FOUNDATION ACADEMY CHARTER SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

FOUNDATION ACADEMY CHARTER SCHOOL

Foundation Academy Charter School
Board of Trustees
Trenton, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

OF THE

FOUNDATION ACADEMY CHARTER SCHOOL

TRENTON, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared By

Foundation Academy Charter School
Finance Department

And

Barre & Company, CPA's

June 30, 2010

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FOUNDATION ACADEMY CHARTER SCHOOL
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INTRODUCTORY SECTION

Foundation Academy Charter School
333 South Broad Street
Trenton, New Jersey 08608
609-920-9200

September 22, 2010

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Foundation Academy Charter School (Charter School) for the fiscal year ended June 30, 2010. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;

- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

  - The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*", and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

The Head of School is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The Principal/Associate Head of School is responsible to the Head of School for the instructional program of the school. 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. <u>REPORTING ENTITY AND ITS SERVICES</u>: Foundation Academy Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the school are included in this report. Foundation Academy Charter School, Board of Trustees, constitutes the Charter School's reporting entity.

During the third year of operation, the 2009-2010 school year, Foundation Academy Charter School provided a full range of educational services to students in grades 5-8. These services included regular, as well as special education instruction. One hundred and ninety-two students were enrolled in eight classes of twenty-four. As a college-preparatory school, Foundation Academy Charter School's mission is to ensure that all students secure the academic knowledge and skills to prepare them for the nation's finest high schools and colleges, and to instill in them the core values of caring, respect, responsibility and honesty. Foundation Academy Charter School's program is modeled after some of the highest performing urban charters schools in the country and includes standardized classroom procedures, regular testing to track student progress, more time on task, a focus on values and building community, clear and innovative rewards and consequences designed to teach and emphasize positive academic and social behavior, school uniforms, 90-120 minutes of homework each night, and an overall rigorous academic program. Foundation Academy Charter School provides a longer school day and a longer school year which includes a three-week summer session.

REPORTING ENTITY AND ITS SERVICES (CONTINUED):

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

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2009-2010	185.7	55.1%
2008-2009	119.7	49.6%
2007-2008	80.0	100.0%

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

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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

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

8. OTHER INFORMATION:

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

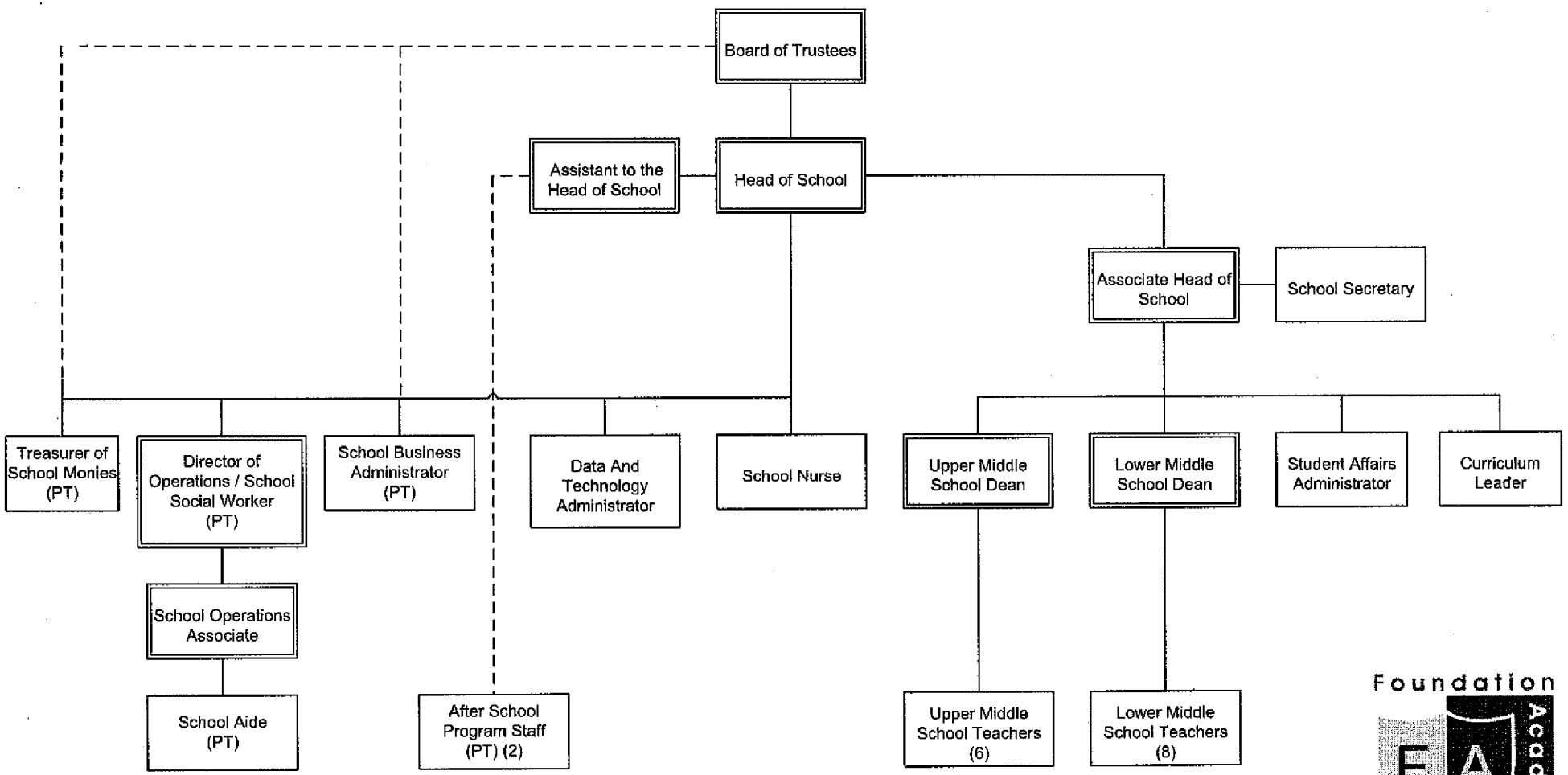
9. <u>ACKNOWLEDGEMENTS:</u> We would like to express our appreciation to the members of the Foundation Academy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development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

Respectfully submitted,

Ronald C. Brady
Head of School

Foundation Academy Charter School

Organization Chart 2009-2010



Foundation Academy Charter School

(31) Full & Part Time Staff

FOUNDATION ACADEMY CHARTER SCHOOL
TRENTON, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2010

MEMBERS OF THE BOARD OF TRUSTEES

Earl Kim, Board President

M. Nicole Sistrunk-Lewis, Secretary

Johanna Correa, Member

Anne-Mindy Fernandez-Sheinbaum, Member

Meghan Mackay, Member

Grecia Montero, Member

Kirk Norris, Member

John Webb, Member

OTHER OFFICIALS

Ronald Brady, Head of School

Graig Weiss, Associate Head of School

Tara Pepe, Director of Operations

Christopher Lessard, Business Administrator

Monique Bonnier, Treasurer

Hope Blackburn, Board Counsel

FOUNDATION ACADEMY CHARTER SCHOOL
TRENTON, NEW JERSEY

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue, Suite 303
Union, New Jersey 07083

Attorney

Hope R. Blackburn
Schwartz Simon Edelstein Celso & Zitomer LLC
44 Whippany Road, Suite 210
PO Box 2355
Morristown, New Jersey 07962

Official Depository

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

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 303
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

Independent Auditor's Report

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

We have audited the accompanying 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 Board of Trustees of the Foundation Academy Charter School, in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Foundation Academy Charter School Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Foundation Academy Charter School Board of Trustees, in the County of Mercer, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

www.cpa-bc.com ◆ info@cpa-bc.com
5 Independence Way ◆ Suite 300 ◆ Princeton, NJ 08540 ◆ (609) 275-4810
Metro Park Center ◆ 33 Wood Avenue So. ◆ Iselin, NJ 08830 ◆ (732) 603-2100

In accordance with *Government Auditing Standards,* we have also issued our report dated September 22, 2010 on our consideration of the Foundation Academy Charter School Board of Trustees' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be in considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 14 and 60, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation Academy Charter School Board of Trustees'' basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

September 22, 2010

REQUIRED SUPPLEMENTARY INFORMATION – PART I

FOUNDATION ACADEMY CHARTER SCHOOL
TRENTON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED JUNE 30, 2010 UNAUDITED

The discussion and analysis of Foundation Academy Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2009-2010) and the prior year (2008-2009) is required to be presented in the MD&A. However, since this is the first year of the Charter School, no prior year information is available, and will be presented when available.

Financial Highlights

Key financial highlights for 2010 are as follows:

- General revenues accounted for $2,926,770 or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $113,582 or 4% of total revenues of $3,040,352.

- The Charter School had $2,651,932 in expenses; only $113,582 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $2,926,770 were adequate to provide for these programs.

- Among governmental funds, the General Fund had $2,754,366 in revenues and $2,396,598 in expenditures. The General Fund's fund balance increased $357,768 over 2009. This increase was anticipated by the Board of Trustees.

FOUNDATION ACADEMY CHARTER SCHOOL
TRENTON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(CONTINUED)

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

- Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 36 of this report.

The Charter School as a Whole

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

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

The Charter School's combined Net Assets were $817,595 for 2010 and $429,175 for 2009.

Governmental Activities

The Charter School's total revenues were $2,926,770 for 2010 and $1,808,291 for 2009, this includes $70,288 for 2010 and $55,578 for 2009 of state reimbursed TPAF social security contributions.

The total cost of all program and services were $2,542,869 for 2010 and $1,518,174 for 2009. Instruction comprises 56% for 2010 and 52% for 2009 of Charter School expenses.

Business-Type Activities

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

- Food service revenues exceeded expenditures by $4,519 for 2010 and revenues equaled expenditures for 2009.
- Charges for services represent $11,420 for 2010 and $7,267 for 2009 of revenue. This represents amounts paid by patrons for daily food.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were $102,162 for 2010 and $77,519 for 2009.

Governmental Activities

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

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

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

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

Capital Outlay represents school equipment purchased under the $2,000 threshold.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to $2,926,770 for 2010 and $1,808,291 for 2009 and expenditures were $2,569,002 for 2010 and $1,518,174 for 2009.

FOUNDATION ACADEMY CHARTER SCHOOL
TRENTON, NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(CONTINUED)

The Charter School's Funds (Continued)

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2010, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2009	Percent of Increase/ (Decrease)
Local Sources	$ 273,069	9.33%	$ 72,314	36.02%
Intermediate Sources	7,851	0.27%	7,851	0.00%
State Sources	2,481,297	84.78%	959,033	63.00%
Federal Sources	164,553	5.62%	79,281	92.97%
Total	$ 2,926,770	100.00%	$ 1,118,479	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2010, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2009	Percent of Increase/ (Decrease)
Instruction	$ 1,190,324	46.34%	$ 517,397	76.89%
Administration	826,532	32.17%	466,937	129.85%
Support Services	524,879	20.43%	39,227	8.08%
Capital Outlay	27,267	1.06%	27,267	0.00%
Total	$ 2,569,002	100.00%	$ 1,050,828	

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

At the end of fiscal year 2010, the Charter School had $26,133 invested in building improvements.

For the Future

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

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Ronald C. Brady, Head of School at Foundation Academy Charter School, 333 South Broad Street, Trenton, New Jersey 08608.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

FOUNDATION ACADEMY CHARTER SCHOOL
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 807,410	$ 1,926	$ 809,336
Interfund Receivables	5,050		5,050
Other Receivables	67,839	7,521	75,360
Other Assets	35,174		35,174
Capital Assets, Net	26,133		26,133
Total Assets	941,606	9,447	951,053
LIABILITIES:			
Interfund Payable		2,000	2,000
Payable to State Government	17,145		17,145
Accounts Payable	56,856	2,928	59,784
Deferred Revenue	54,529		54,529
Total Liabilities	128,530	4,928	133,458
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	26,133		26,133
Unrestricted	786,943	4,519	791,462
Total Net Assets	$ 813,076	$ 4,519	$ 817,595

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

FOUNDATION ACADEMY CHARTER SCHOOL
Statement of Activities
For The Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets: Governmental Activities	Net (Expense) Revenue and Changes In Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes In Net Assets: Total
GOVERNMENTAL ACTIVITIES:								
Instruction	$ 1,190,324	$ 227,362	$ -	$ -	$ -	$ (1,417,686)	$ -	$ (1,417,686)
Administration	468,482	99,502				(567,984)		(567,984)
Support Services	524,879	31,186				(556,065)		(556,065)
Unallocated Depreciation	1,134					(1,134)		(1,134)
Total Governmental Activities	2,184,819	$ 358,050	-	-	-	(2,542,869)	-	(2,542,869)
BUSINESS-TYPE ACTIVITIES:								
Food Service	109,063		11,420	102,162			4,519	4,519
Total Business-Type Activities	109,063		11,420	102,162	-	-	4,519	4,519
Total Primary Government	$ 2,293,882		$ 11,420	$ 102,162	$ -	$ (2,542,869)	$ 4,519	$ (2,538,350)
GENERAL REVENUES								
General Purposes						$ 273,060	$ -	$ 273,060
Federal and State Aid Not Restricted						2,653,701		2,653,701
Investment Earnings						9		9
Total General Revenues						2,926,770	-	2,926,770
Change in Net Assets						383,901	4,519	388,420
Net Assets - Beginning						429,175	-	429,175
Net Assets - Ending						$ 813,076	$ 4,519	$ 817,595

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

FOUNDATION ACADEMY CHARTER SCHOOL
Governmental Funds
Combining Balance Sheet
June 30, 2010

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	$ 795,323	$ 12,087	$ 807,410
Interfund Receivables	5,050		5,050
Receivables From Other Governments	5,947	46,912	52,859
Other Receivables		5,000	5,000
Receivables, Net	9,980		9,980
Other Assets	35,174		35,174
Total Current Assets	851,474	63,999	915,473
Total Assets	$ 851,474	$ 63,999	$ 915,473
LIABILITIES AND FUND BALANCES:			
Current Liabilities:			
Payable to State Government	$ 17,145	$ -	$ 17,145
Accounts Payable	47,386	9,470	56,856
Deferred Revenue		54,529	54,529
Total Liabilities	64,531	63,999	128,530
Fund Balances:			
Unreserved:			
General Fund	786,943		786,943
Total Fund Balances	786,943	-	786,943
Total Liabilities and Fund Balances	$ 851,474	$ 63,999	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is $27,267 and the accumulated depreciation is $1,134.	26,133
Net Assets of Governmental Activities	$ 813,076

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

FOUNDATION ACADEMY CHARTER SCHOOL
Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	$ 273,060	$ -	$ 273,060
Interest on Investments	9		9
Total Local Sources	273,069	-	273,069
Intermediate Sources		7,851	7,851
State Sources	2,481,297		2,481,297
Federal Sources		164,553	164,553
Total Revenues	2,754,366	172,404	2,926,770
EXPENDITURES:			
Instruction	1,084,804	105,520	1,190,324
Administration	826,532		826,532
Support Services	457,995	66,884	524,879
Capital Outlay	27,267		27,267
Total Expenditures	2,396,598	172,404	2,569,002
NET CHANGE IN FUND BALANCES	357,768	-	357,768
FUND BALANCES, JULY 1	429,175	-	429,175
FUND BALANCES, JUNE 30	$ 786,943	$ -	$ 786,943

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

FOUNDATION ACADEMY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Total net change in fund balances - governmental fund (from B-2)		$ 357,768
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.		
Depreciation Expense	(1,134)	
Capital Outlay	27,267	26,133
Change in net assets of governmental activities		$ 383,901

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

PROPRIETARY FUNDS

FOUNDATION ACADEMY CHARTER SCHOOL
Proprietary Fund
Statement of Fund Net Assets
June 30, 2010

	Business-Type Activities Food Service
ASSETS:	
Cash and Cash Equivalents	$ 1,926
Receivables From Other Governments	7,521
Total Assets	$ 9,447
LIABILITIES AND NET ASSETS:	
Liabilities:	
Interfund Accounts Payable	$ 2,000
Accounts Payable	2,928
Total Liabilities	4,928
NET ASSETS:	
Unrestricted	4,519
Total Net Assets	4,519
Total Liabilities and Net Assets	$ 9,447

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

FOUNDATION ACADEMY CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities Enterprise Fund Food Service
OPERATING REVENUES:	
Charges for Services:	
Daily Sales Reimbursable Program	$ 11,420
Total Operating Revenues	11,420
OPERATING EXPENSES:	
Salaries	16,706
Cost of Sales	92,357
Total Operating Expenses	109,063
OPERATING LOSS	(97,643)
NONOPERATING REVENUES:	
Miscellaneous Income	145
State Source:	
State School Breakfast Program	1,559
State Lunch Program	2,736
Federal Source:	
Federal Breakfast Program	24,886
Federal Lunch Program	69,228
Federal Snack Program	3,608
Total Nonoperating Revenues	102,162
CHANGE IN NET ASSETS	4,519
TOTAL NET ASSETS, JULY 1	-
TOTAL NET ASSETS, JUNE 30	$ 4,519

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

FOUNDATION ACADEMY CHARTER SCHOOL
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010

	Business-Type Activities Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ 11,420
Cash Payments to Suppliers and Employees	(129,888)
Net Cash Used by Operating Activities	(118,468)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received from State and Federal Reimbursements	102,017
Miscellaneous Income	145
Net Cash Provided by Noncapital Financing Activities	102,162
Net Increase in Cash and Cash Equivalents	(16,306)
Cash and Cash Equivalents, July 1	18,232
Cash and Cash Equivalents, June 30	$ 1,926
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss Used for Operating Activities	$ (97,643)
Changes in Assets and Liabilities:	
Increase in Intergovernmental Accounts Receivable	10,367
Increase in Interfund Accounts Payable	(24,509)
Increase in Accounts Payable	(6,683)
Net Cash Used by Operating Activities	$ (118,468)

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

FIDUCIARY FUNDS

FOUNDATION ACADEMY CHARTER SCHOOL
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2010

	Unemployment Compensation Trust	Agency Fund
ASSETS:		
Cash and Cash Equivalents	$ 606	$ 12,379
Total Assets	$ 606	$ 12,379
LIABILITIES:		
Interfund Payable		$ 3,050
Due to Student Groups	-	9,329
Total Liabilities	-	$ 12,379
Net Assets:		
Reserved for Unemployment Claims	606	
Total Net Assets	$ 606	

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

NOTES TO BASIC FINANCIAL STATEMENTS

FOUNDATION ACADEMY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The combined financial statements include all funds and account groups for the Charter School over which the Board of Trustees' exercises operating control.

B. Basis of Presentation, Basis of Accounting

The Charter School's basic financial statements consist of Charter School-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation

Charter School-wide Statements: The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets 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 the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

Fund Financial Statements: During the fiscal year, 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. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

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

Additionally, the Charter School reports the following fund type:

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

Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting (Continued)

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

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

C. Budgets/Budgetary Control

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

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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

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

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

Total Revenues & Expenditures (Budgetary Basis)	$ 172,404
Adjustments:	
Less Encumbrances at June 30, 2010	-
Plus Encumbrances at June 30, 2009	-
Total Revenues and Expenditures (GAAP Basis)	$ 172,404

D. Encumbrances Accounting

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances Accounting (Continued)

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

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

E. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is $2,000. All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

Asset Class	Estimated Useful Lives
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & Computer Equipment	5-10

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-wide 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.

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: property taxes available as an advance, interest, and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allocation of Indirect Expenses

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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.

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

Deposits (Continued)

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

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

Investments

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

a. Bonds or other obligations of the United States or obligations guaranteed by the United States.

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

c. Bonds or other obligations of the Charter School.

As of June 30, 2010, cash and cash equivalents and investments of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	$ 795,323	$ 12,087	$ 1,926	$ 12,985	$ 822,321

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

Investments (Continued)

The investments recorded in the Charter School-wide statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter School-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2010 was $822,321 and the bank balance was $918,104. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

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

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

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

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

As of June 30, 2010, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

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

New Jersey Cash Management Fund

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

As of June 30, 2010, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2010, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	$ 56,892	$ 57,208
Federal Aid	-	7,205
Other	10,947	10,947
Gross Receivables	67,839	75,360
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	$ 67,839	$ 75,360

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund. The following interfund balances remained on the fund financial statements at June 30, 2010:

Fund	Interfund Receivable	Interfund Payable
General Fund	$ 5,050	$ -
Proprietary Fund		2,000
Fiduciary Fund		3,050
Total	$ 5,050	$ 5,050

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Being Depreciated:				
Building and Building Improvements	$ -	$ 27,267	$ -	$ 27,267
Totals at Historical Cost	-	27,267	-	27,267
Less Accumulated Depreciation For:				
Building and Building Improvements	-	1,134	-	1,134
Total Accumulated Depreciation	-	1,134	-	1,134
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	-	26,133	-	26,133
Government Activity Capital Assets, Net	$ -	$ 26,133	$ -	$ 26,133

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

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Unallocated	$ 1,134
Total	$ 1,134

NOTE 6: RENTAL LEASE

The school leased space at 343 South Broad Street, Trenton, NJ under a lease agreement for four years commencing July 1, 2007 and ending June 30, 2011. The lease required annual rental payments of $140,694 for the first year and thereafter shall be adjusted by the increase as detailed in the lease agreement. The rental payments are as follows:

Year	Amount
2011	$ 185,358

NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASE

In December 2008, the school leased a copier under a lease agreement requiring monthly installments in the amount of $425 for five (5) years. Total lease payments made during the year ended June 30, 2010 was $5,100. Future lease payments are as follows:

Year	Amount
2011	$ 5,100
2012	5,100
2013	5,100
2014	2,125

NOTE 8: PENSION PLANS

Description of Plans

All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (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 Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' 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 system's other related noncontributing 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.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. 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, school district 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.

NOTE 8: PENSION PLANS (Continued)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 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 60 and are generally determined to be 1/60 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

Vesting and Benefit Provisions (Continued)

month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members 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 two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Charter Schools' normal contributions to the Fund may be reduced based on the revaluation of assets.

NOTE 8: PENSION PLANS (Continued)

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of five percent of employees' annual compensation, as defined. 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 adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/10	$5,327	100%	$5,327
06/30/09	None	100%	None
06/30/08	None	100%	None

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/10	None	100%	None
06/30/09	None	100%	None
06/30/08	None	100%	None

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance

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

NOTE 10: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance

The charter school has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the charter school is required to reimbursed the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The charter school is billed quarterly for amounts due to the State. The table is summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust fund for the current year:

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2009-2010	$ -	22,845	$ 23,712	867
2008-2009	-	185	1,012	827

NOTE 11: FUND BALANCE APPROPRIATED

General Fund

The General Fund fund balance in the financial statement at June 30, 2010 is $786,943 and is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

FOUNDATION ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
"Local Levy" Local Share - Charter School Aid	$ 226,872	$ 46,188	$ 273,060	$ 273,060	$ -
Total Local Sources	226,872	46,188	273,060	273,060	-
Categorical Aid:					
"Local Levy" State Share - Charter School Aid	2,067,313	160,628	2,227,941	2,227,941	-
Special Education	102,235	(25,536)	76,699	76,699	-
Security	52,497	24,677	77,174	77,174	-
Total Categorical Aid	2,222,045	159,769	2,381,814	2,381,814	-
Revenues From Other Sources:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				29,195	29,195
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				70,288	70,288
Interest Income				9	9
Miscellaneous Revenue	4,000		4,000		(4,000)
Total Revenues From Other Sources	4,000	-	4,000	99,492	66,297
Total Revenues	2,452,917	205,957	2,658,874	2,754,366	66,297
EXPENDITURES:					
Instruction:					
Salaries of Teachers	859,297	22,558	881,855	842,209	39,646
Other Salaries for Instruction	43,900	(9,240)	34,660	22,616	12,044
Purchased Prof/Tech Services	10,000	6,800	16,800	16,800	-
Other Purchased Services	55,600	(32,300)	23,300	17,825	5,475
General Supplies	174,100	(2,987)	171,113	157,708	13,405
Textbooks		15,000	15,000	8,941	6,059
Miscellaneous	13,500	5,205	18,705	18,705	-
Total Instruction	1,156,397	5,036	1,161,433	1,084,804	76,629
Administration:					
Salaries - General Administration	297,708	(29,520)	268,188	263,679	4,509
Salaries of Secretarial/Clerical Assistants	113,710	1,703	115,413	114,735	678
Total Benefits Cost	189,998	128,166	318,164	264,764	53,400
Purchases Prof/Tech Services	58,500	(23,245)	35,255	34,238	1,017
Communications/Telephone	18,300	3,575	21,875	21,867	8
Supplies and Materials	12,610	5,070	17,680	15,736	1,944
Interest on Current Loans	7,500	(4,190)	3,310		3,310
Miscellaneous Expenses	10,150	2,160	12,310	12,030	280
Total Administration	708,476	83,719	792,195	727,049	65,146

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

FOUNDATION ACADEMY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	$ 153,640	$ (29,229)	$ 124,411	$ 118,551	$ 5,860
Purchased Prof/Tech Services	45,098		45,098	15,421	29,677
Cleaning, Repair, and Maintenance Services	66,000		66,000	53,216	12,784
Rental of Land and Buildings	185,358	1	185,359	185,358	1
Transportation-Other Than To/From School	13,500	8,340	21,840	11,899	9,941
Insurance for Property, Liability and Fidelity	17,116	(353)	16,763	15,513	1,250
Supplies and Materials	9,000	76	9,076	8,935	141
Energy Costs (Heat and Electricity)	52,560	(76)	52,484	45,410	7,074
Miscellaneous Expenses	10,650	3,000	13,650	3,692	9,958
Total Support Services	552,922	(18,241)	534,681	457,995	76,686
Capital Outlay:					
Instructional Equipment	29,000	(24,418)	4,582	4,582	-
Non-Instructional Equipment	31,000	(5,070)	25,930		25,930
Miscellaneous Expenses	29,000		29,000	22,685	6,315
Total Capital Outlay	89,000	(29,488)	59,512	27,267	32,245
On-Behalf TPAF Pension Contributions (Non-Budgeted)				29,195	(29,195)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				70,288	(70,288)
Total Expenditures	2,506,795	41,026	2,547,821	2,396,598	151,223
Excess of Revenues Over Expenditures	(53,878)	164,931	111,053	357,768	246,715
FUND BALANCE, JULY 1	429,175	-	429,175	429,175	-
FUND BALANCE, JUNE 30	$ 375,297	$ 164,931	$ 540,228	$ 786,943	$ 246,715
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	$ 375,297	$ 164,931	540,228	$ 786,943	$ 246,715
Total	$ 375,297	$ 164,931	$ 540,228	$ 786,943	$ 246,715

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

FOUNDATION ACADEMY CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Federal Sources	$ 113,486	$ 152,835	$ 266,321	$ 164,553	$ (101,768)
Local Sources		62,380	62,380	7,851	(54,529)
Total Revenues	113,486	215,215	328,701	172,404	(156,297)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	113,486	(6,821)	106,665	57,300	49,365
Purchased Prof/Tech Services		23,068	23,068	11,036	12,032
General Supplies		46,885	46,885	37,184	9,701
Total Instruction	113,486	63,132	176,618	105,520	71,098
Support Services:					
Personal Services - Employee Benefits		23,797	23,797	11,456	12,341
Purchased Prof/Ed Services		56,421	56,421	50,185	6,236
Travel		50,000	50,000	275	49,725
Other Purchased Professional Services		21,650	21,650	4,968	16,682
Supplies and Materials		215	215		215
Total Support Services		152,083	152,083	66,884	85,199
Total Expenditures	113,486	215,215	328,701	172,404	156,297
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOUNDATION ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Budget-To-GAAP Reconciliation
Note to RSI
For the Fiscal Year Ended June 30, 2010

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

		General Fund		Special Revenue Fund
Sources/Inflows of Resources				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	**[C-1]**	$ 2,754,366	**[C-2]**	172,404
Difference - Budget to GAAP				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	**[B-2]**	$ 2,754,366	**[B-2]**	$ 172,404
Uses/Outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	**[C-1]**	$ 2,396,598	**[C-2]**	172,404
Differences - Budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	**[B-2]**	$ 2,396,598	**[B-2]**	$ 172,404

OTHER SUPPLEMENTARY INFORMATION

SECTION E – SPECIAL REVENUE FUND DETAIL STATEMENTS

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

FOUNDATION ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2010

	Title I	Title I ARRA	Title I Carryover	Title II Part A	Title II Part D	Title II Part D Carryover	I.D.E.A. Basic ARRA	IDEA Part B	Smarter Charters Grant	KIPP Grant	Total
Revenues:											
Federal Sources	$ 58,317	34,208	18,989	$ 3,203	$ 1,039	198	$ 22,749	$ 25,850	$ -	$ -	$ 164,553
Local Sources									7,576	275	7,851
Total Revenues	$ 58,317	$ 34,208	$ 18,989	$ 3,203	$ 1,039	$ 198	$ 22,749	$ 25,850	$ 7,576	$ 275	$ 172,404
Expenditures:											
Instruction:											
Salaries of Teachers	$ 49,683		3,924	$ 2,669	$ 866	158	$ -	$ -	$ -	$ -	$ 57,300
Purchased Prof/Tech Services			11,036								11,036
General Supplies		19,208					17,781		195		37,184
Total Instruction	49,683	19,208	14,960	2,669	866	158	17,781	-	195	-	105,520
Support Services:											
Personal Services/Employee Benefits	8,634		2,075	534	173	40					11,456
Purchased Prof/Ed Services		15,000	1,954					25,850	7,381		50,185
Other Purchased Services							4,968			275	5,243
Total Support Services	8,634	15,000	4,029	534	173	40	4,968	25,850	7,381	275	66,884
Total Expenditures	58,317	34,208	18,989	3,203	1,039	198	22,749	25,850	7,576	275	172,404
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

SECTION G – PROPRIETARY FUND DETAIL STATEMENTS

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

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

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

SECTION H – FIDUCIARY FUNDS DETAIL STATEMENT

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

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

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

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

FOUNDATION ACADEMY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2010

	Trust	Agency			
	Unemployment Compensation Insurance	Payroll Agency	Payroll Account	Student Activity	Total Agency Fund
ASSETS:					
Cash and Cash Equivalents	$ 606	$ 1,000	$ 2,000	$ 9,379	$ 12,379
Total Assets	$ 606	$ 1,000	$ 2,000	$ 9,379	$ 12,379
LIABILITIES:					
Liabilities:					
Interfund Payable	$ -	$ 1,000	$ 2,000	$ 50	$ 3,050
Due to Student Groups				9,329	9,329
Total Liabilities		1,000	2,000	9,379	12,379
Net Assets:					
Reserved for Unemployment Claims	606				
Total Net Assets	606				
Total Liabilities	$ 606				

FOUNDATION ACADEMY CHARTER SCHOOL
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Trust Fund
For the Fiscal Year Ended June 30, 2010

	Unemployment Compensation Trust
ADDITIONS:	
Local Sources:	
Contributions	$ 22,845
Total Additions	22,845
DEDUCTIONS:	
Payment of Claims	23,712
Total Deductions	23,712
CHANGE IN NET ASSETS	(867)
NET ASSETS, JULY 1	1,473
NET ASSETS, JUNE 30	$ 606

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

FOUNDATION ACADEMY CHARTER SCHOOL
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts and Disbursements
June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
Student Groups	$ 5,317	$ 4,710	$ 648	$ 9,379
Total	$ 5,317	$ 4,710	$ 648	$ 9,379

FOUNDATION ACADEMY CHARTER SCHOOL
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
ASSETS:				
Cash and Cash Equivalents	$ 3,481	$ 549,091	$ 551,572	$ 1,000
Total Assets	$ 3,481	$ 549,091	$ 551,572	$ 1,000
LIABILITIES:				
Interfund Accounts Payable	$ 3,481	$ 549,091	$ 551,572	$ 1,000
Totals	$ 3,481	$ 549,091	$ 551,572	$ 1,000

STATISTICAL SECTION
(UNAUDITED)

Foundation Academy Charter School has been in operation for three (3) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for three (3) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

FOUNDATION ACADEMY CHARTER SCHOOL
Net Assets by Component
Last Three Fiscal Years
(accrual basis of accounting)

	2010	2009	2008
Governmental Activities			
Invested in capital assets, net of related debt	26,133	$ -	$ -
Unrestricted	786,943	429,175	139,058
Total Governmental Activities Net Assets	$ 813,076	$ 429,175	$ 139,058
Business-Type Activities			
Unrestricted	$ 4,519	$ -	$ -
Total Business-Type Activities Net Assets	$ 4,519	$ -	$ -
Charter School-Wide			
Invested in capital assets, net of related debt	$ 26,133	$ -	$ -
Unrestricted	791,462	429,175	139,058
Total Charter School-Wide Net Assets	$ 817,595	$ 429,175	$ 139,058

Source: Charter School's Records

FOUNDATION ACADEMY CHARTER SCHOOL
Changes in Net Assets
Last Three Fiscal Years
(accrual basis of accounting)

	2010	2009	2008
Expenses			
Governmental Activities:			
Instruction	$ 1,417,686	$ 789,263	$ 597,667
Administration	567,984	218,468	217,652
Support Services	556,065	510,443	705,689
Capital Outlay	-	-	16,490
Unallocated	1,134	-	-
Total Governmental Activites Expenses	2,542,869	1,518,174	1,537,498
Business-Type Activities:			
Food Service	109,063	84,786	64,182
Total Business-Type Activites Expenses	109,063	84,786	64,182
Total Charter School Expenses	$ 2,651,932	$ 1,602,960	$ 1,601,680
Program Revenues			
Governmental Activities:			
Operating Grants and Contributions	$ -	$ 51,280	$ 30,016
Total Governmental Activites Expenses	-	51,280	30,016
Business-Type Activities:			
Charges for Services	11,420	7,267	3,313
Operating Grants and Contributions	102,162	77,519	60,869
Total Business-Type Activites Expenses	113,582	84,786	64,182
Total Charter School Prgram Revenue	$ 113,582	$ 136,066	$ 94,198
Net (Expense)/Revenue			
Governmental Activities	$ (2,542,869)	$ (1,466,894)	$ (1,507,482)
Business-Type Activities	4,519	-	-
Total Charter School Net Expense	$ (2,538,350)	$ (1,466,894)	$ (1,507,482)
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
General Purposes	$ 273,060	$ 162,667	$ 110,820
Federal and State Aid Not Restricted	2,653,701	1,557,487	1,340,389
Investment Earnings	9	11	-
Miscellaneous Income	-	36,846	195,331
Total Governmental Activities	2,926,770	1,757,011	1,646,540
Total Charter School Wide	$ 2,926,770	$ 1,757,011	$ 1,646,540
Change in Net Assets			
Governmental Activities	$ 383,901	$ 290,117	$ 139,058
Business-Type Activities	4,519	-	-
Total Charter School	$ 388,420	$ 290,117	$ 139,058

Source: Charter School's Records

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

	2010	2009	2008
General Fund			
Unreserved	$ 786,943	$ 429,175	139,058
Total General Fund	$ 786,943	$ 429,175	$ 139,058

Source: Charter School's Records

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

	2010	2009	2008
Revenues:			
Local Sources:	$ 273,069	$ 200,755	$ 306,151
Intermediate Sources	7,851	-	-
State Sources	2,481,297	1,522,264	1,347,329
Federal Sources	164,553	85,272	22,307
Total Revenues	2,926,770	1,808,291	1,675,787
Expenditures:			
Instruction	1,190,324	672,884	597,667
Administration	826,532	359,595	217,652
Support Services	524,879	485,695	705,689
Capital Outlay	27,267	-	16,490
Total Expenditures	2,569,002	1,518,174	1,537,498
Net Change in Fund Balance	$ 357,768	$ 290,117	$ 138,289

Source: Charter School's Records

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

Fiscal Year Ending June 30,	Interest	Miscellaneous Revenue	Total
2010	$ 9	$ -	$ 9
2009	11	6,396	6,407
2008	-	17,950	17,950

Source: Charter School's Records

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2010	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A
2008	82,804	N/A	$ 49,847	9.9%

Source: Charter School's Records

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

	2010				2009		
Employer	Employees	Rank	Percentage of Total Employment	Employer	Employees	Rank	Percentage of Total Employment
State of New Jersey	N/A		N/A	State of New Jersey	21,000		65.3%
Capital Health Systems (formerly Helene Fuld & Mercer Medical)	N/A		N/A	Capital Health Systems (formerly Helene Fuld & Mercer Medical)	3,000		9.3%
Trenton School System	N/A		N/A	Trenton School System	1,897		5.9%
City of Trenton	N/A		N/A	City of Trenton	1,700		5.3%
County of Mercer	N/A		N/A	County of Mercer	1,625		5.1%
St. Francis Medical Center	N/A		N/A	St. Francis Medical Center	1,250		3.9%
The Trenton Times	N/A		N/A	The Trenton Times	750		2.3%
The Hibbert Company	N/A		N/A	The Hibbert Company	353		1.1%
Mercer Street Friends Center	N/A		N/A	Mercer Street Friends Center	340		1.1%
Water's Edge Convalescent Center	N/A		N/A	Water's Edge Convalescent Center	230		0.7%
					32,145		100%

Source: City of Trenton

Source: Charter School's Records

OPERATING INFORMATION

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

Function	2010	2009	2008
Instruction	17.50	11.00	5.75
Administrative	2.25	1.25	1.25
Support Services	6.00	5.00	2.50
Food Service	0.50	0.75	1.00
Total	26.25	18.00	10.50

Source: Charter School's Records

FOUNDATION ACADEMY CHARTER SCHOOL
Operating Statistics
Last Three Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2010	192.0	$ 2,369,331	$ 12,340	5.13%	17.5	11:1	185.7	178.7	55.14%	96.23%
2009	120.0	1,408,507	$ 11,738	8.10%	11	11:1	119.7	114.68	49.63%	95.81%
2008	85.0	922,952	$ 10,858	0.00%	5.75	15:1	80.0	76.87	100.00%	96.09%

Source: Charter School's Records

FOUNDATION ACADEMY CHARTER SCHOOL
School Building Information
Last Three Fiscal Years

	2010	2009	2008
Charter School Building			
Middle			
Foundation Academy Charter School			
Square Feet	28,000	28,000	28,000
Capacity (students)	192	120	120
Enrollment	186	117	85

Number of Schools at June 30, 2010
Middle = 1

Source: Charter School Facilities Office

Source: Charter School's Records

FOUNDATION ACADEMY CHARTER SCHOOL
Insurance Schedule
June 30, 2010

	Coverage	Deductible
PACKAGE POLICY (NJSBAIG)		
Property Section		
Building Limit	$ 3,494,370	
Contents Limit	50,000	
Blanket Extra Expense	50,000,000	
Blanket Valuable Papers & Records	10,000,000	
Loss of Rents	186,000	$ 1,000
Flood Zones A&V	10,000,000	500,000
All Other Flood Zones	50,000,000	10,000
EDP		
Blanket Hardware/Software	$ 50,000	
Blanket Extra Expense	Included	
Transit	25,000	
Loss of Income	10,000	
Boiler & Machinery		
Property Damage & Extra Expense	$ 100,000,000	$ 1,000
Crime		
Public Employee Dishonesty	$ 100,000	
Loss of Money & Securities	50,000	
Money Orders & Counterfeit	50,000	
Forgery or Alteration	50,000	
Computer Fraud	50,000	$500 each coverage part
General Liability		
Each Occurrence	$ 16,000,000	
Products/Completed Ops Annual Aggregate	16,000,000	
Sexual Abuse per Occurrence	16,000,000	
Sexual Abuse Annual Pool Aggregate	17,000,000	
Personal & Advertising Injury per Occurrence	16,000,000	
Personal & Advertising Injury Ann Aggregate	16,000,000	
Employment Benefits	16,000,000	$ 1,000
Medical Payments	10,000	
Business Auto Section		
Hired & Non-Owned Auto Liability	$ 16,000,000	
WORKERS COMPENSATION (NJSBAIG)		
Bodily Injury by Accident	$ 2,000,000	each accident
Bodily Injury by Disease	2,000,000	each employee
Bodily Injury by Disease	2,000,000	aggregate limit
ERRORS & OMISSIONS LIABILITY (NJSBAIG)		
Coverage A:		
Limit of Liability Each Policy Period	$ 16,000,000	$ 5,000
Coverage B:		
Limit Each Claim	100,000	5,000
Limit Each Policy Period	300,000	
SUPPLEMENTAL INDEMNITY (NJSBAIG)		
Maximum Benefit Period	52 weeks	
Maximum Weekly Benefit	$ 1,400	
STUDENT ACCIDENT INSURANCE (NJSBAIG)		
Full Excess - Basic Only	$ 5,000,000	
Cat Cash	1,000,000	
BONDS (Selective)		
Christopher Lessard	$ 125,000	
Monique Bonnier	100,000	
Earl Kim	125,000	

Source: Charter School's Records

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 303
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

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

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

We have audited the financial statements of the Board of Trustees of Foundation Academy Charter School, in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 22, 2010. We conducted our audit in accordance with 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 Division of Finance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation Academy Charter School Board of Trustees' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation Academy Charter School Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation Academy Charter School Board of Trustees' internal control over financial reporting.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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

www.cpa-bc.com ◆ info@cpa-bc.com
5 Independence Way ◆ Suite 300 ◆ Princeton, NJ 08540 ◆ (609) 275-4810
Metro Park Center ◆ 33 Wood Avenue So. ◆ Iselin, NJ 08830 ◆ (732) 603-2100

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation Academy Charter School Board of Trustees' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Foundation Academy Charter School Board of Trustees, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 22, 2010

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 303
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited the compliance of the Board of Trustees of the Foundation Academy Charter School, in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2010. The Foundation Academy Charter School Board of Trustees' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Foundation Academy Charter School Board of Trustees' management. Our responsibility is to express an opinion on the Foundation Academy Charter School Board of Trustees' compliance based on our audit.

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 Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for recipients of Federal Grants, State Grants and State Aid*. This standards, New Jersey OMB's Circular 04-04, require that we plan and perform the audit obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Foundation Academy Charter School Board of Trustees' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis

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Metro Park Center ◆ 33 Wood Avenue So. ◆ Iselin, NJ 08830 ◆ (732) 603-2100

for our opinion. Our audit does not provide legal determination of Foundation Academy Charter School Board of Trustees' compliance with those requirements.

In our opinion, the Board of Trustees of Foundation Academy Charter School, in the County of Mercer, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2010.

Internal Control over Compliance

Management of the Board of Trustees of the Foundation Academy Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Foundation Academy Charter School Board Trustees' internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foundation Academy Charter School Board of Trustees' internal control over compliance.

A *deficiency in internal control over compliance e*xists 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, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of a deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over compliance that we consider to e material weaknesses, as defined above. The Foundation Academy Charter School Board of Trustees' responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. We did not audit Foundation Academy Charter School Board of Trustees' response and, accordingly, we express no opinion on the responses

This report is intended solely for the information and use of the audit committee, management, the Foundation Academy Charter School Board of Trustees, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

September 22, 2010

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June, 30, 2010

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2009	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balances	Balance at June 30, 2010 (Accounts Receivable)	Balance at June 30, 2010 Deferred Revenue	Balance at June 30, 2010 Due to Grantor
U.S. Department of Education												
Passed-through State Department of Education:												
Special Revenue Fund:												
Title I	84.010	NCLB 2010	$ 95,656	9/1/09-8/31/10	$ -	$ -	$ 34,874	(58,317)	$ -	$ (23,443)	$ -	$ -
Title I Carryover	84.010	NCLB 2009	107,374	9/1/09-8/31/10	(17,591)		34,503	(18,989)		(2,077)		
ARRA - Title I Part A	84.389	NCLB 2010	54,453	9/1/09-8/31/10	-	-	31,660	(34,208)	-	(2,548)	-	-
Title II Part A	84.168	NCLB 2010	3,203	9/1/09-8/31/10				(3,203)		(3,203)		
Title II Part A, Carryover	84.168	NCLB 2009	3,869	9/1/08-8/31/09	(774)		734			(40)		
Title II Part D	84.318X	NCLB 2010	1,039	9/1/09-8/31/09				(1,039)		(1,039)		
Title II Part D, Carryover	84.318X	NCLB 2009	791	9/1/08-8/31/09			198	(198)				
Title IV	84.188	NCLB 2010	815	9/1/09-8/31/10	815							815
I.D.E.A. Part B Basic	84.027	NCLB 2010	25,850	9/1/09-8/31/10			21,541	(25,850)		(4,309)		
I.D.E.A. Part B Basic C/O	84.027	NCLB 2010	19,409	9/1/08-8/31/09	(2,928)		2,928					
ARRA - IDEA Part B	84.391	NCLB 2010	36,082	9/1/09-8/31/10			12,496	(22,749)		(10,253)		
Total Special Revenue Fund					(20,478)	-	138,934	(164,553)	-	(46,912)	-	815
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Proprietary Fund:												
National School Breakfast Program	10.553	N/A	24,886	7/1/09-6/30/10			23,022	(24,886)		(1,866)		
National School Breakfast Program Carryover	10.555	N/A	16,492	7/1/08-6/30/09	(4,162)		4,162					
National School Lunch Program	10.555	N/A	69,228	7/1/09-6/30/10			64,032	(69,228)		(5,196)		
National School Lunch Program Carryover	10.555	N/A	34,942	7/1/08-6/30/09	(8,953)		8,953					
National After School Snack Program	10.558	N/A	3,608	7/1/09-6/30/10			3,464	(3,608)		(144)		
National After School Snack Program Carryover	10.558	N/A	16,343	7/1/08-6/30/09	(4,073)		4,073					
Total Proprietary Fund					(17,188)	-	107,706	(97,722)	-	(7,206)	-	-
Total Federal Financial Awards					$ (37,666)	$ -	$ 246,640	$ (262,275)	$ -	$ (54,118)	$ -	$ 815

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

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June, 30, 2010

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2009					Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2010			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures		(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor at	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education														
General Fund:														
"Local Levy" State Share - Charter School Aid	10-495-034-5120-071	$2,227,941	7/1/09-6/30/10	$ -	$ -		$ 2,227,941	$ (2,227,941)	$ -	$ -	$ -	$ -	$ -	$ 2,227,941
Special Education Aid	10-495-034-5120-089	76,699	7/1/09-6/30/10				76,699	(76,699)						76,699
Security Aid	10-495-034-5120-084	77,174	7/1/09-6/30/10				77,174	(77,174)						77,174
On Behalf TPAF Pension Contributions	10-495-034-5095-006	29,195	7/1/09-6/30/10				29,195	(29,195)						29,195
Reimbursed TPAF - Social Security	10-495-034-5095-002	70,288	7/1/09-6/30/10				67,102	(70,288)		(3,186)				70,288
Reimbursed TPAF - Social Security	09-100-034-5095-002	55,578	7/2/08-7/1/09	(2,581)			2,581							
Total General Fund				(2,581)	-	-	2,480,692	(2,481,297)	-	(3,186)	-	-	-	2,481,297
State Department of Agriculture														
Proprietary Fund:														
State School Breakfast Programs	10-100-010-3350-021	1,559	7/1/09-6/30/10				1,449	(1,559)		(110)				1,559
State School Breakfast Programs	09-100-010-3360-067	1,298	7/2/08-7/1/09	(324)										
State School Lunch Programs	10-100-010-3350-023	2,736	7/1/09-6/30/10				2,531	(2,736)		(205)				2,736
State School Lunch Programs	09-100-010-3360-067	1,483	7/2/08-7/1/09	(376)										
Total Proprietary Fund				(700)	-	-	3,980	(4,295)	-	(315)	-	-	-	4,295
Total State Financial Assistance				$ (3,281)	$ -	$ -	$ 2,484,672	$ (2,485,592)	$ -	$ (3,501)	$ -	$ -	$ -	$ 2,485,592

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

FOUNDATION ACADEMY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on the modified accrual 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.

FOUNDATION ACADEMY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2010

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The net adjustment to reconcile from the budgetary basis to GAAP basis is none for the general fund and none for the special revenue fund. See *Note 1* (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	$ -	$ 2,481,297	$ 2,481,297
Special Revenue Fund	164,553	-	164,553
Food Service Fund	97,722	4,295	102,017
Total Awards & Financial Assistance	$ 262,275	$ 2,485,592	$ 2,747,867

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Foundation Academy Charter School has no loan balances outstanding at June 30, 2010.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I – Summary of Auditor's Results

Financial Statements

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

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:		$300,000
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No
Type of auditors' report issued on compliance for major programs		Unqualified
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	__X_ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	_____ Yes	__X__ No

Identification of major state programs:

GMIS Number(s)	**Name of State Program**
10-495-034-5120-071	Local Levy – State Share

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Finding

There were no matters reported.

FOUNDATION ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

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

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

STATE AWARDS

Findings

There were no matters reported.

FOUNDATION ACADEMY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

STATUS OF PRIOR-YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.325(a)(b)) and NJOMB's Circular 04-04.

Findings

There were no matters report.