

FREEDOM PREP CHARTER SCHOOL

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

JUNE 30, 2022

**PREPARED BY
Freedom Prep Charter School**

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

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

March 13, 2023

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, 2022, 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 Auditor's 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 six-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 2021-2022, the Charter School served students in grades K-12.

Address: In 2021-2022, the Charter School was located at 1000 Atlantic Ave, Camden New Jersey 08104.

Facility: In 2021-2022, the Charter School occupied parts of the 2nd, 3rd, 4th, and 5th Floors of the Virtua Health facility located at the aforementioned address, previously occupied by D.U.E. Season Charter School.

Number of Students, Grades, and Classes: The Charter School was authorized to serve a maximum enrollment of 1,020 students in 2021-2022 in grades K-12. Freedom Prep Charter School ended the 2021-2022 school year with an enrollment of 769 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 2021-2022 year.

Trustees	Term Ends	Role	Voting/Non-Voting
Krystle Birdsall	6/30/2022	President	Voting
Matthew Davidoff	6/30/2022	Vice President	Voting
James Fridle	4/30/2023	Member	Voting
Alex Jones	1/11/2025	Member	Voting
Tomas Varela	4/13/2025	Member	Voting
Alex Rosado-Torres	3/2/2025	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; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2022.

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 Financial Statements" Notes 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

8. **OTHER INFORMATION:**

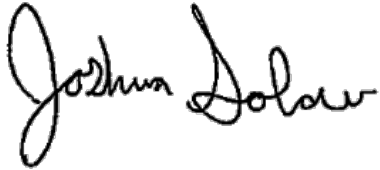
Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Robinson CPAs, LLP. 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 auditor's report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's 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,

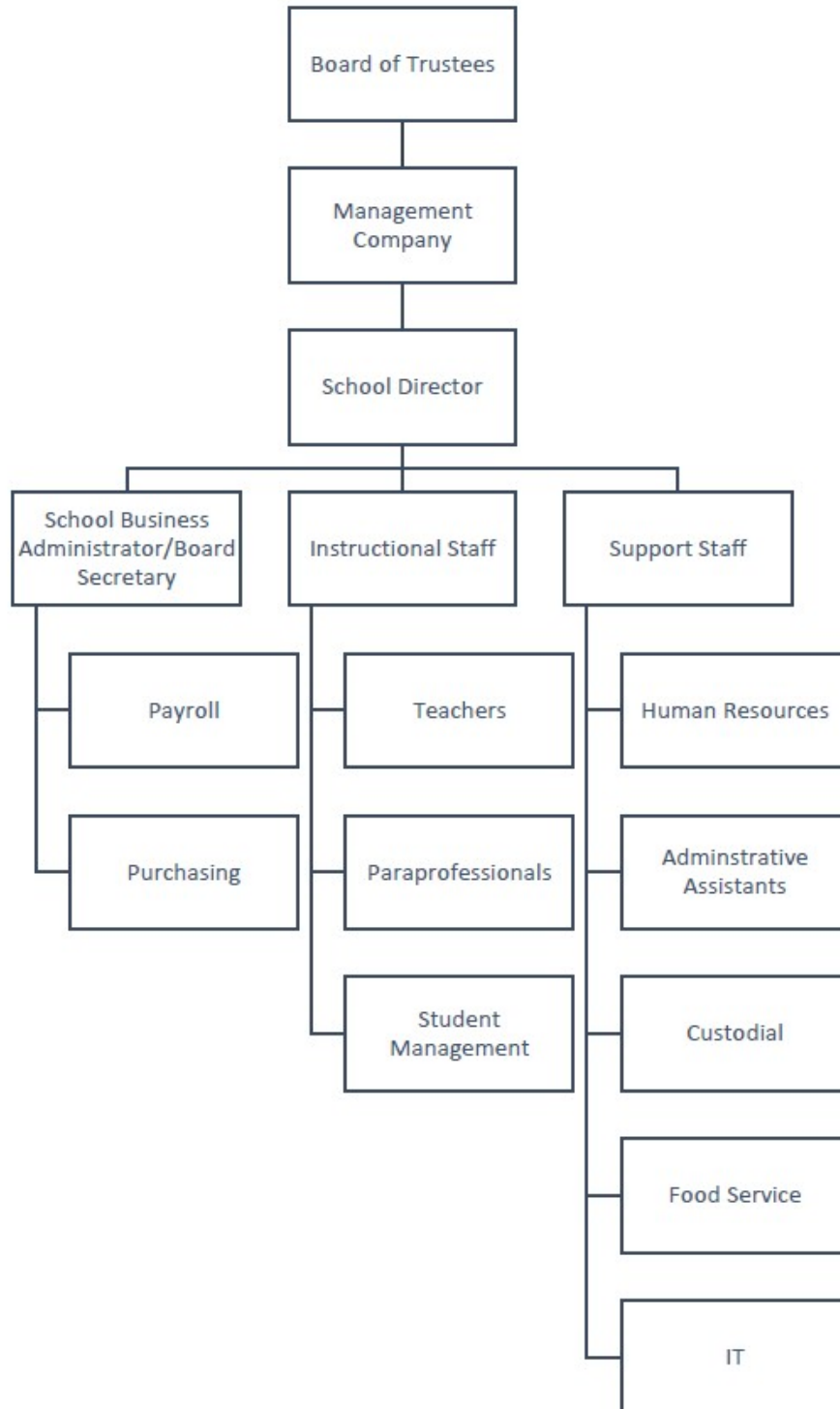
A handwritten signature in black ink that reads "Joshua Solow". The signature is written in a cursive, flowing style.

Joshua Solow
School Business Administrator

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

ORGANIZATIONAL CHART

JUNE 30, 2022



**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2022

MEMBERS OF THE BOARD OF TRUSTEES	TERM
Krystie Birdsall, President	6/30/22
Matthew Davidoff, Vice President	6/30/22
James Fridie, Member	4/30/23
Alex Jones, Member	1/11/25
Tomas Varela, Member	4/13/25
Alex Rosado-Torres, Member	3/2/25

OTHER OFFICIALS (non-voting)

Wyomia Scott, Executive Director

Joshua Solow, School Business Administrator

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditor

Galleros Robinson CPAs, LLP
115 Davis Station Rd
Cream Ridge, NJ 08514

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freedom Prep Charter School (the Charter School), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2022 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freedom Prep Charter School, in the County of Camden, State of New Jersey as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements during the fiscal year ended June 30, 2022, the Charter School adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Substantial Doubt about the Charter School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Charter School will continue as a going concern. As discussed in Note 15 to the financial statements, Freedom Prep Charter School's charter school license was not renewed by the New Jersey State Department of Education and was directed to cease operations effective June 30, 2023. As a result, a substantial doubt exists about the Charter School's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the *Government Auditing Standards* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, the *Government Auditing Standards* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

- Obtain an understanding of internal control relevant to the audit 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 Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the information listed under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis 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 New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

INDEPENDENT AUDITOR'S REPORT - CONTINUED

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2023 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 13, 2023
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Management’s Discussion and Analysis (MD&A) provides an analysis of the Charter School’s overall financial position and results of operations.

Introduction

This section of the Freedom Prep Charter School’s (the “Charter School”) annual financial report presents our discussion and analysis of the Charter School’s financial performance and provides an overview of the Charter School’s financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School’s financial statements, which follow this section.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting Model adopted by the Governmental Accounting Standards Board (GASB).

Financial Highlights

Key Financial highlights for the fiscal year 2022 are as follows:

- General revenues accounted for \$12.44 million or 61% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$7.99 million or 39% of total revenues of \$20.43 million.
- The Charter School had \$19.29 million in expenses; only \$7.99 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12.44 million were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$14.55 million in revenues and \$13.49 million in expenditures and other financing uses.

Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand Freedom Prep Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School’s finances and a long-term view of those finances.

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School’s operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School’s most significant funds with all other non-major funds presented in total in a single column. For Freedom Prep Charter School, the General Fund is the most significant fund.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

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

Proprietary fund statements offer short and long-term financial information about the activities; the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of other, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Statement of Net Position and Statements of Activities

While this report contains the 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 asks the question, “how did we do financially during fiscal year 2022?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School’s assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year’s revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School’s net assets and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2022. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School’s programs and services are reported here including instructional, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Statement of Net Position and Statements of Activities - continued

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's major funds, not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. 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 statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are sufficient 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 the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2022.

The total net position of the Charter School increased by \$1.11 million during the current fiscal year. The increase includes the following prior period adjustment at July 1, 2021: (1) decrease in net position of \$0.20 million to recognize right-of-use asset and lease liability as of July 1, 2021 in the general fund and enterprise fund due to the adoption of GASB 87, *Leases* and (2) increase in net position of \$0.17 million correction of prior year expense classification.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The table that follows reflects the net position for fiscal year 2022.

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets	\$ 8,160,184	\$ 1,007,351	\$ 9,167,535
Capital Assets, net	-	26,920	26,920
Right-of-Use Assets, net	895,491	-	895,491
Total Assets	<u>9,055,675</u>	<u>1,034,271</u>	<u>10,089,946</u>
Deferred outflow of resources	<u>1,916,301</u>	<u>-</u>	<u>1,916,301</u>
Liabilities			
Current Liabilities	270,236	211,500	481,736
Noncurrent Liabilities	<u>3,899,703</u>	<u>-</u>	<u>3,899,703</u>
Total Liabilities	<u>4,169,939</u>	<u>211,500</u>	<u>4,381,439</u>
Deferred inflow of resources	<u>3,245,400</u>	<u>-</u>	<u>3,245,400</u>
Net Position			
Invested in Capital Assets, net of related debt	-	26,920	26,920
Invested in Right-of-Use Assets, net of related debt	(146,434)	-	(146,434)
Restricted for:			
Student activities	12,680	-	12,680
Charter School escrow reserve	75,025	-	75,025
Unrestricted	<u>3,615,366</u>	<u>795,851</u>	<u>4,411,217</u>
Total Net Position	<u>\$ 3,556,637</u>	<u>\$ 822,771</u>	<u>\$ 4,379,408</u>

The Charter School's combined net position was \$4.38 million at June 30, 2022.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The table that follows reflects the change in net position for fiscal year 2022 and 2021.

	Governmental Activities		Business Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charge for Services	\$ 8	\$ 5,681	\$ 664	\$ -	\$ 672	\$ 5,681
Operating Grants and Contributions	<u>6,919,139</u>	<u>273,200</u>	<u>1,071,666</u>	<u>409,545</u>	<u>7,990,805</u>	<u>682,745</u>
Total Program Revenues	<u>6,919,147</u>	<u>278,881</u>	<u>1,072,330</u>	<u>409,545</u>	<u>7,991,477</u>	<u>688,426</u>
General Revenues:						
Local Aid	778,427	675,243	-	-	778,427	675,243
State sources	11,561,824	13,952,897	-	-	11,561,824	13,952,897
Federal sources	59,296	3,118,628	-	-	59,296	3,118,628
Investment income	-	8,807	-	-	-	8,807
Miscellaneous	43,318	200,532	-	664	43,318	201,196
Special item	-	1,658,705	-	-	-	1,658,705
Total General Revenues	<u>12,442,865</u>	<u>19,614,812</u>	<u>-</u>	<u>664</u>	<u>12,442,865</u>	<u>19,615,476</u>
Total Revenues	<u>19,362,012</u>	<u>19,893,693</u>	<u>1,072,330</u>	<u>410,209</u>	<u>20,434,342</u>	<u>20,303,902</u>
Expenditures:						
Instructions	\$ 9,804,664	7,261,019	-	-	9,804,664	7,261,019
Administrative	3,574,607	6,228,157	-	-	3,574,607	6,228,157
Support services	4,257,328	2,704,241	-	-	4,257,328	2,704,241
Unallocated						
Capital outlay	23,996	-	-	-	23,996	-
Depreciation	-	36,812	-	-	-	36,812
Amortization of right-of-use asset	774,514	-	-	-	774,514	-
Food Service	-	-	854,662	321,620	854,662	321,620
Total Expenditures	<u>18,435,109</u>	<u>16,230,229</u>	<u>854,662</u>	<u>321,620</u>	<u>19,289,771</u>	<u>16,551,849</u>
Change in Net Position	<u>\$ 926,903</u>	<u>\$ 3,663,464</u>	<u>\$ 217,668</u>	<u>\$ 88,589</u>	<u>\$ 1,144,571</u>	<u>\$ 3,752,053</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2022.

	<u>Total Cost of Services</u>	<u>Charges for services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 9,804,664	\$ -	\$ 4,235,972	\$ (5,568,692)
Administrative	3,574,607	-	602,667	(2,971,940)
Support services	4,257,328	8	2,056,504	(2,200,816)
Unallocated:				
Capital outlay	23,996	-	23,996	-
Depreciation	774,514	-	-	(774,514)
Total Expenses	<u>\$ 18,435,109</u>	<u>\$ 8</u>	<u>\$ 6,919,139</u>	<u>\$ (11,515,962)</u>

Business-Type Activity

The business-type activities of the Charter School include food service operation. The program had revenues of \$1.07 million and operating expenses of \$0.85 million for fiscal year 2022.

The Charter School’s Funds

The Charter School’s governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$18.32 million and expenditures and other financing uses of \$17.26 million.

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.

During the course of fiscal year 2022, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues were \$12.34 million. Expenditures and other financing uses were budgeted at \$13.57 million.

In its fiscal year 2021-2022, actual revenues were \$14.55 million and expenditures and other financing uses were \$13.49 million.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School reimbursement for the employer’s share of social security contributions for TPAF members for the fiscal year ended June 30, 2022 amounted to \$0.28 million. On-behalf TPAF payments for post-retirement medical benefits for the fiscal year ended June 30, 2022 amounted to \$1.83 million.

Capital Assets

At the end of fiscal year 2022, the Charter School had \$0.02 million invested in capital assets.

The table below reflects fiscal year 2022 balances:

	Governmental Activities	Business Type Activities	Total
Machinery and Equipment	\$ 465,935	\$ 92,342	\$ 558,277
Less: Accumulated Depreciation	(465,935)	(65,422)	(531,357)
Totals	<u>\$ -</u>	<u>\$ 26,920</u>	<u>\$ 26,920</u>

Right-of-Use Assets

At the end of fiscal year 2022, the Charter School had \$0.90 million invested in right-of-use assets all in governmental activities.

The table below reflects fiscal year 2022 balances:

Right-of-use assets being depreciated:	Beginning Balance	Net Additions (Deletions)	Ending Balance
Governmental Activities			
Leased building	4,266,564	\$ -	\$ 4,266,564
Leased copiers	62,941	-	62,941
Total	\$ 4,329,505	\$ -	\$ 4,329,505
Less: Accumulated amortization	(2,659,500)	(774,514)	(3,434,014)
Right-of-use assets, net	<u>\$ 1,670,005</u>	<u>\$ (774,514)</u>	<u>\$ 895,491</u>
Business-Type Activities			
Leased building	120,977	\$ -	\$ 120,977
Less: Accumulated depreciation	-	(120,977)	(120,977)
Right-of-use assets, net	<u>\$ 120,977</u>	<u>\$ (120,977)</u>	<u>\$ -</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Long-term Liabilities

At the end of fiscal year 2022, long-term liabilities are as follow:

Net pension liability	\$ 2,857,778
Lease liabilities	<u>1,041,925</u>
Total	<u>\$ 3,899,703</u>

Economic Factors and Next Year’s Budget

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.

However, on February 1, 2023, the New Jersey Department of Education did not renew the Charter of Freedom Prep Charter School and was directed to cease operations effective June 30, 2023 as was required to submit a remedial plan. As of audit report date, the Charter School has complied with the submission of the remedial Plan. In addition, the Charter School also submitted a request for reconsideration.

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 reflect the Charter School’s accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: If you have questions about this report or need additional information, contact, Joshua Solow, School Board Administrator at Freedom Prep Charter School, 1000 Atlantic Ave, Camden, New Jersey 08104.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,894,184	\$ 941,247	\$ 6,835,431
Accounts receivable	2,157,175	66,104	2,223,279
Prepaid expense	108,825	-	108,825
Total current assets	<u>8,160,184</u>	<u>1,007,351</u>	<u>9,167,535</u>
Capital assets:			
Machinery and Equipment	465,935	92,342	558,277
Less: Accumulated depreciation	<u>(465,935)</u>	<u>(65,422)</u>	<u>(531,357)</u>
Net capital assets	<u>-</u>	<u>26,920</u>	<u>26,920</u>
Right-of-use assets:			
School Building	4,266,564	120,977	4,387,541
Copiers	62,941	-	62,941
	<u>4,329,505</u>	<u>120,977</u>	<u>4,450,482</u>
Less: Accumulated depreciation and amortization	<u>(3,434,014)</u>	<u>(120,977)</u>	<u>(3,554,991)</u>
Net right-of-use assets	<u>895,491</u>	<u>-</u>	<u>895,491</u>
Total assets	<u>9,055,675</u>	<u>1,034,271</u>	<u>10,089,946</u>
Deferred Outflow of Resources	<u>1,916,301</u>	<u>-</u>	<u>1,916,301</u>
Liabilities			
Current liabilities:			
Accounts payable	139,483	-	139,483
Intergovernmental payable:			
State	73,873	-	73,873
Federal	-	-	-
Interfund payables (internal)	(211,500)	211,500	-
Deferred revenues	268,380	-	268,380
Total current liabilities	<u>270,236</u>	<u>211,500</u>	<u>481,736</u>
Noncurrent liabilities:			
Due within one year	1,337,087	-	1,337,087
Due in more than one year	2,562,616	-	2,562,616
Total noncurrent liabilities	<u>3,899,703</u>	<u>-</u>	<u>3,899,703</u>
Total liabilities	<u>4,169,939</u>	<u>211,500</u>	<u>4,381,439</u>
Deferred Inflow of Resources	<u>3,245,400</u>	<u>-</u>	<u>3,245,400</u>
Net position			
Invested in capital assets, net of related debt	-	26,920	26,920
Invested in right-of-use assets, net of related debt	(146,434)	-	(146,434)
Restricted for:			
Student activities	12,680	-	12,680
Charter School escrow reserve	75,025	-	75,025
Unrestricted	<u>3,615,366</u>	<u>795,851</u>	<u>4,411,217</u>
Total net position	<u>\$ 3,556,637</u>	<u>\$ 822,771</u>	<u>\$ 4,379,408</u>

FREEDOM PREP CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 9,804,664	\$ -	\$ 4,235,972	\$ (5,568,692)	\$ -	\$ (5,568,692)
Administrative	3,554,712	-	602,667	(2,952,045)	-	(2,952,045)
Support services	4,277,223	8	2,056,504	(2,220,711)	-	(2,220,711)
Unallocated:						
Capital outlay	23,996	-	23,996	-	-	-
Amortization of right-of-use assets	774,514	-	-	(774,514)	-	(774,514)
Total governmental activities	18,435,109	8	6,919,139	(11,515,962)	-	(11,515,962)
Business-type activities:						
Food service	854,662	664	1,071,666	-	217,668	217,668
Total primary government	\$ 19,289,771	\$ 672	\$ 7,990,805	\$ (11,515,962)	\$ 217,668	\$ (11,298,294)
General revenues, transfers and special items:						
Local sources				\$ 778,427	\$ -	\$ 778,427
State sources				11,561,824	-	11,561,824
Federal sources				59,296	-	59,296
Miscellaneous				43,318	-	43,318
Total general revenues, transfers and special items				12,442,865	-	12,442,865
Changes in net position				926,903	217,668	1,144,571
Net position - beginning, as reported				2,651,757	612,814	3,264,571
Prior period adjustments				(22,023)	(7,711)	(29,734)
Net assets - beginning, as restated				2,629,734	605,103	3,234,837
Net position - ending (A-1)				\$ 3,556,637	\$ 822,771	\$ 4,379,408

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 5,886,943	\$ 7,241	\$ 5,894,184
Accounts receivable:			
Local	206,952	-	206,952
State	29,392	-	29,392
Federal	-	1,920,831	1,920,831
Interfund receivables	1,858,512	-	1,858,512
Other receivables	-	-	-
Other current assets	<u>108,825</u>	<u>-</u>	<u>108,825</u>
Total assets	<u>\$ 8,090,624</u>	<u>\$ 1,928,072</u>	<u>\$ 10,018,696</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 139,483	\$ -	\$ 139,483
Intergovernmental payables:			
State	73,873	-	73,873
Interfund payables	-	1,647,012	1,647,012
Deferred revenue	<u>-</u>	<u>268,380</u>	<u>268,380</u>
Total liabilities	<u>213,356</u>	<u>1,915,392</u>	<u>2,128,748</u>
Fund balances:			
Restricted:			
Charter School escrow reserve	75,025	-	75,025
Student activities	-	12,680	12,680
Unassigned	<u>7,802,243</u>	<u>-</u>	<u>7,802,243</u>
Total fund balances	<u>7,877,268</u>	<u>12,680</u>	<u>7,889,948</u>
Total liabilities and fund balances	<u>\$ 8,090,624</u>	<u>\$ 1,928,072</u>	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:			
Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
		Right-of-use assets	\$ 4,329,505
		Accumulated amortization	<u>(3,434,014)</u>
			895,491
Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.			
		Deferred amounts on net pension liability	<u>(1,329,099)</u>
Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
		Net pension liability	(2,857,778)
		Lease liabilities	<u>(1,041,925)</u>
			<u>(3,899,703)</u>
Net position of governmental activities - A-1			<u>\$ 3,556,637</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues			
Local sources:			
Local tax levy	\$ 778,427	\$ 13,784	\$ 792,211
Miscellaneous	43,318	-	43,318
Total revenues - local sources	821,745	13,784	835,529
State sources	13,672,012	23,996	13,696,008
Federal sources	59,296	3,730,041	3,789,337
Total revenues	<u>14,553,053</u>	<u>3,767,821</u>	<u>18,320,874</u>
Expenditures			
Current:			
Regular instruction	3,979,426	2,406,593	6,386,019
Special education - Instruction	388,184	-	388,184
Other Instruction	81,533	-	81,533
Support Services and Undistributed Costs:			
Student and instruction-related services	1,348,247	1,337,224	2,685,471
Other administrative services	1,461,729	-	1,461,729
School administrative services	1,121,494	-	1,121,494
Plant operations and maintenance	328,370	-	328,370
Pupil transportation	22,837	-	22,837
Personal services - employee benefits	3,856,999	-	3,856,999
Capital outlay	-	23,996	23,996
Total expenditures	<u>12,588,819</u>	<u>3,767,813</u>	<u>16,356,632</u>
Excess revenues over expenditures before other financing sources (uses)	1,964,234	8	1,964,242
Other financing sources (uses) -			
Principal payment on leases	(822,966)	-	(822,966)
Interest payment on leases	(81,078)	-	(81,078)
Total other financing sources (uses)	<u>(904,044)</u>	<u>-</u>	<u>(904,044)</u>
Net change in fund balances	1,060,190	8	1,060,198
Fund balances, July 1, 2021 as reported	6,644,215	12,672	6,656,887
Prior period adjustments	172,863	-	172,863
Fund balances at beginning of the year	<u>6,817,078</u>	<u>12,672</u>	<u>6,829,750</u>
Fund balances at end of year	<u>\$ 7,877,268</u>	<u>\$ 12,680</u>	<u>\$ 7,889,948</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds (B-2) \$ 1,060,198

**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, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Amortization of right-of-use assets (774,514)

Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets and are not reported in the Statement of

Lease liabilities 822,966

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension costs (181,747)

Change in net position of governmental activities (A-2) \$ 926,903

PROPRIETARY FUNDS

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2022

	FOOD SERVICE
	<u> </u>
Assets	
Cash and cash equivalents	\$ 941,247
Accounts receivable:	
Federal	65,238
State	<u>866</u>
Total accounts receivables	<u>66,104</u>
Capital assets	
Machinery and equipment	92,342
Less: Accumulated depreciation	<u>(65,422)</u>
Net capital assets	<u>26,920</u>
Right-of-use assets	
Building	120,977
Less: Accumulated depreciation	<u>(120,977)</u>
Net right-of-use assets	<u>-</u>
 Total Assets	 <u>\$ 1,034,271</u>
Liabilities	
Accounts payable	\$ -
Interfund payable - General fund	<u>211,500</u>
Total liabilities	<u>211,500</u>
 Net position	
Unrestricted	<u>822,771</u>
 Total Liabilities and Net Position	 <u>\$ 1,034,271</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2022

	FOOD SERVICE
Operating revenues:	
Charges for services:	
Miscellaneous revenue	\$ <u>664</u>
Operating expenses:	
Salaries	44,132
Supplies and materials - reimbursable programs	635,493
Amortization of right-of-use assets	120,977
Depreciation	13,192
Miscellaneous	<u>28,172</u>
Total operating expenses	<u>841,966</u>
Operating loss	<u>(841,302)</u>
Non-operating revenues:	
State sources:	
State School Lunch Program	12,375
Federal sources:	
COVID-19 - National School Lunch - SSO	525,951
COVID-19 - National School Breakfast - SSO	283,508
COVID-19 - National After School Snack Program - SSO	93,943
COVID-19 - School Programs Emergency Operational Costs Reimbursement Program	154,647
COVID-19 - Pandemic EBT Administrative Costs	<u>1,242</u>
Total non-operating revenues	<u>1,071,666</u>
Net loss before contributions and transfers	230,364
Other financing sources (uses):	
Interest expense on leases	<u>(12,696)</u>
Change in net position	217,668
Total net position, July 1, 2021 as reported	612,814
Prior period adjustment	<u>(7,711)</u>
Total net position at beginning of the year	<u>605,103</u>
Total net position at end of year	<u>\$ 822,771</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	FOOD SERVICE
	<u> </u>
Cash flows from operating activities	
Operating loss	\$ (841,302)
Adjustment to reconcile operating loss to net cash from operating activities	
Amortization of right-of-use asset	120,977
Depreciation	13,192
Changes in assets and liabilities:	
Accounts receivable	18,814
Accounts payable	(26,936)
Interfund payable	182,763
Net cash from operating activities	<u>(532,492)</u>
 Cash flows from noncapital financing activities	
Cash received from state and federal reimbursements	<u>1,071,666</u>
 Cash flows from capital and related financing activities	
Principal payment of lease liabilities	(128,688)
Interest payment of lease liabilities	<u>(12,696)</u>
Net cash from capital and related financing activities	<u>(141,384)</u>
 Net increase in cash and cash equivalents	397,790
Cash and cash equivalents at beginning of the year	<u>543,457</u>
 Cash and cash equivalents at end of year	<u>\$ 941,247</u>

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Freedom Prep Charter School (the "Charter School") is presented to assist in understanding the Charter School's financial statements and notes are representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Charter School is governed by an independent Board of Trustees (the "Board"), 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 set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

C. Basis of Presentation

The financial statements of the Charter School have been prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Continued

In June 1999, the Governmental Accounting Standards Boards (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Charter School’s overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School’s activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

D. Basic Financial Statements

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

E. Governmental Funds

General Fund - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively 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.

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, 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 legally restricted to expenditures for specified purposes.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2022, there was no Capital Projects Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2022, there was no debt service fund.

F. Proprietary Funds

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

Enterprise Funds:

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

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

Internal Service (Self-Insurance) Fund:

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Fiduciary Funds

Fiduciary funds are classified as follows:

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School's own programs. Three trust fund types discussed below are used to account for resources held and administered by the Charter School when it is acting in a fiduciary capacity for individuals, private organizations or other governmental units. These funds are distinguished from custodial funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

- a) Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b) Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c) Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

As of June 30, 2022, the Charter School do not have any fund that is classified as fiduciary fund.

G. Measurement Focus and Basis of Accounting

Measurement Focus - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting - Continued

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or noncurrent, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

Basis of Accounting - In the government-wide statement of net position and statements of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i.e. the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

I. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control - Continued

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of 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 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 recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

J. Assets, Liabilities and Equity

Deposits, Investments and Risk Disclosure

Cash and cash equivalents include 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 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Charter School 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.
- d. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2022, the Charter School did not hold any investments.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - 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. Although GASB Statement No. 40 eliminated Categories 1 and 2 as previously established by GASB Statement No. 3, it maintained, with modification, the level-of-disclosure requirements of GASB Statement No. 3.

As of June 30, 2022, the Board had funds invested and on deposit in checking accounts. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board’s name, both at year-end and throughout the year.

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

Prepaid Expenses

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

There was a prepaid expense of \$108,825 as of June 30, 2022

Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Position.

Fixed Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Fixed Assets - Continued

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and Improvements	20 Years
Office and computer equipment	5 - 10 Years

Right-of-Use Assets

Right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized over the lease term or the life of the asset, whichever is shorter.

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Charter School recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the Charter School's fiscal year-end or the Charter School's proportionate share thereof in the case of a cost-sharing multi-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants, including retirees, in the

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Pensions - Continued

respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Deferred Revenue

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

Lease Liabilities

Lease liabilities are measured at the present value of payments expected to be made during the lease term (less any lease incentives).

Deferred Outflows of Resources and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

The deferred outflows of resources and deferred inflows of resources in the Charter School-wide governmental activities pertain to pensions.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Fund Balance and Equity - Continued

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

Net Position

Net Position on the *Statement of Net Position* include the following:

Investments in Capital Assets, net of Related Debt - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

Restricted for Specific Purposes – the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

Restricted for Debt Service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Position Restricted for Specific Purposes or Net Position Restricted for Debt Services.

Contributed Capital

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Interfund Transactions

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due from/to Other Funds" on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. Accounting for Uncertainty in Income Taxes

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2019.

N. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the State of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund, and for post-retirement medical benefits of members. The amounts are not required to be included in the Charter School's annual budget.

O. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 13, 2023.

On February 1, 2023, the New Jersey Department of Education did not renew the Charter of Freedom Prep Charter School and was directed to cease operations effective June 30, 2023 and submit a remedial plan. As of audit report date, the Charter School has submit the required remedial plan and in addition, also submit a request for reconsideration as described in Note 15 to the financial statements.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS

A. Accounting Pronouncement Adopted During the Year

GASB Statement No. 87, *Leases* establishes a uniform approach for lease accounting based on the principle that leases are financings of the right to use an underlying asset. In accordance with the statement, parties to a lease agreement, the lessee and lessor, are required to recognize a lease liability and an intangible right-to-use lease asset (a capital asset hereinafter referred to as the lease asset), and a lease receivable and deferred inflow of resources, respectively. The new leases standard also requires enhanced disclosure which include a general description of the leasing arrangement, the aggregated amount of resource inflows and outflows recognized from lease contracts, including those not included in the measurement of the lease liability and receivable, and the disclosure of the long-term effect of lease arrangements on a government's resources.

As a result of adopting the new standard, the charter school-wide financial statements reflected a cumulative effect for the change in accounting principle to recognize the right-of-use assets, net of \$1,790,982 and lease liability of \$1,993,579, which caused a restatement to decrease the net position at July 1, 2021 of \$202,597. Additional disclosures of the Charter School's implementation with respect to Statement No. 87 are included in Notes to the Financial Statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report* establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Charter School adopted Statement No. 98 during fiscal year 2022 and changed all reporting references to ACFR. This adoption did not have an effect on the Charter School's net position at July 1, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that were identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including Leases, Intra-Entity Transfers of Assets, Assets Accumulated for Defined Benefit Postemployment Benefits, Fiduciary Activities, Asset Retirement Obligations, Reinsurance Recoveries, Nonrecurring Fair Value Measurements, and Derivative Instruments. The adoption of Statement No. 92 had no impact on the Charter School's current accounting practices nor its financial reporting.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS - CONTINUED

A. Accounting Pronouncement Adopted During the Year - Continued

Statement No. 93, *Replacement of Interbank Offered Rates* establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates (IBOR) such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for certain hedging derivative instruments. The Charter School do not have transactions that transacts using IBOR therefore, the adoption of Statement No. 93 had no impact on the Charter School’s current accounting practices nor its financial reporting.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Section 457 Deferred Compensation Plans* clarifies component unit criteria for a potential component unit in the absence of a governing board in determining financial accountability; limits the applicability of financial burden criteria in paragraph 7 of GASB Statement No.84; and classifies Section 457 Deferred Compensation plans as either a pension plan or other employee benefit plan. The adoption of Statement No. 97 had no impact on the Charter School’s current accounting practices nor its financial reporting.

B. Accounting Pronouncements Issued but not Yet Adopted

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Charter School upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
91	Conduit Debt Obligations	2023
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
96	Subscription-Based Information Technology Arrangements	2023
99	Omnibus 2022	2024
100	Accounting Changes and Error Corrections— an amendment of GASB Statement No. 62	2024
101	Compensated Absences	2024

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk.

As of June 30, 2022, the Charter School's deposits are summarized as follows:

	General Fund	Special Fund	Enterprise Fund	Total
Operating Account	\$ 5,886,943	\$ 7,241	\$ 941,247	\$ 6,835,431
Restricted cash	-	-	-	-
Total	<u>\$ 5,886,943</u>	<u>\$ 7,241</u>	<u>\$ 941,247</u>	<u>\$ 6,835,431</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2022, the Charter School's carrying amount of deposits was \$6,835,431 and the bank balance was \$7,810,627. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2022 were secured by federal deposit insurance and \$7,560,627 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which was recorded by the Charter School as restricted fund balance at June 30, 2022. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur."

NOTE 4 CAPITAL ASSETS

At June 30, 2022, capital assets are as follow:

	Beginning Balance	Net Additions (Deletions)	Ending Balance
Governmental Activities:			
Capital Asstes Being Depreciated:			
Cost			
Machinery and Equipment	\$ 465,935	\$ -	\$ 465,935
Less: Accumulated Depreciation	<u>(465,935)</u>	<u>-</u>	<u>(465,935)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities			
Capital Asstes Being Depreciated:			
Cost			
Machinery and Equipment	\$ 92,342	\$ -	\$ 92,342
Less: Accumulated Depreciation	<u>(52,230)</u>	<u>(13,192)</u>	<u>(65,422)</u>
Capital assets, net	<u>\$ 40,112</u>	<u>\$ (13,192)</u>	<u>\$ 26,920</u>

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 5 LEASES

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Charter School leases its school building and copiers. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As a lessee, the associated right-of-use asset as of June 30, 2022 on the government-wide Statement of Net Position is as follow:

	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Governmental Activities			
School Building	\$ 4,266,564	\$ -	\$ 4,266,564
Copiers	<u>62,941</u>	<u>-</u>	<u>62,941</u>
Total	4,329,505	-	4,329,505
Less: Accumulated amortization	<u>(2,659,500)</u>	<u>(774,514)</u>	<u>(3,434,014)</u>
Right-of-use assets, net	<u>\$ 1,670,005</u>	<u>\$ (774,514)</u>	<u>\$ 895,491</u>
Business-Type Activities			
School Building	\$ 120,977	\$ -	\$ 120,977
Less: Accumulated amortization	<u>-</u>	<u>(120,977)</u>	<u>(120,977)</u>
Right-of-use assets, net	<u>\$ 120,977</u>	<u>\$ (120,977)</u>	<u>\$ -</u>

The amortization of right-of-use assets for the year ended June 30, 2022, recognized in the Charter School-wide statement of activities amounted to \$895,491.

As of June 30, 2022, the Charter School's lease liabilities related to these leases amounted to \$1,041,925.

The Charter School did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

Key estimates and judgements related to leases include how the Charter School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Charter School uses the interest rate charged by the lessor as the discount rate when available. In the absence of the lessor's interest rate, the Charter School uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease, limited to the Charter School's charter license term. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the Charter School is reasonably certain to exercise.

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 5 LEASES - CONTINUED

The Charter School monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the right-of-use asset and lease liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

Furthermore, the Charter School has no commitment for leases that have not commenced as of June 30, 2022.

NOTE 6 NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2022 is as follow:

	Balance June 30,2021	Additions	Retired	Balance June 30,2022	Due within One Year
Noncurrent liabilities					
Governmental Activities					
Net pension liability	\$ 2,746,198	\$ 111,580	\$ -	2,857,778	\$ 295,162
Lease liabilities	<u>1,864,891</u>	<u>-</u>	<u>(822,966)</u>	<u>1,041,925</u>	<u>763,353</u>
	<u>4,611,089</u>	<u>111,580</u>	<u>(822,966)</u>	<u>3,899,703</u>	<u>1,058,515</u>
Business-Type Activities					
Lease liabilities	<u>128,688</u>	<u>-</u>	<u>(128,688)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,739,777</u>	<u>\$ 111,580</u>	<u>\$ (951,654)</u>	<u>\$ 3,899,703</u>	<u>\$ 1,058,515</u>

Net Pension Liability

The net pension liability classified as due within one year amounting to \$295,162 represents pension contributions for fiscal year 2022 due and payable on April 1, 2023.

Lease Liabilities

As of June 30, 2022, the Charter School's minimum principal and interest payment requirements for its leasing activities with a remaining term in excess of one year, is as follows:

Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$ 1,041,925</u>	<u>\$ 34,270</u>	<u>\$ 1,076,195</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 NET POSITION

As of June 30, 2022, governmental activities net position consisted of the following components:

<u>INVESTMENT IN RIGHT-OF-USE ASSETS, NET OF RELATED DEBT</u>	
Right-of-use assets, net	\$ 895,491
Less: Long-term obligations	<u>(1,041,925)</u>
	(146,434)
<u>RESTRICTED</u>	
Student activities	12,680
Charter School escrow reserve	<u>75,025</u>
	87,705
<u>UNRESTRICTED</u>	
Net position not restricted above	<u>3,615,366</u>
NET POSITION	<u>\$ 3,556,637</u>

NOTE 8 PENSION PLANS

A. Description of Plans

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System (PERS) or the Teacher's Pension and Annuity Fund (TPAF) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS and the TPAF. These reports may be obtained by writing to the nju88ujn Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

i. Public Employees' Retirement System (PERS)

The Public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

A. Description of Plans - Continued

ii. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full-time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

D. Contribution Requirement

The Charter School's contribution to PERS for the year ended June 30, 2022 was \$282,513.

The State of New Jersey was required to contribute for TPAF on-behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$1,831,302. In addition, the State of New Jersey also contributed \$1,667 for TPAF LTDI for the fiscal year ended June 30, 2022.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$277,219 during the year ended June 30, 2022 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contribution and social contribution for TPAF members are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS)

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 position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2022, the Charter School reported in the Charter School-wide statement of net position a liability of zero for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2021 was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The Charter School's proportionate share of the net pension liability was based on the ratio of contributions as an individual employer to the total contributions to the PERS as of June 30, 2021 measurement date. The results of the June 30, 2021 measurement date was used to determine pension values for fiscal year 2022 as allowed by GASB Statement No. 68.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

At June 30, 2021 measurement date, the Charter School's proportionate share was 0.0241233956% which is a decrease from the proportionate share of 0.030007508% at June 30, 2020 measurement date.

For the year ended June 30, 2022, the Charter School recognized pension expenses of \$328,450 in the Charter School-wide financial statements. The Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual experience	\$ 45,071	\$ 20,458
Changes of assumptions	14,883	1,017,387
Net difference between projected and actual earnings on pension plan investments	-	752,814
Change in proportion and differences between Charter School contributions and proportionate share contributions	<u>1,856,347</u>	<u>1,454,741</u>
	<u>\$ 1,916,301</u>	<u>\$ 3,245,400</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

	Year Ended June 30,
2023	\$ (163,711)
2024	(292,776)
2025	(395,292)
2026	(449,841)
2027	(27,479)

Actuarial assumptions. The collective total pension liability for the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

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 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 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-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 measurement date) 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 expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2021 measurement date, are summarized in the following table:

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) – continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7% as of June 30, 2021 measurement date. 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 nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from 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 all 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 net pension liability calculated using the discount rate as disclosed above, as well as what the 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:

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures – Continued

i. Public Employees’ Retirement System (PERS) – continued

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Charter School’s proportionate share of the net pension liability	<u>\$ 3,933,200</u>	<u>\$ 2,857,778</u>	<u>\$ 2,001,447</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

ii. Teachers Pension and Annuity Fund (TPAF)

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 position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF’s fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

In accordance with N.J.S.A. 18:66-33, the employer contributions for the Charter School is legally required to be funded by the State. This is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity.

As such, there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School.

For the year ended June 30, 2022, the Charter School recognized pension expense and related revenue of \$462,214 in the Charter School-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members. The results of the June 30, 2021 measurement date were used to determine pension values for fiscal year 2022 as allowed by GASB Statement No. 68.

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) – continued

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF for the June 30, 2021 and 2020 measurement dates, respectively. At June 30, 2022 and 2021, the State's proportion of the net pension liability attributable to Charter School was 0.0408593712% and 0.0433655606%, respectively.

Actuarial Assumptions. The total pension liability for the June 30, 2021 measurement date as determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation

Price	2.75%
Wage	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 were based on Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, ad 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-2021.

**FREEDOM PREP CHARTER SCHOOL
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) – continued

The actuarial assumptions used in the July 1, 2020 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 the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 measurement date) 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 expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021 measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%
Total	<u>100.00%</u>	

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) – continued

Discount rate. The discount rate used to measure the total pension liability was 7.0% June 30, 2021 measurement date. 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 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all 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 Net Pension Liability. The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the 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:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 23,285,107</u>	<u>\$ 19,643,220</u>	<u>\$ 16,652,527</u>

NOTE 9 POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

The State of New Jersey Provides post-retirement (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2020, the State paid PRM benefits for 143,053 State and local retirees.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

The State funds post-retirement medical benefits on a “pay-as-you-go” basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2020, the State contributed \$1.578 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State’s “pay as-you-go” contributions have decreased from Fiscal Year 2019 amounts. Reductions are attributable to various cost savings initiatives implemented by the State, including new Medicare Advantage contracts. The State has appropriated \$1.775 billion in Fiscal Year 2021 as the State’s contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2020 total State OPEB liability to provide these benefits is \$65.5 billion, a decrease of \$10.5 billion or 13.8 percent from the \$76.0 billion liability recorded in Fiscal Year 2019.

Additional information on Pensions and OPEB can be accessed at state.nj.us/treasury/pensions/financial-reports.shtml.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Accordingly, the following OPEB liability note information is reported at the State’s level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State ACFR at <https://www.nj.gov/treasury/omb/acfr.shtml>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases:			
Through 2026	1.55% - 4.45% based on years of service	2.00% - 6.00% based on years of service	3.25% - 15.25% based on years of service
Thereafter	1.55% - 4.45% based on years of service	3.00% - 7.00% based on years of service	Applied to all future 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-2021. 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-2021. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disables retirees. Future disabled retirees was based on the Pub-2010 “Safety” (PFRS), “General” (PERS), and “Teachers” (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial studies for 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.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

(a) Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially is 5.6% and decreases to a 4.5% long-term rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2022 through 2023 are reflected. For PPO, the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreases to 4.5% after 11 years. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 6.75% 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%.

(b) Discount rate

The discount rate for used for June 30, 2021 measurement dates was 2.16%. 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 OPEB liability of the State for Charter School retirees

Balance at 6/30/20 measurement date	\$	8,214,627
Changes for the year		
Service cost		1,991,592
Interest		168,933
Change of benefit terms		(6,931)
Differences between expected		(3,733,712)
Changes in assumptions and		6,425
Benefit payments		4,319
Contributions from the member		(133,072)
Net Change		<u>(1,702,446)</u>
Balance at 6/30/21 measurement date	\$	<u>6,512,181</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
State's proportionate share of the Total OPEB liability attributable to the Charter School retirees	\$ 7,800,571	\$ 6,512,181	\$ 5,497,652

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State for Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Cost Trend Rate</u>	<u>1% Increase</u>
State's proportionate share of the Total OPEB liability attributable to the Charter School retirees	\$ 5,271,632	\$ 6,512,181	\$ 8,178,147

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

For the year ended June 30, 2022, the Charter School recognize OPEB revenue and expense of \$2,063,394 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Charter School's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 981,682	\$ 698,696
Differences between expected and actual experience	1,104,709	1,954,421
Changes in proportions	<u>1,929,990</u>	<u>1,321,693</u>
	<u>\$ 4,016,381</u>	<u>\$ 3,974,810</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB of retired Charter School employees will be recognized in OPEB expense as follows:

	Year Ended <u>June 30</u>
2023	\$ (21,026)
2024	(21,026)
2025	(21,026)
2026	(21,026)
2027	(23,272)
Thereafter	148,947

NOTE 10 DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan is administered by AXA Equity, Inc. permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 12 MANAGEMENT AGREEMENT

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 2022, the School paid \$1,702,770 to DP as a management fee based on the terms of the agreement. The Charter School did not renew the management agreement with DP for the fiscal year 2023.

NOTE 13 RISK MANAGEMENT

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

A. Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Annual Comprehensive Financial Report (Schedule J-20).

B. New Jersey Unemployment Compensation

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 14 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds pertains to expenses that were paid from the general fund which are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 14 INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

At June 30, 2022, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>		
	<u>General</u>	<u>Special</u>	<u>Enterprise</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Fund</u>
		<u>Fund</u>	<u>Fund</u>
General fund	\$ 1,858,512	\$ (1,647,012)	\$ (211,500)
GASB No 34 mandated eliminations within governmental activities	<u>(1,647,012)</u>	<u>1,647,012</u>	<u>-</u>
Net interfund balances reported as follows:			
Entity-wide (eliminated in total column)	<u>\$ 211,500</u>	<u>\$ -</u>	<u>\$ (211,500)</u>

The interfund payable in Special Revenue Fund and Enterprise Fund is for cash advanced from the General Fund while awaiting grant collections and subsidy reimbursements.

NOTE 15 CHARTER RENEWAL

On October 15, 2022, the Charter School submitted its charter renewal application and was evaluated by the New Jersey Department of Education (Department) on its academic performance, fiscal viability, and operational stability.

Pursuant to N.J.S.A. 18A:36A-17 and N.J.A.C. 6A:11-2.3(b), the Department completed a comprehensive review of the Charter School's renewal application, annual reports, student performance on state assessments, site visit results, public comments, fiscal impact analysis on sending districts, and other information in order to make a renewal decision.

In its letter dated February 1, 2023, the Department concluded that the Charter School failed to provide strong educational programs, sustained organizational stability and financial strength. Thus, in accordance with N.J.S.A. 18A:36A-17 et seq., N.J.A.C. 6A:11-2.3 and N.J.A.C. 6A:11-2.4(b), the Department did not renew the charter for Freedom Prep Charter School and was directed to cease operations effective June 30, 2023.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 15 CHARTER RENEWAL - CONTINUED

The letter further stated that the Charter School appeal to the Superior Court, Appellate Division, pursuant to P.L. 2008, c. 36. As of the audit report date, the Charter School has filed a request for reconsideration with the Department. Management believes that findings identified by the Department were primarily due to the improper leadership from the former charter management organization. Since July 1, 2022, the Charter School is with a new administration who already addressed the majority of concerns. Currently, the Charter School is seeing continued improvements. Management has put in all efforts to mitigate the uncertainty.

NOTE 16 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2022, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2022.

NOTE 17 COVID-19 PUBLIC HEALTH EMERGENCY

On June 4, 2021, Governor Murphy signed legislation (A5820/S3866) and Executive Order No. 244 ending of the COVID-19 Public Health Emergency that has been in place since March 9, 2020. Under the legislation, the majority of executive orders issued pursuant to the Public Health Emergency expired 30 days from the approval date. The legislation allows for the termination of the Public Health Emergency while also allowing the Administration to retain the tools necessary to manage the ongoing threat posed by the pandemic. Specifically, the Administration is authorized to issue orders, directives, and waivers under the authority in the Emergency Health Powers Act that are related to vaccination efforts; testing; health resource and personnel allocation; data collection, retention, sharing, and access; coordination of local health departments; and implementation of any CDC recommendations to prevent the transmission of COVID-19. This authority lasts until January 11, 2022, and can be extended for 90 days with the passage of a concurrent resolution by the Legislature.

With the end of the Public Health Emergency, full-time school operations was restored in New Jersey beginning September 2021.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 3,857	\$ -	\$ 3,857	\$ 778,427	\$ 774,570
Miscellaneous	-	-	-	43,318	43,318
Total - Local Sources	3,857	-	3,857	821,745	817,888
Federal Sources:					
Medicaid Reimbursement	-	-	-	59,296	59,296
State Sources:					
Categorical special education aid	549,096	-	549,096	549,096	-
Equalization aid	10,908,352	-	10,908,352	10,133,782	(774,570)
Categorical security aid	332,459	-	332,459	332,459	-
Adjustment aid	546,487	-	546,487	546,487	-
On-behalf T.P.A.F. pension contributions - normal cost (non-budgeted)	-	-	-	1,484,470	1,484,470
On-behalf T.P.A.F. pension contributions - post-retirement medical (non-budgeted)	-	-	-	346,832	346,832
On-behalf T.P.A.F. pension contributions - long-term disability insurance (non-budgeted)	-	-	-	1,667	1,667
Reimbursed T.P.A.F. social security contributions (non-budgeted)	-	-	-	277,219	277,219
Total - State Sources	12,336,394	-	12,336,394	13,672,012	1,335,618
Total Revenues	12,340,251	-	12,340,251	14,553,053	2,212,802
Expenditures					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten	189,000	(75,000)	114,000	97,481	16,519
Grade 1-5	945,000	-	945,000	875,484	69,516
Grade 6-8	853,000	(346,794)	506,206	379,014	127,192
Grades 9-12 - Salaries of Teachers	950,000	93,304	1,043,304	1,043,304	-
Regular Programs - Home Instruction:					
Salaries of Teachers	80,000	(25,000)	55,000	4,508	50,492
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	-	221,740	221,740	187,909	33,831
Purchased professional - educational services	1,137,364	94,816	1,232,180	1,221,405	10,775
Other purchased services (400-500 Series)	80,000	24,842	104,842	59,819	45,023
General supplies	100,000	60,112	160,112	66,889	93,223
Textbooks	100,000	(64,069)	35,931	13,979	21,952
Miscellaneous	30,186	2,871	33,057	29,634	3,423
Total Regular Programs - Instruction	4,464,550	(13,178)	4,451,372	3,979,426	471,946
Special Education - Instruction:					
Learning and / or Language Disabilities:					
Salaries of Teachers	1,017,000	(628,816)	388,184	388,184	-
Bilingual Education - Instruction:					
Salaries of Teachers	700,000	(229,505)	470,495	80,873	389,622
School-Sponsored Athletics - Instruction:					
Purchased Services (300-500 Series)	10,000	-	10,000	660	9,340
Total Instruction	6,191,550	(871,499)	5,320,051	4,449,143	870,908
Undistributed Expenditures - Attendance and Social Work:					
Salaries	694,000	(512,627)	181,373	33,044	148,329
Undistributed Expenditures - Health Services:					
Salaries	129,000	(2,524)	126,476	126,476	-
Purchased Professional and Technical Services	11,500	40,750	52,250	11,750	40,500
Supplies and materials	15,000	1,262	16,262	8,793	7,469
Total Undistributed Expenditures - Health Services	155,500	39,488	194,988	147,019	47,969
Undistributed Expenditures - Guidance:					
Students - Regular:					
Salaries of Other Professional Staff	-	200,280	200,280	200,280	-
Undistributed Expenditures - Child Study Team:					
Salaries of other professional staff	381,000	21,393	402,393	402,393	-
Purchased Professional - Educational Services	25,000	(3,206)	21,794	2,372	19,422
Total Undistributed Expenditures - Child Study Team	406,000	18,187	424,187	404,765	19,422
Undistributed Expenditures - Improvement of Instruction Services:					
Other Purchased Services (400-500 Series)	50,000	(35,000)	15,000	4,271	10,729
Undistributed Expenditures - Educational Media Services / School Library:					
Other Purchased Services (400-500 Series)	73,000	(73,000)	-	-	-
Undistributed Expenditures - Support Services - General Administration:					
Salaries	171,000	25,000	196,000	195,872	128
Legal services	20,000	-	20,000	19,376	624
Audit Fees	43,000	(12,000)	31,000	30,300	700
Communications/telephone	88,500	(1,692)	86,808	85,178	1,630
Miscellaneous purchased services (400-500)	99,605	85,480	185,085	158,053	27,032
General supplies	97,500	42,297	139,797	85,022	54,775
Other Purchased Professional Services	568,682	351,087	919,769	823,541	96,228
BOE Other Purchased Services	5,000	-	5,000	-	5,000
Judgement Against The School District	30,000	30,000	60,000	60,000	-

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Miscellaneous expenditures	45,000	(39,643)	5,357	2,858	2,499
Total Undistributed Expenditures - Support Services - General Administration	1,168,287	480,529	1,648,816	1,460,200	188,616
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals					
Salaries of secretarial and clerical assistants	625,000	184,654	809,654	809,654	-
Purchased professional and technical services	306,000	40,489	346,489	311,840	34,649
Total Undistributed Expenditures - Support Services - School Administration	931,000	225,143	1,156,143	1,121,494	34,649
Undistributed Expenditures - Central Services:					
Salaries	149,000	203,554	352,554	352,554	-
Miscellaneous purchased services (400-500 Series)	181,600	20,868	202,468	202,468	-
Supplies and Materials	2,400	1,446	3,846	3,846	-
Total Undistributed Expenditures - Central Services	333,000	225,868	558,868	558,868	-
Undistributed Expenditures - Administration Information					
Technology:					
Purchased Professional Services	100,000	(95,000)	5,000	1,529	3,471
Total Undistributed Expenditures - Administration Information					
Technology	100,000	(95,000)	5,000	1,529	3,471
Custodial Services:					
Salaries	155,000	(60,173)	94,827	85,345	9,482
Cleaning, repair, and maintenance services	105,003	78,821	183,824	137,500	46,324
Insurance	80,000	7,666	87,666	87,666	-
General supplies	-	32,456	32,456	14,652	17,804
Other objects	-	3,207	3,207	3,207	-
Total Undistributed Expenditures - Custodial Services	340,003	61,977	401,980	328,370	73,610
Undistributed Expenditures - Student Transportation Services:					
Contracted Services - (Other than Between Home and School) - Vendors	540,000	(138,861)	401,139	22,837	378,302
Unallocated Benefits - Employee Benefits:					
Social Security contributions	200,000	96,724	296,724	296,724	-
Other retirement contributions - PERS	200,000	379,481	579,481	579,481	-
Unemployment compensation	70,000	-	70,000	-	70,000
Workmen's Compensation	150,000	(29,596)	120,404	100,689	19,715
Health benefits	810,000	152,967	962,967	759,917	203,050
Tuition Reimbursements	60,000	(50,000)	10,000	10,000	-
Other employee benefits	50,000	(50,000)	-	-	-
Total Unallocated Benefits - Employee Benefits	1,540,000	499,576	2,039,576	1,746,811	292,765
On-behalf T.P.A.F. pension contributions - normal cost (non-budgeted)	-	-	-	1,484,470	(1,484,470)
On-behalf T.P.A.F. pension contributions - post-retirement medical (non-budgeted)	-	-	-	346,832	(346,832)
On-behalf T.P.A.F. pension contributions - long-term disability insurance (non-budgeted)	-	-	-	1,667	(1,667)
Reimbursed T.P.A.F. social security contributions (non-budgeted)	-	-	-	277,219	(277,219)
Total On-behalf Contributions	-	-	-	2,110,188	(2,110,188)
Total Personal Services - Employee Benefits	1,540,000	499,576	2,039,576	3,856,999	(1,817,423)
Total Undistributed Expenditures	6,330,790	896,560	7,227,350	8,139,676	(912,326)
Total General Current Expense	12,522,340	25,061	12,547,401	12,588,819	(41,418)
Total Expenditures	12,522,340	25,061	12,547,401	12,588,819	(41,418)
Excess (Deficiency) of Revenues Over Expenditures	(182,089)	(25,061)	(207,150)	1,964,234	2,171,384
Other Financing Sources (Uses):					
Principal payments on leases	(938,817)	-	(938,817)	(822,966)	(115,851)
Interest payments on leases	(81,078)	-	(81,078)	(81,078)	-
Total Other Financing Sources (Uses)	(1,019,895)	-	(1,019,895)	(904,044)	(115,851)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,201,984)	(25,061)	(1,227,045)	1,060,190	2,055,533
Fund balances at beginning of year, as reported	6,644,215	-	6,644,215	6,644,215	-
Prior period adjustment	-	-	-	172,863	(172,863)
Fund balances at beginning of year, as restated	6,644,215	-	6,644,215	6,817,078	(172,863)
Fund balances at end of year	\$ 5,442,231	\$ (25,061)	\$ 5,417,170	\$ 7,877,268	\$ 1,882,670
Recapitulation:					
Assigned:					
Year-End Encumbrances				\$ -	
Unassigned				\$ -	
				\$ 7,877,268	
Reconciliation to Governmental Funds Statements (GAAP):					
Fiscal Year 2022 Last State Aid Payments not Recognized on GAAP Basis				-	
Fund Balance per Governmental Funds (GAAP)				\$ 7,877,268	

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
Revenues					
Local	\$ 13,776	\$ -	\$ 13,776	\$ 13,784	\$ (8)
State	73,255	-	73,255	23,996	49,259
Federal	<u>13,155,395</u>	<u>-</u>	<u>13,155,395</u>	<u>3,730,041</u>	<u>9,425,354</u>
Total revenues - all sources	<u>13,242,426</u>	<u>-</u>	<u>13,242,426</u>	<u>3,767,821</u>	<u>9,474,605</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	4,989,207	-	4,989,207	1,265,761	3,723,446
Purchased professional and technical services	546,297	-	546,297	54,467	491,830
Supplies and materials	<u>1,686,364</u>	<u>-</u>	<u>1,686,364</u>	<u>1,086,365</u>	<u>599,999</u>
Total instruction	<u>7,221,868</u>	<u>-</u>	<u>7,221,868</u>	<u>2,406,593</u>	<u>4,815,275</u>
Support services					
Salaries of supervisors of instruction	856,300	-	856,300	60,314	795,986
Employee benefits	623,191	-	623,191	313,528	309,663
Purchased professional educational services	427,408	-	427,408	107,463	319,945
Other purchase services	815,760	-	815,760	815,760	-
Supplies and materials	40,159	-	40,159	40,159	-
Student activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support services	<u>2,762,818</u>	<u>-</u>	<u>2,762,818</u>	<u>1,337,224</u>	<u>1,425,594</u>
Capital Outlay:					
Facilities acquisition and construction services					
Building	1,893,705	-	1,893,705	-	1,893,705
Instructional equipment	1,290,780	-	1,290,780	-	1,290,780
Noninstructional equipment	<u>73,255</u>	<u>-</u>	<u>73,255</u>	<u>23,996</u>	<u>49,259</u>
Total capital outlay	<u>3,257,740</u>	<u>-</u>	<u>3,257,740</u>	<u>23,996</u>	<u>3,233,744</u>
Total Expenditures	<u>13,242,426</u>	<u>-</u>	<u>13,242,426</u>	<u>3,767,813</u>	<u>9,474,613</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>(8)</u>
Fund balance at beginning of year, as reported				<u>12,672</u>	
Fund balance at end of year				<u>\$ 12,680</u>	
Recapitulation:					
Restricted:					
Student Activities				<u>\$ 12,680</u>	

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART II

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 14,553,053	[C-2] \$ 3,767,821
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>14,553,053</u>	[B-2] <u>3,767,821</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 13,492,863	[C-2] 3,767,813
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 13,492,863</u>	[B-2] <u>\$ 3,767,813</u>

Note A -The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

REQUIRED SUPPLEMENTARY INFORMATION

PART III

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - PERS
Last Ten Fiscal Years (1)

	Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Charter School's proportion of the net pension liability (asset)	0.0241233956%	0.0300075080%	0.0199111670%	0.0178846000%	0.0243407400%	0.0102242000%	0.0178846000%	0.004210287%	0.004557260%
Charter School's proportionate share of the net pension liability (asset)	\$ 2,857,778	\$ 4,893,440	\$ 3,587,690	\$ 3,521,389	\$ 5,666,136	\$ 3,028,104	\$ 779,293	\$ 788,281	\$ 870,982
Charter School's covered-employee payroll	\$ 2,935,817	\$ 1,493,649	\$ 2,314,040	\$ 1,979,014	\$ 1,209,844	\$ 1,333,808	\$ 968,807	\$ 391,189	\$ 179,904
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	97.34%	327.62%	155.04%	177.94%	468.34%	227.03%	80.44%	201.51%	484.14%
Plan fiduciary net position as a percentage of the total pension liability	70.33%	58.32%	53.60%	51.55%	51.55%	45.37%	47.93%	52.08%	48.72%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

EXHIBIT L-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
Last Ten Fiscal Years ⁽¹⁾

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Contractually required contribution	\$ 282,513	\$ 333,130	\$ 197,577	\$ 182,159	\$ 241,469	\$ 91,758	\$ 30,764	\$ 35,621	\$ 34,338	
Contributions in relation to the contractually required contribution	<u>(282,513)</u>	<u>(333,130)</u>	<u>(197,577)</u>	<u>(182,159)</u>	<u>(241,469)</u>	<u>(91,758)</u>	<u>(77,566)</u>	<u>(35,621)</u>	<u>(34,338)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 2,935,817	\$ 1,493,649	\$ 2,314,040	\$ 1,979,014	\$ 1,209,844	\$ 1,333,808	\$ 968,807	\$ 391,189	\$ 179,904	
Contributions as a percentage of covered-employee payroll	9.62%	22.30%	8.54%	9.20%	19.96%	6.88%	3.18%	9.11%	19.09%	

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - TPAF
Last Ten Fiscal Years⁽¹⁾

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Charter School's Proportion of the Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
State's Proportion of the Net Pension Liability Associated with the Charter School	0.04085937%	0.043386556%	0.03937650%	0.04082640%	0.03034480%	0.15601000%	0.01382940%	0.01281810%	0.01407380%	
State's proportionate share of the net pension liability (asset) attributable to the Charter School	\$ 19,643,220	\$ 28,555,700	\$ 24,165,727	\$ 25,972,872	\$ 20,459,453	\$ 12,272,750	\$ 8,740,795	\$ 6,850,878	\$ 7,112,787	
Charter School's covered-employee payroll	\$ 4,348,155	\$ 3,732,075	\$ 4,245,857	\$ 4,293,389	\$ 4,039,602	\$ 3,742,939	\$ 2,864,587	\$ 1,429,773	\$ 1,272,903	
State's proportionate share of the net pension liability (asset) attributable to the Charter School as a percentage of its covered-employee payroll	451.76%	765.14%	569.16%	604.95%	506.47%	327.89%	428.43%	479.16%	558.78%	
Plan fiduciary net position as a percentage of the total pension liability	35.52%	24.60%	26.95%	22.33%	22.33%	22.33%	28.71%	33.64%	33.64%	

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

⁽¹⁾ The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2016. No data is available prior to fiscal year 2016.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART III

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III****YEAR ENDED JUNE 30, 2022****Public Employees Retirement System (PERS)**

Change in benefit terms. There was no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability did not change at 7.00%.

Teachers Pension and Annuity Fund (TPAF)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 5.40% to 7.00% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The discount rate of 7.00% (5.40% in prior measurement date) at the June 30, 2021 measurement date was based on 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 100% (78% in prior measurement date) of the actuarially determined contributions for the State.

Other Post-employment Benefits (OPEB)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total nonemployer OPEB liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 2.21% to 2.16% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75. 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.

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

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S TOTAL
OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS (1)

	Fiscal Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total State OPEB Liability Attributable to Charter School						
Service cost	\$ 1,991,592	\$ 1,103,713	1,026,243	\$ 1,251,791	\$ 1,529,307	
Interest	168,933	191,631	189,958	241,335	186,928	
Change in benefit terms	(6,931)					
Difference between expected and actual experience	(3,733,712)	1,117,239	(657,683)	(2,530,387)	-	NOT AVAILABLE
Changes in assumptions and other inputs	6,425.00	1,500,530	66,204	(453,022)	(1,143,651)	
Benefit payments	4,319.00	4,335	4,040	3,648	4,725	
Contributions from the member	(133,072.00)	(143,010)	(136,301)	(105,561)	(128,316)	
Net Change in Total State OPEB Liability Attributable to	(1,702,446)	3,774,438	492,461	(1,592,196)	448,993	
Total State OPEB Liability Attributable to Charter School:						
At beginning of year	\$ 8,214,627	\$ 4,440,189	\$ 3,947,728	\$ 5,539,924	\$ 5,090,931	\$ -
At end of year	\$ 6,512,181	\$ 8,214,627	\$ 4,440,189	\$ 3,947,728	\$ 5,539,924	\$ 5,090,931
Charter School's proportionate share of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Charter School Covered-employee payroll ⁽²⁾	\$ 7,283,972	\$ 5,225,724	\$ 6,559,897	\$ 6,272,403	\$ 5,249,446	\$ 5,076,747
Total State OPEB liability as a percentage of Charter School covered-employee payroll	89.40%	157.20%	67.69%	62.94%	105.53%	100.28%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. No data is available prior to fiscal year 2018.

(2) Covered payroll was based on the Charter School's payroll for the year ended June 30.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2022

	Every Student Succeeds Act (E.S.S.A)		IDEA			COVID - 19 Grants			Charter and Renaissance School Project Emergent and Capital Maintenance	NJSIG Grant	Other Local Grants	Student Activities	Total
	Title I	Title III	IDEA Part B,	ARP-IDEA	ARP-IDEA	Coronavirus CARES ACT	Mental Health	ESSER II					
			Basic	Basic	Preschool								
Revenues													
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,276	\$ 7,500	\$ 8	\$ 13,784
State	-	-	-	-	-	-	-	-	23,996	-	-	-	23,996
Federal	1,074,921	49,436	19,874	43,214	3,875	325,316	40,500	2,172,905	-	-	-	-	3,730,041
Total revenues - all sources	\$ 1,074,921	\$ 49,436	\$ 19,874	\$ 43,214	\$ 3,875	\$ 325,316	\$ 40,500	\$ 2,172,905	\$ 23,996	\$ 6,276	\$ 7,500	\$ 8	\$ 3,767,821
Expenditures													
Current Expenditures:													
Instruction:													
Salaries of teachers	\$ 820,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,608	\$ -	\$ -	\$ -	\$ -	\$ 1,265,761
Purchased professional and technical services	-	-	-	-	-	-	-	54,467	-	-	-	-	54,467
Supplies and materials	5,854	44,003	-	-	-	291,433	-	737,575	-	-	7,500	-	1,086,365
Total instruction	826,007	44,003	-	-	-	291,433	-	1,237,650	-	-	7,500	-	2,406,593
Support services													
Salaries	-	-	-	-	-	-	-	60,314	-	-	-	-	60,314
Employee benefits	248,914	-	-	-	-	-	-	64,614	-	-	-	-	313,528
Purchased services	-	-	19,874	43,214	3,875	-	40,500	-	-	-	-	-	107,463
Other purchase services	-	5,433	-	-	-	-	-	810,327	-	-	-	-	815,760
Supplies and materials	-	-	-	-	-	33,883	-	-	-	6,276	-	-	40,159
Total support services	248,914	5,433	19,874	43,214	3,875	33,883	40,500	935,255	-	6,276	-	-	1,337,224
Capital Outlay:													
Noninstructional	-	-	-	-	-	-	-	-	23,996	-	-	-	23,996
Total Expenditures	1,074,921	49,436	19,874	43,214	3,875	325,316	40,500	2,172,905	23,996	6,276	7,500	-	3,767,813
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8	\$ 8
Fund balance at beginning of year												12,672	12,672
Fund balance at end of year												\$ 12,680	\$ 12,680

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2022, there was no capital project fund.

ENTERPRISE FUNDS

Enterprise 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 is that the costs of providing goods and 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.

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2022

	FOOD SERVICE	AFTER SCHOOL	TOTAL
Assets			
Cash and cash equivalents	\$ 941,247	\$ -	\$ 941,247
Accounts receivable:			
Federal	65,238	-	65,238
State	866	-	866
Total Accounts Receivable	<u>66,104</u>	<u>-</u>	<u>66,104</u>
Capital assets			
Machinery and equipment	92,342	-	92,342
Less: Accumulated depreciation	<u>(65,422)</u>	<u>-</u>	<u>(65,422)</u>
Net capital assets	<u>26,920</u>	<u>-</u>	<u>26,920</u>
Right-of-use assets			
Building	120,977	-	120,977
Less: Accumulated depreciation	<u>(120,977)</u>	<u>-</u>	<u>(120,977)</u>
Net right-of-use assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,034,271</u>	<u>\$ -</u>	<u>\$ 1,034,271</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	<u>211,500</u>	<u>-</u>	<u>211,500</u>
Total liabilities	<u>\$ 211,500</u>	<u>\$ -</u>	<u>\$ 211,500</u>
Net assets			
Unrestricted	<u>\$ 822,771</u>	<u>\$ -</u>	<u>\$ 822,771</u>
Total Liabilities and Net Position	<u>\$ 1,034,271</u>	<u>\$ -</u>	<u>\$ 1,034,271</u>

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2022

	FOOD SERVICE	AFTER SCHOOL	TOTAL
Operating revenues:			
Charges for services:			
Miscellaneous revenue	\$ 664	\$ -	\$ 664
Operating expenses:			
Salaries	44,132	-	44,132
Supplies and materials - reimbursable programs	635,493	-	635,493
Amortization of right-of-use assets	120,977	-	120,977
Depreciation	13,192	-	13,192
Miscellaneous	28,172	-	28,172
Total operating expenses	841,966	-	841,966
Operating income (loss)	(841,302)	-	(841,302)
Nonoperating revenues:			
State sources:			
State School Lunch	12,375	-	12,375
Federal sources:			
COVID-19 - National School Lunch - SSO	525,951	-	525,951
COVID-19 - National School Breakfast - SSO	283,508	-	283,508
COVID-19 - National After School Snack Program - SSO	93,943	-	93,943
COVID 19 - School Programs Emergency Operational Costs Reimbursement Program	154,647	-	154,647
COVID-19 - Pandemic EBT Administrative Costs	1,242	-	1,242
Total nonoperating revenues	1,071,666	-	1,071,666
Gain (loss) before transfers	230,364	-	230,364
Other financing sources (uses):			
Interest expense	(12,696)	-	(12,696)
Changes in net position	217,668	-	217,668
Total net position, July 1, 2021 as reported	612,814	-	612,814
Prior period adjustment	(7,711)	-	(7,711)
Total net position at beginning of the year	605,103	-	605,103
Total net position at end of year	\$ 822,771	\$ -	\$ 822,771

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	<u>FOOD SERVICE</u>	<u>AFTER SCHOOL</u>	<u>TOTAL</u>
Cash flows from operating activities			
Operating loss	\$ (841,302)	\$ -	\$ (841,302)
Adjustment to reconcile operating loss to net cash from operating activities:			
Amortization of right-of-use asset	120,977	-	120,977
Interest expense	-	-	-
Depreciation	13,192	-	13,192
Changes in assets and liabilities:			
Accounts receivable	18,814	-	18,814
Accounts payable	(26,936)	-	(26,936)
Interfund payable	182,763	-	182,763
Net cash from operating activities	<u>(532,492)</u>	<u>-</u>	<u>(532,492)</u>
Cash flows from noncapital financing activities			
Cash received from state and federal reimbursements	<u>1,071,666</u>	<u>-</u>	<u>1,071,666</u>
Cash flows from capital and related financing activities			
Principal payment of lease liabilities	(128,688)	-	(128,688)
Interest payment of lease liabilities	(12,696)	-	(12,696)
Net cash from capital and related financing activities	<u>(141,384)</u>	<u>-</u>	<u>(141,384)</u>
Net increase (decrease) in cash and cash equivalents	397,790	-	397,790
Cash and cash equivalents at beginning of the year	<u>543,457</u>	<u>-</u>	<u>543,457</u>
Cash and cash equivalents at end of year	<u>\$ 941,247</u>	<u>\$ -</u>	<u>\$ 941,247</u>

FIDUCIARY FUNDS

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School's own programs which are as follow:

- a) Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b) Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c) Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

At June 30, 2022, the Charter School do not have a Trust Fund nor Custodial Fund.

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the charter school. This includes the outstanding principal balance on leases, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable.

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER LEASES

YEAR ENDED JUNE 30, 2022

Purpose	Date of Original Issue	Term of Lease	Amount of Original Lease		Interest Rate	Balance June 30, 2021	Issued	Retired	Balance June 30, 2022
			Principal	Interest					
Building Lease	7/8/2018	5 years	\$ 4,387,541	\$ 711,150	6.00%	\$ 1,956,078	\$ -	\$ (933,441)	\$ 1,022,637
Copier Lease	12/13/2019	3.5 years	<u>62,941</u>	<u>6,693</u>	5.75%	<u>37,501</u>	<u>-</u>	<u>(18,213)</u>	<u>19,288</u>
Total Liabilities			<u>\$ 4,450,482</u>	<u>\$ 717,843</u>		<u>\$ 1,993,579</u>	<u>\$ -</u>	<u>\$ (951,654)</u>	<u>\$ 1,041,925</u>

**STATISTICAL SECTION
(UNAUDITED)**

FREEDOM PREP CHARTER SCHOOL

INTRODUCTION TO STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	81
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	87
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	88
Notes:	
1 Unless otherwise noted, the information in these J schedules are derived from the annual comprehensive financial reports (ACFR) for the relevant year.	
2 GASB requires presentation of certain statistical information for the last ten fiscal years. However, fiscal year ended June 30, 2016 (operating period January 1, 2015 to June 30, 2016) is the first operating year of the Charter School. Therefore, schedules presenting charterwide information include information beginning in that year.	

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

**NET POSITION BY COMPONENT
Last Ten Fiscal Years⁽²⁾**

(Accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities										
Invested in right-of-assets, net of related debt	\$ (146,434)	\$ 40,112	\$ 36,812	\$ 41,413	\$ -	\$ -	\$ 4,528	\$ 46,520	\$ -	\$ -
Restricted	87,705	75,025	75,025	-	-	-	-	-	100,558	133,185
Unrestricted	3,615,366	2,576,732	(1,035,273)	(1,441,693)	(714,902)	31,379	157,692	1,009,379	636,539	511,802
Total governmental activities net position	<u>3,556,637</u>	<u>2,691,869</u>	<u>(923,436)</u>	<u>(1,400,280)</u>	<u>(714,902)</u>	<u>31,379</u>	<u>162,220</u>	<u>1,055,899</u>	<u>737,097</u>	<u>644,987</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 26,920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	795,851	572,702	470,921	475,114	341,619	334,806	138,044	55,425	304	35,881
Total business-type activities net position	<u>\$ 822,771</u>	<u>\$ 572,702</u>	<u>\$ 470,921</u>	<u>\$ 475,114</u>	<u>\$ 341,619</u>	<u>\$ 334,806</u>	<u>\$ 138,044</u>	<u>\$ 55,425</u>	<u>\$ 304</u>	<u>\$ 35,881</u>
School-wide										
Invested in capital assets, net of related debt	\$ 26,920	\$ 40,112	\$ 90,116	\$ 41,413	\$ -	\$ -	\$ 4,528	\$ 46,520	\$ -	\$ -
Invested in right-of-assets, net of related debt	(146,434)	-	-	-	-	-	-	-	-	-
Restricted	87,705	75,025	75,025	-	-	-	-	-	100,558	133,185
Unrestricted	4,411,217	3,149,434	(564,352)	(966,579)	(373,283)	366,185	295,736	1,064,804	636,843	547,683
Total charter school net position	<u>\$ 4,379,408</u>	<u>\$ 3,264,571</u>	<u>\$ (399,211)</u>	<u>\$ (925,166)</u>	<u>\$ (373,283)</u>	<u>\$ 366,185</u>	<u>\$ 300,264</u>	<u>\$ 1,111,324</u>	<u>\$ 737,401</u>	<u>\$ 680,868</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

CHANGES IN NET POSITION

Last Ten Fiscal Years⁽²⁾

(Accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses										
Governmental activities										
Instruction	\$ 9,804,664	\$ 7,261,019	\$ 7,304,344	\$ 6,617,506	\$ 6,886,834	\$ 4,957,677	\$ 5,118,959	\$ 4,455,813	\$ 1,792,925	\$ 1,787,295
Administrative	3,554,712	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
Support Services	4,277,223	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
Unallocated:										
Capital Outlay	23,996	-	-	-	-	360,096	-	-	-	-
Benefits	-	36,812	4,601	4,601	-	-	-	-	267,014	311,899
Depreciation and amortization	774,514	-	-	-	-	4,528	41,992	40,887	40,887	40,621
Fix Depreciation	-	-	-	-	-	-	-	-	-	(5,132)
Total governmental activities expenses	<u>18,435,109</u>	<u>16,230,229</u>	<u>16,106,849</u>	<u>17,839,526</u>	<u>18,048,272</u>	<u>14,559,166</u>	<u>13,612,701</u>	<u>10,250,203</u>	<u>3,953,032</u>	<u>3,977,643</u>
Business-type activities:										
Food service	854,662	321,620	543,270	806,246	846,181	597,748	562,779	712,329	712,329	693,447
After school program	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	<u>854,662</u>	<u>321,620</u>	<u>543,270</u>	<u>806,246</u>	<u>846,181</u>	<u>597,748</u>	<u>562,779</u>	<u>712,329</u>	<u>712,329</u>	<u>693,447</u>
Total district expenses	<u>19,289,771</u>	<u>16,551,849</u>	<u>16,650,119</u>	<u>18,645,772</u>	<u>18,894,453</u>	<u>15,156,914</u>	<u>14,175,480</u>	<u>10,962,532</u>	<u>4,665,361</u>	<u>4,671,090</u>
Program Revenues										
Governmental activities:										
Charges for services	8	5,681	-	-	-	-	-	-	-	-
Operating grants and contributions	6,919,139	273,200	300,822	-	-	-	-	-	324,493	139,910
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>6,919,147</u>	<u>278,881</u>	<u>300,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,493</u>	<u>139,910</u>
Business-type activities:										
Charges for services										
Food service	664	-	-	-	-	529	-	-	231	3,874
After school program	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,071,666	409,545	587,430	939,741	852,946	793,981	645,550	585,130	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	136,612	143,622
Transfers	-	-	-	-	-	-	-	-	10,000	-
Total business-type activities program revenues	<u>1,072,330</u>	<u>409,545</u>	<u>587,430</u>	<u>939,741</u>	<u>852,946</u>	<u>794,510</u>	<u>645,550</u>	<u>585,130</u>	<u>146,843</u>	<u>147,496</u>
Total district program revenues	<u>7,991,477</u>	<u>688,426</u>	<u>888,252</u>	<u>939,741</u>	<u>852,946</u>	<u>794,510</u>	<u>645,550</u>	<u>585,130</u>	<u>471,336</u>	<u>287,406</u>
Net (Expense)/Revenue										
Governmental activities	(11,515,962)	(15,951,348)	(15,806,027)	(17,839,526)	(18,048,272)	(14,559,166)	(13,612,701)	(10,250,203)	(3,628,539)	(3,837,733)
Business-type activities	217,668	87,925	44,160	133,495	6,765	196,762	82,771	(127,199)	(565,486)	(545,951)
Total district-wide net expense	<u>(11,298,294)</u>	<u>(15,863,423)</u>	<u>(15,761,867)</u>	<u>(17,706,031)</u>	<u>(18,041,507)</u>	<u>(14,362,404)</u>	<u>(13,529,930)</u>	<u>(10,377,402)</u>	<u>(4,194,025)</u>	<u>(4,383,684)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
General purposes	778,427	675,243	605,494	530,433	531,560	474,844	418,033	340,328	110,660	111,019
Grants and contributions	11,621,120	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
Investment earnings	-	8,807	22,067	1,915	432	-	-	-	-	-
Miscellaneous income	43,318	200,532	21,034	134,888	412,611	213,152	349,437	161,025	21,051	78,227
Special items	-	1,658,705	-	-	-	-	-	-	-	-
Other financing sources (uses)	-	-	-	-	-	-	-	-	(10,000)	-
Total governmental activities	<u>12,442,865</u>	<u>19,614,812</u>	<u>16,282,871</u>	<u>17,154,148</u>	<u>17,301,991</u>	<u>14,429,243</u>	<u>13,584,614</u>	<u>10,538,764</u>	<u>3,720,639</u>	<u>3,456,165</u>

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

CHANGES IN NET POSITION
Last Ten Fiscal Years⁽²⁾
(Accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Business-type activities:										
Miscellaneous Income	-	664	4,951	-	48	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	-	664	4,951	-	48	-	-	-	-	-
Total district-wide	<u>12,442,865</u>	<u>19,615,476</u>	<u>16,287,822</u>	<u>17,154,148</u>	<u>17,302,039</u>	<u>14,429,243</u>	<u>13,584,614</u>	<u>10,538,764</u>	<u>3,720,639</u>	<u>3,456,165</u>
Changes in Net Position										
Governmental activities	926,903	3,663,464	476,844	(685,378)	(746,281)	(129,923)	(28,087)	288,561	92,100	(381,568)
Business-type activities	<u>217,668</u>	<u>88,589</u>	<u>49,111</u>	<u>133,495</u>	<u>6,813</u>	<u>196,762</u>	<u>82,771</u>	<u>(127,199)</u>	<u>(565,486)</u>	<u>(545,951)</u>
Total district	<u>\$ 1,144,571</u>	<u>\$ 3,752,053</u>	<u>\$ 525,955</u>	<u>\$ (551,883)</u>	<u>\$ (739,468)</u>	<u>\$ 66,839</u>	<u>\$ 54,684</u>	<u>\$ 161,362</u>	<u>\$ (473,386)</u>	<u>\$ (927,519)</u>

Source: Annual Comprehensive Financial Report

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years⁽²⁾

(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Restricted	\$ 75,025	\$ 157,997	\$ 157,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,161	\$ 4,911
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>7,802,243</u>	<u>6,486,218</u>	<u>1,867,819</u>	<u>1,028,089</u>	<u>971,310</u>	<u>1,342,370</u>	<u>1,009,379</u>	<u>1,009,379</u>	<u>636,539</u>	<u>511,802</u>
Total general fund	<u>7,877,268</u>	<u>6,644,215</u>	<u>2,025,816</u>	<u>1,028,089</u>	<u>971,310</u>	<u>1,342,370</u>	<u>1,009,379</u>	<u>1,009,379</u>	<u>649,700</u>	<u>516,713</u>
All Other Governmental Funds										
Restricted, Student activities	<u>12,680</u>	<u>12,672</u>	-	-	-	-	-	171	-	-
Total all other governmental funds	<u>\$ 7,889,948</u>	<u>\$ 6,656,887</u>	<u>\$ 2,025,816</u>	<u>\$ 1,028,089</u>	<u>\$ 971,310</u>	<u>\$ 1,342,370</u>	<u>\$ 1,009,379</u>	<u>\$ 1,009,550</u>	<u>\$ 649,700</u>	<u>\$ 516,713</u>

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years⁽²⁾
(Unaudited)

Function	Fiscal Year Ending June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Local Sources:										
Local tax levy	\$ 792,211	\$ 675,243	\$ 605,494	\$ 530,433	\$ 531,560	\$ 474,844	\$ 418,033	\$ 340,328	\$ 131,711	\$ 189,246
Miscellaneous	43,318	274,535	110,179	257,617	319,554	189,462	125,580	100,633	-	-
State sources	13,696,008	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
Federal sources	3,789,337	1,838,437	1,361,433	1,420,217	1,347,240	1,195,874	1,597,773	765,623	325,763	147,989
Total Revenues	<u>18,320,874</u>	<u>16,741,112</u>	<u>15,527,406</u>	<u>15,919,767</u>	<u>15,592,282</u>	<u>14,429,243</u>	<u>13,637,917</u>	<u>10,538,764</u>	<u>4,055,132</u>	<u>3,596,075</u>
Special items	-	1,658,705	-	-	-	-	-	-	-	-
Expenditures										
Instruction	6,855,736	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
Administrative cost	2,583,223	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
Support services	4,783,489	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
Interest on current loans	-	-	-	-	-	-	-	-	-	-
Capital outlay	23,996	-	-	46,014	-	360,096	-	-	-	-
Unallocated benefits	-	-	-	-	-	-	-	-	267,014	311,899
TPAF - FICA Reimbursement	1,484,470	-	-	-	-	-	-	-	-	-
TPAF - On-behalf payments	625,718	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>16,356,632</u>	<u>13,981,295</u>	<u>14,551,305</u>	<u>15,911,600</u>	<u>15,592,282</u>	<u>14,096,252</u>	<u>13,584,614</u>	<u>10,179,085</u>	<u>3,912,145</u>	<u>3,942,154</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,964,242</u>	<u>4,418,522</u>	<u>976,101</u>	<u>8,167</u>	<u>-</u>	<u>332,991</u>	<u>53,303</u>	<u>359,679</u>	<u>142,987</u>	<u>(346,079)</u>
Other financing sources (uses):										
Operating transfers in (out)	-	-	-	-	-	-	-	(10,000)	-	-
Principal payments on leases	(822,966)	-	-	-	-	-	-	-	-	-
Interest payments on leases	(81,078)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(904,044)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ <u>1,060,198</u>	\$ <u>4,418,522</u>	\$ <u>976,101</u>	\$ <u>8,167</u>	\$ <u>-</u>	\$ <u>332,991</u>	\$ <u>53,303</u>	\$ <u>349,679</u>	\$ <u>142,987</u>	\$ <u>(346,079)</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

GENERAL FUND REVENUE - OTHER LOCAL REVENUE BY SOURCE
Last Ten Fiscal Years⁽²⁾
(Unaudited)

Fiscal Year Ending June 30,	Sale of Capital Assets	Donations	Interest	Prior Year Refunds	Sale and Leasebacks of Textbooks	Miscellaneous Revenue	Total
2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,318	\$ 43,318
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	-	5,232	143,275
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	-	-	-	-	-	-	-

Source: Charter School records

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

PRINCIPAL EMPLOYERS
Current Year and Five Years Ago⁽²⁾

Employer	2022		2013	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

Information not available

** - Information not available

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

EXHIBIT J-16

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

Function/Program	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Instruction	66	73	75.0	93	93	81	81	49	24	26
Administrative	10	7	6	23	23	20	20	9	8	5
Support Services	29	23	41	10	10	10	10	25	2	3
Food Service	-	-	1	-	-	-	-	2	2	2
Total	105	103	123	126	126	111	111	85	36	36

Source: Charter School's personnel records

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary (K-4)					
2022	769	\$ 16,332,636	\$ 21,239	71.27%	65	1:12		781.5	627.0	-4.08%	80.23%
2021	826	10,243,153	12,401	-8.82%	66	1:12		814.7	653.0	-2.80%	80.15%
2020	849	11,546,986	13,601	-5.96%	70	1:9		838.2	764.0	-4.53%	91.15%
2019	891	12,885,986	14,462	-4.01%	93	1:9		878.0	806.0	5.02%	91.80%
2018	843	12,701,248	15,067	-0.65%	93	1:9		836.0	778.0	3.47%	93.06%
2017	759	11,510,237	15,165	28.55%	81	1:9		808.0	770.0	2.67%	95.30%
2016	759	8,953,800	11,797	140.37%	49	1:9		787.0	707.0	24.53%	89.83%
2015	731	3,587,652	4,908	-69.80%	23	1:15		632.0	584.0	167.57%	92.41%
2014	234	3,802,244	16,249	24.33%	23	1:10		236.2	216.0	-3.98%	91.45%
2013	246	3,215,101	13,070	N/A	20	1:10		246.0	218.0	N/A	88.62%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

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

^b Teaching staff includes only full-time equivalents of certificated staff.

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

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Charter School Building</u>										
School building										
Square feet	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Capacity (students)	1,020	1,020	1,020	731	731	255	255	255	255	255
Enrollment	769	826	855	731	731	234	246	234	234	227

Number of Schools at, June 30, 2022
School Building: 1

Other

Source: District Facilities Office

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

Source: Charter School Facilities Office

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2022
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
PACKAGE POLICY		
Property ^a		
Contents Limit	\$ 689,585	
Tenants Improvements & Betterments	1,060,900	\$ 1,000
Extra Expense - NJSIG Limit	50,000,000	1,000
Valuable Papers and Records - NJSIG Limit	10,000,000	1,000
Loss of Rents	200,000	1,000
Loss of Business Income/Tuition	2,000,000	1,000
Flood Zones A& V NJSIG Agg	25,000,000	500,000
All Flood Zones NJSIG Agg	75,000,000	10,000
Earthquake acc/NJSIG annual agg	50,000,000	
Terrorism per occurrence/NJSIG Annual Aggregate	1,000,000	
EDP		
Blanket Hardware/Software	Included in prop blanket	1,000
Computer Virus - Limit	250,000	1,000
Computer Virus - Shared Limit/NJSIG Annual Aggregate	10,000,000	1,000
Equipment Breakdown		
Property Damage and Business Income	1,750,485	25,000
Crime		
Public Employee Dishonesty	250,000	1,000
Forgery or Alteration	250,000	1,000
Loss of Money & Securities	50,000	500
Money Orders & Counterfeit Paper	100,000	500
Computer Fraud	250,000	1,000
General Liability		
Bodily Injury & Property Damage	31,000,000	
Products/Completed Ops annual agg	31,000,000	
Sexual Abuse - per Occurrence	15,000,000	
Sexual Abuse - per member annual agg	15,000,000	
Sexual Abuse - Annual NJSIG Aggregate	27,000,000	
Personal & Advertising Injury per occurrence	31,000,000	
Personal & Advertising Injury Annual Aggregate	31,000,000	
Employee Benefits Liability	31,000,000	1,000
Premises Medical Payments - per Accident	10,000	
Premises Medical Payments - per Person	5,000	
Communicable Disease Outbreak - per Occurrence	1,000,000	
Communicable Disease Outbreak - Annual NJSIG Aggregate - shared among GL, AL, and SBLL/E&O Coverages	9,000,000	
Business Auto		
Automobile Liability - Hired & Non Owned	31,000,000	
Communicable Disease Outbreak - per Occurrence	1,000,000	
Communicable Disease Outbreak - Annual NJSIG Aggregate - shared among GL, AL, and SBLL/E&O Coverages	9,000,000	
ENVIRONMENTAL IMPAIRMENT ^b		
Each Incident	1,000,000	50,000
Aggregate per Named Insured	2,000,000	
Coverage Aggregate	11,000,000	
ERRORS AND OMISSIONS LIABILITY ^a		
Coverage A:		
Limit each policy period	31,000,000	15,000
Coverage B:		

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

INSURANCE SCHEDULE

June 30, 2022

(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Limit each claim	100,000	15,000
Limit each policy period	300,000	
Communicable Disease Outbreak - per claim	1,000,000	
Communicable Disease Outbreak - Annual NJSIG Aggregate - shared among GL, AL, and SBL/E&O Coverages	9,000,000	
WORKER'S COMPENSATION ^a		
Workers' Compensation Limits	Statutory	
Employers' Liability Limits - Bodily Injury by Accident	3,000,000	
Employers' Liability Limits - Bodily Injury by Disease - Each Employee	3,000,000	
Employers' Liability Limits - Bodily Injury by Disease - Aggregate Limit	3,000,000	
SUPPLEMENTAL INDEMNITY ^d		
(Salary Continuance)		
Maximum Weekly Benefit	2,500	
Maximum Benefit Period	52 weeks	
Elimination Period	7 days	
Aggregate per Accident	100,000	
CAP EXCESS LIABILITY ^e		
Excess Liability	25,000,000	
Excess Liability - Aggregate Liability	25,000,000	
STUDENT ACCIDENT ^f		
Maximum Benefit		
All Students including Athletics	6,000,000	
Football Excluded		
Catastrophe Cash Benefit	1,000,000	
Volunteers	50,000	
Non-Enrolled Campers	50,000	
CYBER LIABILITY ^c		
Policy Aggregate	2,000,000	
Sublimits:		
Privacy Liability (Including Employee Privacy)	2,000,000	
Privacy Regulatory Claims Coverage	2,000,000	
Security Breach Response Coverage	2,000,000	
Security Liability	2,000,000	
Multimedia Liability	2,000,000	
Cyber Extortion	2,000,000	
Business Income & Digital Asset Restoration	2,000,000	
PCT DSS Assessment	2,000,000	
Electronic Fraud - Phishing Loss	50,000	
Electronic Fraud - Telephone Hacking	100,000	
Electronic Fraud - Funds Transfer Fraud	100,000	
Cyber Deception	250,000	
Retention Each Claim	5,000	
Cyber Deception Retention	10,000	
Waiting Period	8 Hours	

Source: Charter School's Records

^a New Jersey Schools Insurance Group

^b Ironshore Specialty Insurance Co

^c BCS INS. Inc.

^d Federal Insurance Company (Chubb Group of Insurance Companies)

^e Fireman's Fund Insurance Company (Allianz SE)

^f Zurich American Insurance Company

FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2020 Audit	2021 Audit	2022 Audit	Source
Cash	\$ 5,311,379	\$ 7,633,934	\$ 6,835,431	Audit: Exhibit A-1
Current Assets	5,979,549	8,368,581	9,167,535	Audit: Exhibit A-1
Current Liabilities	3,181,990	1,138,992	481,736	Audit: Exhibit A-1
Total Expenses	16,650,119	16,551,849	19,289,771	Audit: Exhibit A-2
Change in Net Position	525,955	3,752,053	3,264,571	Audit: Exhibit A-2
Final Average Daily Enrollment	878	838	838	DOE Enrollment Reports
March 30th Budgeted Enrollment	891	891	849	Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	4,601	36,812	13,192	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers

Performance Indicators	2020	2021	2022	3 YR CUM	Source:	Target
Near Term Indicators						
1a. Current Ratio	1.9	7.3	19.0		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b. Unrestricted Days Cash	116	168	129		Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c. Enrollment Variance	99%	94%	99%	97.58%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d. Default	NO	NO	NO		Audit	not in default
Sustainability Indicators						
2a. 3 Year Cumulative Cash Flow	\$ 2,849,560	\$ 2,322,555	\$ (798,503)	\$ 4,987,556	Net change in cash flow from prior years (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	3 yr cum positive with most recent year postive
2b. Debt Service Coverage Ratio	N/A	N/A	N/A			>1.10

Meets Standard
Does Not Meet Standard
Falls Far Below Standard

SINGLE AUDIT SECTION



EXHIBIT K-1

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

The Honorable President and
Members of the Board of Trustees
Freedom Prep Charter School
County of 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 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Freedom Prep Charter School (the Charter School), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated March 13, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - CONTINUED

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 weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of 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 financial statements. 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 matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that we have reported to the Board of Trustees of Freedom Prep Charter School in the County of Camden, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated March 13, 2023.

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* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 13, 2023
Cream Ridge, New Jersey



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08

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

Report on Compliance for Each Major Federal and State Programs

Opinion on Each Major Federal and State Programs

We have audited the Freedom Prep Charter School (the Charter School) in the County of Camden, State of New Jersey compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 2022. 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.

In our opinion, the Freedom Prep Charter School in the County of Camden State of New Jersey, complied, in all material respects, with the 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, 2022.

Basis of Opinion on Each Major Federal and State Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards, the Uniform Guidance and the New Jersey OMB Circular Letter 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Charter School's compliance with the compliance requirement referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statute, regulations, rules and provisions of contracts or grant agreements applicable to its federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the New Jersey OMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Charter School's compliance with the requirements of each major federal and state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the New Jersey OMB Circular Letter 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the New Jersey OMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

Report on 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 and 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 and 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 and 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 13, 2023
Cream Ridge, New Jersey

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grant/ Pass-Through Grantor/ Program Title	Assistance Listing No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2021	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2022		
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education:														
Passed-through New Jersey State Department Education														
General Fund:														
Medical Assistance Program (SEMI)	93.778	2205AQTADM	N/A	\$ 59,296	7/1/2021	6/30/2022	\$ -	\$ -	\$ 59,296	\$ (59,296)	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund:														
Title I Part A Grants to Local Educational Agencies	84.010	S010A210030	ESEA - 6240 - 22	1,074,921	7/1/2021	9/30/2022	-	-	820,637	(1,074,921)	-	(254,284)	-	-
Title I Part A Grants to Local Educational Agencies	84.010	S010A200030	ESEA - 6240 - 21	1,136,719	9/1/2020	8/31/2021	(24,146)	-	24,146	-	-	-	-	-
Subtotal Title I Part A Grants to Local Educational Agencies							(24,146)	-	844,783	(1,074,921)	-	(254,284)	-	-
Special Education Cluster														
Individuals with Disabilities - States Grant	84.027	H027A210100	IDEA - 6240 - 22	19,874	7/1/2021	9/30/2022	-	-	-	(19,874)	-	(19,874)	-	-
COVID 19 - Individuals With Disabilities Education Act/American Rescue Plan Act of 2021	84.027X	H027X210100	IDEA - 6240 - 22	43,214	7/1/2021	9/30/2022	-	-	43,214	(43,214)	-	-	-	-
COVID 19 - Individuals With Disabilities Education Act/American Rescue Plan Act of 2021 (Preschool)	84.173X	H173X210114	IDEA - 6240 - 22	3,875	7/1/2021	9/30/2022	-	-	3,875	(3,875)	-	-	-	-
Subtotal Special Education Cluster							-	-	47,089	(66,963)	-	(19,874)	-	-
Title III - English Language Acquisition State Grants	84.365	S365A210030	ESEA - 6240 - 22	49,436	7/1/2021	9/30/2022	-	-	-	(49,436)	-	(49,436)	-	-
COVID 19 - Education Stabilization Fund														
COVID 19 - CARES Emergency Relief Grant	84.425D	S425D210027	N/A	831,716	3/13/2020	9/30/2022	(128,846)	-	454,162	(325,316)	-	-	-	-
COVID 19 - CRRSA ESSER II - Mental Health	84.425D	S425D210027	N/A	40,500	3/13/2020	9/30/2023	-	-	-	(40,500)	-	(40,500)	-	-
COVID 19 - CRRSA ESSER II	84.425D	S425D210027	N/A	3,229,995	3/13/2020	9/30/2023	-	-	616,168	(2,172,905)	-	(1,556,737)	-	-
Subtotal COVID 19 - Education Stabilization Fund							(128,846)	-	1,070,330	(2,538,721)	-	(1,597,237)	-	-
Total U.S. Department of Education							(152,992)	-	2,021,498	(3,789,337)	-	(1,920,831)	-	-
U.S. Department of Agriculture														
Passed-through New Jersey State Department of Agriculture														
Enterprise Fund:														
Child Nutrition Cluster														
COVID-19 - School Breakfast Program - SSO	10.553	221NJ304N1099	N/A	283,508	7/1/2021	6/30/2022	-	-	263,405	(283,508)	-	(20,103)	-	-
COVID-19 - School Breakfast Program - SSO	10.553	211NJ304N1099	N/A	148,874	7/1/2020	6/30/2021	(17,499)	-	17,499	-	-	-	-	-
COVID-19 - National School Lunch Program - SSO	10.555	221NJ304N1099	N/A	525,951	7/1/2021	6/30/2022	-	-	488,315	(525,951)	-	(37,636)	-	-
COVID-19 - National School Lunch Program - SSO	10.555	211NJ304N1099	N/A	232,097	7/1/2020	6/30/2021	(60,525)	-	60,525	-	-	-	-	-
COVID-19 - National School Snack Program - SSO	10.555	221NJ304N1099	N/A	93,943	7/1/2021	6/30/2022	-	-	86,444	(93,943)	-	(7,499)	-	-
COVID-19 - National School Snack Program - SSO	10.555	211NJ304N1099	N/A	15,874	7/1/2020	6/30/2021	(4,930)	-	4,930	-	-	-	-	-
COVID 19 - School Programs Emergency Operational Costs Reimbursement Program	10.555	202121H170341	N/A	154,647	7/1/2021	6/30/2022	-	-	154,647	(154,647)	-	-	-	-
Subtotal Child Nutrition Cluster							(82,954)	-	1,075,765	(1,058,049)	-	(65,238)	-	-
COVID-19 - Pandemic EBT Administrative Costs	10.649	211NJ304S9009	N/A	1,242	10/1/2020	3/31/2022	-	-	1,242	(1,242)	-	-	-	-
Total U.S. Department of Agriculture							(82,954)	-	1,077,007	(1,059,291)	-	(65,238)	-	-
Total Expenditures of Federal Awards							\$ (235,946)	\$ -	\$ 3,098,505	\$ (4,848,628)	\$ -	\$ (1,986,069)	\$ -	\$ -

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2022

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2021			Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2022			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				Intergovernmental (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
New Jersey State Department of Education														
General Fund:														
Equalization Aid	22-495-034-5120-078	7/1/21-6/30/22	\$ 10,133,782	\$ -	\$ -	\$ -	9,987,251	(10,133,782)	-	(170,008)	-	23,477	170,008	10,133,782
Equalization Aid	21-495-034-5120-078	7/1/20-6/30/21	10,084,396	(347,540)	-	-	360,992	-	-	(36,944)	-	50,396	36,944	-
Special Education Categorical Aid	22-495-034-5120-089	7/1/21-6/30/22	549,096	-	-	-	549,096	(549,096)	-	-	-	-	-	549,096
Security Aid	22-495-034-5120-084	7/1/21-6/30/22	332,459	-	-	-	332,459	(332,459)	-	-	-	-	-	332,459
Adjustment Aid	22-495-034-5120-085	7/1/21-6/30/22	546,487	-	-	-	546,487	(546,487)	-	-	-	-	-	546,487
On-Behalf Teachers' Pension and Annuity Fund – Post Retirement Medical	22-495-034-5094-001	7/1/21-6/30/22	346,832	-	-	-	346,832	(346,832)	-	-	-	-	-	346,832
On-Behalf Teachers' Pension and Annuity Fund	22-495-034-5094-002	7/1/21-6/30/22	1,484,470	-	-	-	1,484,470	(1,484,470)	-	-	-	-	-	1,484,470
On-Behalf Teachers' Pension & Annuity Fund – Non-contributory Insurance	22-495-034-5094-004	7/1/21-6/30/22	1,667	-	-	-	1,667	(1,667)	-	-	-	-	-	1,667
Reimbursed TPAF - Social Security Contributions	22-495-034-5094-003	7/1/21-6/30/22	277,219	-	-	-	247,827	(277,219)	-	(29,392)	-	-	-	277,219
Reimbursed TPAF - Social Security Contributions	21-495-034-5094-003	7/1/20-6/30/21	273,200	(12,188)	-	-	12,188	-	-	-	-	-	-	-
Total General Fund				(359,728)	-	-	13,869,269	(13,672,012)	-	(236,344)	-	73,873	206,952	13,672,012
Special Fund:														
Charter and Renaissance School Project Emergent and Capital Maintenance	N/A	7/1/21-6/30/22	23,996	-	-	-	23,996	(23,996)	-	-	-	-	-	23,996
				-	-	-	23,996	(23,996)	-	-	-	-	-	23,996
State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	22-100-010-3350-023	7/1/21-6/30/22	12,375	-	-	-	11,509	(12,375)	-	(866)	-	-	-	12,375
State School Lunch Program	21-100-010-3350-023	7/1/20-6/30/21	13,177	(1,964)	-	-	1,964	-	-	-	-	-	-	-
Total Enterprise Fund				(1,964)	-	-	13,473	(12,375)	-	(866)	-	-	-	12,375
Total Expenditures of State Financial Assistance				\$ (361,692)	\$ -	\$ -	\$ 13,906,738	\$ (13,708,383)	\$ -	\$ (237,210)	\$ -	\$ 73,873	\$ 206,952	\$ 13,708,383
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf Teachers' Pension and Annuity Fund – Post Retirement Medical	22-495-034-5094-001							346,832						
On-Behalf Teachers' Pension and Annuity Fund	22-495-034-5094-002							1,484,470						
On-Behalf Teachers' Pension & Annuity Fund – Non-contributory Insurance	22-495-034-5094-004							1,667						
								1,832,969						
Total for State Financial Assistance-Major Program Determination								\$ (11,875,414)						

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE**

FISCAL YEAR ENDED JUNE 30, 2022

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of those recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. 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. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 59,296	\$ 11,839,043	\$ 11,898,339
Special Revenue Fund	3,730,041	23,996	3,754,037
Enterprise Fund	1,059,291	12,375	1,071,666
Total	<u>\$ 4,848,628</u>	<u>\$ 11,875,414</u>	<u>\$ 16,724,042</u>

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE - CONTINUED**

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents reimbursements in the amount of 277,219 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2022. The State had also made on-behalf TPAF pension, post-retirement medical benefits and long-term disability insurance contributions totaling \$1,832,969.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF pension, post-retirement medical benefits and long-term disability insurance 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 financial statements and the amount subject to State single audit and major program determination.

NOTE 7 SCHOOLWIDE PROGRAM FUNDS

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

Title I, Part A: Grants to Local Education Agencies	\$ 1,074,921
Title III - English Language Acquisition State Grants	<u>49,436</u>
Total	<u>\$ 1,124,357</u>

NOTE 8 DE MINIMIS INDIRECT COST

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

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes ✓ None reported

Significant deficiency(ies) identified not considered
 to be material weaknesses? Yes ✓ No

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards

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

Auditee qualified as low-risk auditee? Yes ✓ No

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

Internal control over compliance:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified not considered
 to be material weakness(es)? Yes ✓ No

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200 section .516(a)? Yes ✓ No

Identification of Major Programs:

<u>Assistance Listing</u>	<u>FAIN</u>	<u>Name of Federal Program</u>
84.425		COVID-19 - Education Stabilization Fund
84.425D	S425D210027	COVID 19 - CARES Emergency Relief Grant
84.425D	S425D210027	COVID-19 - CRRSA ESSER II
84.425D	S425D210027	COVID 19 - CRRSA ESSER II – Mental Health

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

Federal Awards - continued

Identification of Major Programs - continued:

<u>Assistance Listing</u>	<u>FAIN</u>	<u>Name of Federal Program</u>
Child Nutrition Cluster		
10.553	221NJ304N1099	COVID-19 National School Breakfast Program
10.555	221NJ304N1099	COVID-19 National School Lunch Program
10.555	221NJ304N1099	COVID-19 National School Snack Program
10.555	202121H170341	COVID-19 School Programs Emergency Operational Costs Reimbursement Program

State Financial Assistance

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

Auditee qualified as low-risk auditee? Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered
to be material weakness(es)? Yes No

Any audit findings disclosed that are required to be reported
in accordance with New Jersey OMB Circular Letter 15-08? Yes No

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
State Aid Public Cluster:	
22-495-034-5120-078	Equalization Aid
22-495-034-5120-084	Security Aid
22-495-034-5120-089	Special Education Aid
22-495-034-5120-085	Adjustment Aid

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control Over Financial Reporting

None.

Compliance and Other Matters

None.

SECTION III - FEDERAL AWARDS

None noted.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION IV - STATE FINANCIAL ASSISTANCE

There are none.

**FREEDOM PREP CHARTER SCHOOL
(COUNTY OF CAMDEN, NEW JERSEY)****SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS
PREPARED BY MANAGEMENT****FISCAL YEAR ENDED JUNE 30, 2022****Finding 2021-001 Improper Accounting for Interfund Transactions and Incorrect Bank Reconciliation**

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.

Status: No similar finding noted in the current year.

Finding 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

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.

Status: No similar finding noted in the current year.

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

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.

Status: No similar finding noted in the current year.