net Position	(651,863)	525,955	3,752,063	Audit Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	808.00	878.00	838.00	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	759	891	891	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	4,601	4,601	36,812	Auditor/Workpapers
Interest Expense				Auditor/Workpapers
Principal Payments				Auditor/Workpapers
Interest Payments				Auditor/Workpapers

Performance Indicators	2019	2020	2021	3 YR CUM	Calculation****	Target****
<b>Near Term Indicators</b>						
1a. Current Ratio (working capital ratio)	1.7	1.9	7.3		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b. Unrestricted days cash on hand	48	116	168		Cash (Total Expenses/365)	60 days or 30-60 days with positive trend
1c. Enrollment Variance	106%	99%	94%	100%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.** Default on loans or delinquent in debt payments	NO	NO	NO		Auditor	not in default
<b>Sustainability Indicators</b>						
2a*** 3 Year Cumulative Cash Flow	2,461,819	2,849,560	2,322,555	7,633,934	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

\* For renaissance schools: use Oct 15 count if no final count; use head count if ADE not available  
 \*\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? No  
 \*\*\* 2020 =2020 Cash - 2019 Cash; 2019 =2019 Cash-2018 Cash; 2018 =2018 Cash-2017 Cash  
 \*\*\*\* Refer to NJ Performance Framework

Meets Standard  
 Does Not Meet Standard  
 Falls Far Below Standard

SINGLE AUDIT SECTION



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

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*(908) 686-3484*  
*FAX – (908) 686-6055*

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

**INDEPENDENT AUDITOR’S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities and each major fund information of Freedom Prep Charter School (Charter School), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated February 8, 2022, which contains an emphasis of matter paragraph describing the adoption of a new accounting principle, consistency of financial statements, and prior period adjustment.

**Internal Control over Financial Reporting**

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

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. We did identify significant deficiencies in internal control, described in the accompanying Schedule of Financial Statement Findings and Questioned Costs as items #2021-001 and #2021-002.

### **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 is 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.


### **Freedom Prep Charter School Response to Findings**

Freedom Prep Charter School's response to the findings identified in our audit is described in the accompanying Schedule K-6, Part II Schedule of Findings and Questioned Costs. Freedom Prep Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey and federal and state awarding agencies and pass-through entities in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Barre & Company LLC  
Union, New Jersey

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

February 8, 2022

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

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
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Page 1

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

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

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

We have audited the Freedom Prep 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, 2021. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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), the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, *State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Circular 15-08 OMB require that we plan and perform the audit to obtain reasonable assurance about

whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Freedom Prep Charter School, in the State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2021.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item #2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Freedom Prep Charter School's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Freedom Prep Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of Freedom Prep Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey Circular 15-08 OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that


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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses .

### **Purpose of This Report**

The purpose of this report on internal control over compliance to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirement of the Uniform Guidance and New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.

  
Barre & Company LLC  
Union, New Jersey

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

February 8, 2022



**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2021

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2020		Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years Balance	Balance at June 30, 2021		MEMO
			From	To	Unearned Revenue (Accounts Receivable)	Unearned Revenue/Interfund Payable					(Accounts Receivable)	Cumulative Total Expenditures	
<b>State Department of Education</b>													
General Fund:													
State Aid Public:													
Equalization Aid	21-495-034-5120-078	10,084,396	7/1/20	6/30/21				9,736,856	(10,084,396)		(347,540)		10,084,396
Equalization Aid	20-485-034-5120-078	10,767,013	7/1/19	6/30/20		(238,763)	236,763						
Special Education Categorical Aid	21-495-034-5120-089	651,689	7/1/20	6/30/21			651,689	(651,689)					651,689
Security Aid	21-495-034-5120-084	-	7/1/20	6/30/21		(238,763)		(325,997)	(12,087,815)		(347,540)		325,997
Total State Aid Public							11,653,041	(12,087,815)					12,087,815
Nonpublic Aid	21-100-034-5120-064	-	7/1/20	6/30/21									
Nonpublic Aid	20-100-034-5068-042	-	7/1/19	6/30/20									
Other State Aid	21-495-034-5120-078	-	7/1/20	6/30/21									
Other State Aid	20-495-034-5120-078	-	7/1/19	6/30/20									
On Behalf:													
TPAF Post-Retirement Medical Contributions	21-495-034-5094-001	379,299	7/1/19	6/30/20			379,299	(379,299)					379,299
TPAF Pension Contributions	21-495-034-5094-002	1,210,331	7/1/20	6/30/21			1,210,331	(1,210,331)					1,210,331
Non-Contributory Insurance Contributions	21-495-034-5094-004	2,252	7/1/20	6/30/21			2,252	(2,252)					2,252
Reimbursed TPAF - Social Security Contributions	21-495-034-5094-003	273,200	7/1/20	6/30/21		(49,285)	261,012	(273,200)			(12,188)		273,200
Reimbursed TPAF - Social Security Contributions	20-495-034-5094-003	300,822	7/1/19	6/30/20			49,295						
Total General Fund						(288,059)	13,555,230	(13,952,897)			(359,728)		13,952,897
<b>State Department of Agriculture</b>													
Enterprise Fund:													
National School Lunch Program (State Share)	21-100-010-3350-023	13,177	7/1/20	6/30/21		(1,104)	11,213	(13,177)			(1,964)		13,177
National School Lunch Program (State Share)	20-100-010-3350-023	5,272	7/1/19	6/30/20			1,104						
Total Enterprise Fund						(1,104)	12,317	(13,177)			(1,964)		13,177
Total All Funds						(289,162)	13,567,547	(13,966,074)			(361,692)		13,966,074
State Financial Assistance Not Subject to Major Program Determination:													
General Funds:													
TPAF Post-Retirement Medical Contributions	21-495-034-5094-001	379,299	7/1/19	6/30/20			(379,299)	379,299					(379,299)
TPAF Pension Contributions	21-495-034-5094-002	1,210,331	7/1/20	6/30/21			(1,210,331)	1,210,331					(1,210,331)
Non-Contributory Insurance Contributions	21-495-034-5094-004	2,252	7/1/20	6/30/21			(2,252)	2,252					(2,252)
Total General Fund							(1,591,882)	1,591,882					(1,591,882)
Total State Financial Assistance Subject to Single Audit							\$	(12,374,192)					

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



**FREEDOM PREP CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Federal Awards and State Financial Assistance  
June 30, 2021

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 (CFR) Part 200 -Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the presentation 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:22-4.2.

**FREEDOM PREP CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2021

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 13,952,897	\$ 13,952,897
Special Revenue Fund	1,838,437		1,838,437
Food Service Fund	396,368	13,177	409,545
Total Awards & Financial Assistance	<u>\$ 2,234,805</u>	<u>\$ 13,966,074</u>	<u>\$ 16,200,879</u>

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

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

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

Freedom Prep Charter School has no loan balances outstanding at June 30, 2021.

**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, 2021. 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, 2021.

**FREEDOM PREP CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2021

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

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

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$1,112,573
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>24,146</u>
Total	<u>\$ 1,136,719</u>

**NOTE 9. DE MINIMIS INDIRECT COST RATE**

The school has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**NOTE 10. MAJOR PROGRAMS**

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

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

**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  No

2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No  
 Reported

Noncompliance material to basic financial statements noted?  Yes  No

**Federal Awards**

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  No  
 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 the Uniform Guidance?  Yes  No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I Part
EDUCATION STABILIZATION FUND: 84.425D	<u>Elementary And Secondary School Education Emergency Relief Fund (Esser)</u>

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

Auditee qualified as low-risk auditee?  Yes  No

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

**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 NJOMB Circular Letter 15-08?  Yes  No

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
	<u>STATE AID-PUBLIC:</u>
<u>21-495-034-5120-078</u>	<u>EQUALIZATION AID</u>
<u>21-495-034-5120-089</u>	<u>SPECIAL EDUCATION CATEGORICAL AID</u>
<u>21-495-034-5120-084</u>	<u>SECURITY AID</u>
<u>21-495-034-5120-085</u>	<u>ADJUSTMENT AID</u>

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings And Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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***Part II – Schedule of Financial Statement Findings***

The section identifies the significant deficiencies, material weaknesses and fraud, non compliance with provisions of laws, regulation, contracts, and grant agreements related to financial statements for which Government Auditing Standards and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey requires.

**Item #2021-001 – Improper Accounting for Interfund Transactions and Incorrect Bank Reconciliations**

Criteria: A well designed system of internal controls calls for the design and implementation of a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives" in three categories-- effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

Condition: The School accounts for interfund transactions as reconciling items in the bank reconciliations for the School's various bank accounts. This caused a significant misstatement of \$441,477 in Fund 10's operating account cash balance. Additionally, the School accounts for cash disbursements made from Fund 10's operating bank account for Fund 60 transactions as disbursements in the Fund 60 general ledger cash account. This is improper accounting as the disbursements from a Fund 10 bank account should be recorded as Fund 10 cash transactions and not in Fund 60's cash general ledger account.

Cause: The School improperly records interfund transactions in the general ledger and then improperly shows interfund transactions as reconciling items in the bank reconciliations. This is the result of improper application of interfund accounting.

Effect: Fund 10 cash was misstated by \$441,477.

Questioned Costs: None

Context: This is considered as a significant deficiency in internal control. While individual bank reconciliations were considered as incorrect, the differences netted to \$0 when including all bank accounts from all funds. The error is considered to be non-systematic and the result of improper understanding and application of interfund accounting.

Recommendations: Management should establish procedures and controls to ensure that financial reporting is reliable. In this case they should review their procedures for accounting for interfund transactions and preparing bank reconciliations and make changes where appropriate.

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings And Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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***Part II –Schedule of Financial Statement Findings (Continued)***

Responsible Official's Response and Corrective Action Planned:

The School Business Administrator does not agree with the finding. As required by N.J.S.A. 18A:17-9(a) the SBA provides reconciled bank account balances at each Board meeting. Cash was not misstated by \$441,477. The reconciling transfers on the reconciling reports are between bank accounts. Additional reconciling transfers were included on the bank reconciliations because the SBA could not reconcile to FY20 auditor adjustments. The SBA reached out to the Auditor on August 10, 2021 documented by email, stating that auditors closing cash ending June 30, 2020 across all funds was lower than what the school had by \$23,942.41. We asked for assistance identifying this difference. The auditor sent work papers not specifically identifying the difference. The SBA reached out again to the Auditor on August 22, 2021 documented by email stating that we could not find the difference, and we suggested adjusting our numbers to match the auditor's so that we balance and place adjustments on our reconciliation report. The auditor responded that we make the adjustments per a spreadsheet sent. The SBA reconciled the books and kept adjustments on the reconciliation reports with the expectation that the auditor would be adjusting interfunds across all funds. In regards, to the schools Enterprise Fund 60, noted as Fund 50; the school uses the Operating Account for all check issued by the school. An expenditure for Fund 60 is coded to Fund 60. Transfers are made between checking accounts. Per, N.J.S.A. 18A:19-10 the school shall only maintain separate bank accounts for net payroll and an agency account for payroll deductions; therefore, the school is not required to maintain a separate account for Fund 60, but does, and therefore reconciles accordingly. The SBA will eliminate the bank accounts not required by code.

Planned Implementation Date of Corrective Action: NONE PROVIDED

**Item #2021-001 – Improper Accounting for Interfund Transactions and Incorrect Bank Reconciliations (Continued)**

Person Responsible for Corrective Action: NONE PROVIDED

**Item #2021-002 – The Reimbursement to the State of New Jersey – NJSA 18A:66-90 (Pension and Social Security- Federally Funded Programs) for School Year 2020-2021 was not calculated and Recorded as a Fund 20 Liability as of June 30, 2021**

Criteria: NJSA 18A: 66-90 calls for the Charter School, within 90 days after the close of each next fiscal year reimburse the State the amount of such increased cost from funds allocated to the public employer from the Federal Government and involving members of the Teachers' Pension and Annuity Fund.

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings And Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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***Part II –Schedule of Financial Statement Findings (Continued)***

**Item #2021-002 – The Reimbursement to the State of New Jersey – NJSA 18A:66-90 (Pension and Social Security- Federally Funded Programs) for School Year 2020-2021 was not calculated and Recorded as a Fund 20 Liability as of June 30, 2021 (Continued)**

Condition: Despite the fact that the School had calculated and established a liability for this reimbursement in past years, the School did not record such a liability as of June 30, 2021. A liability in the amount of \$139,483 was proposed as an audit adjustment. The client did not accept the audit adjustment as proposed and instead recorded a liability adjustment of \$49,336 to Fund 20 as of June 30, 2021.

Cause: The School claimed that the teachers' salaries expended in Title I, and other federal program grant programs, were based on teachers who were not TPAF employees. In researching this further it was found that these teachers appeared in the TPAF IROC reports which is the pension report showing all TPAF employees. The reimbursement to the State was therefore required by statute.

Effect: Fund 20 liabilities and expenses were understated by \$90,147 in the Governmental Funds and Charter School-Wide financial statements..

Questioned Costs: None

Context: This is considered as a significant deficiency in internal control. It is considered to be non-systematic and the result of improper understanding and evaluation of the requirements of this statute.

Recommendations: Management should establish procedures and controls to ensure that compliance is maintained for all statutory requirements. A review of such requirements may be accomplished through seminars or review of the appropriate N.J.S.A. guidelines.

Responsible Official's Response and Corrective Action Planned: *The School Business administrator does not agree with the finding. The SBA is fully aware of the compliance requirements and does not agree with the reimbursement amount. The SBA did prepare the Reimbursement to State of NJ with a Liability of \$0. The ESEA grant was approved for \$888,762 for non-certified co-teacher (PERS) and \$30,000 for Extended-Day Teachers (not included in TPAF Salary). The SBA acknowledges that \$140,000 in Certified TPAF Teachers were charged to the CARES grant and there should be a liability of \$49,336 ( $\$140,000 \times 0.3524$ ).*

Planned Implementation Date of Corrective Action: NONE PROVIDED

Person Responsible for Corrective Action: NONE PROVIDED



**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings And Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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

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

**CURRENT YEAR FEDERAL AWARDS**

**Item #2021-003 – Expenses Charged to the Education and Stabilization Funds (CARES) Grant are Not in Compliance with the Grant Agreement**

Criteria: The grant calls for allowable expenses to directly address preparedness and response to the COVID-19 pandemic situation.

Condition: The School transferred salary expenses from Fund 10 to Fund 20 and charged \$200,000 of salary expenses to the Education and Stabilization Funds (CARES) Grant. There is no evidence that the salary expenses directly address preparedness and response to the COVID-19 pandemic situation as is the requirement of the grant. We questioned \$200,000 because the expenditures were not in compliance with grant requirements.

Cause: The School was unaware of the allowable expense requirements for this grant, as described in the grant's compliance supplement, resulting in these unallowable expenditures charged to the grant.

Effect: The grant was overcharged with non allowable expenses.

Questioned Costs: \$200,000

Context: The instance of non compliance is considered to be non-systematic and the result of improper understanding of the requirements of this new grant.

Recommendations: Management should establish procedures and controls to ensure that grant compliance requirements are carefully reviewed and understood prior to submitting expenditures for reimbursement.

**FREEDOM PREP CHARTER SCHOOL**  
Schedule of Findings And Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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

**CURRENT YEAR FEDERAL AWARDS (CONTINUED)**

**Item #2021-003 – Expenses Charged to the Education and Stabilization Funds (CARES) Grant are Not in Compliance with the Grant Agreement (Continued)**

Responsible Official's Response and Corrective Action Planned: *The School Business Administrator does not agree with this finding. The CARES Grant was written with 2 teachers (“Teachers will provide supplemental learning opportunities (both in person and virtually when necessary), including small group lessons and 1:1 tutoring. These opportunities will seek to support students with IEPs and ELLs.”) and a Director of Operations (“The newly created Director of Operations position will play a large role in ensuring a safe and smooth reopening of the schools, focusing on compliance and safety.”) and approved by the State. Two (2) teachers and a Director of Operations was charged to the grant as written and approved by the State.*

Planned Implementation Date of Corrective Action: NONE PROVIDED

Person Responsible for Corrective Action: NONE PROVIDED

**CURRENT YEAR STATE AWARDS**

No Current Year Findings

**FREEDOM PREP CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared By  
Management  
For the Fiscal Year Ended June 30, 2021

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**STATUS OF PRIOR-YEAR FINDINGS**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

**Findings**

**ITEM #2020-001-** DCRP EMPLOYEE AND EMPLOYER 401(K) CONTRIBUTIONS WERE NOT SENT TO THE 401K PROVIDER ON A TIMELY BASIS IN ACCORDANCE WITH ERISA REGULATIONS

**Status:** Management addressed this matter for fiscal year 2021