

**FREEDOM PREP CHARTER SCHOOL**

Camden, New Jersey  
County of Camden

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**FREEDOM PREP CHARTER SCHOOL**

**CAMDEN, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Prepared by**

**Freedom Prep Charter School  
Business Administrator's Office**

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**INTRODUCTORY SECTION**

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# DEMOCRACY PREP FREEDOM PREP

Work Hard. Go to College. Change the World!

October 16, 2014

Honorable President and Members of the Board of Trustees  
Freedom Prep Charter School  
County of Camden  
Camden, New Jersey 08104

We hereby submit the Comprehensive Annual Financial Report of Freedom Prep Charter School (the “Charter School”) for the fiscal year ended June 30, 2014. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. 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 fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and New Jersey single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart, a list of principal officials, and a list of consultants and advisors. The financial section includes the Management’s Discussion and Analysis, the basic financial statements, required supplemental information and other supplementary information, as well as the auditors’ report thereon. The statistical section includes six unaudited years of data. The Charter School is required to undergo an annual single audit in conformity with the provisions of the New Jersey OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors’ report on internal control and compliance with applicable laws and regulations and the findings and recommendations, are included in the New Jersey single audit section of this report.

## 1) REPORTING ENTITY AND ITS SERVICES

The Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (“GASB”) as established by GASB Statement No. 14, *The Financial Reporting Entity*. All funds and account groups of the Charter School are included in this report.

### School Description

**Startup:** The Charter School began operating in the 2004-05 school year with students enrolled in fifth grade. In 2013-14, the Charter School served students in grades 6, 7 and 8.

**Address:** In 2013-14 the Charter School was located at 1400 Collings Road, Camden, NJ 08104.

**Facility:** In 2013-14, the Charter School was located in the building that previously housed St Joan of Arc School.

**Number of Students, Grades and Classes:** The Charter School was authorized to serve a maximum enrollment of 250 students in 2013-14 in grades 6, 7, and 8. Enrollment was 226 students at the start of the school year and 246 students at the end of the school year.

**Class Size:** Class size is approximately 25 students per class.

**Employees:** The Charter School employed a Principal, 15 full-time teachers, an Operations Manager, a Registrar, a Social Worker, an Operations/Technology Associate, a Receptionist, two behavioral specialists, a Nurse, an ELL teacher, three Special Education teachers, a Food Services Specialist, and a Custodian.

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

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

## 2) REVIEW OF SCHOOL GOVERNANCE AND MANAGEMENT ACCOMPLISHMENTS

### Board of Trustees

#### Major Accomplishments

- Based on the tremendous progress exhibited by Freedom Prep scholars on the 2013 NJ ASK exam and on the instructional and operational improvements seen under Democracy Prep management, the board successfully applied for a material revision to the school’s charter that will enable Freedom Prep to expand to a fully grown K-12 continuum by 2017-18.
- Similarly, based on the successful implementation of a comprehensive remedial plan that outlined the steps the school planned to take to address academic deficiencies that persisted prior to its engagement of Democracy Prep, the New Jersey Department of Education lifted the school’s academic probation in March 2014.
- The board empowered management to seek facilities solutions to accommodate its expanded program in the 2014-15 year and beyond and provided the support, guidance, and oversight necessary for the school to consummate a lease at 1000 Atlantic Avenue.
- Based on their demonstrated track record of driving student outcomes in high-needs New Jersey settings, Ron Brady and Ed Gordon were appointed as school leaders for the 2014-15 school year.

### Board Members

The Charter School is governed by an independent nonprofit Board of Trustees. The following chart identifies trustees who served during the 2013-14 year.

<b>Trustee</b>	<b>Dates of Service (during FY14)</b>	<b>Role</b>	<b>Voting/Non-Voting</b>
Keisha Usher-Martin	7/1/13 – 6/30/14	President	Voting
Tyra Kennedy-Lacey	7/1/13 – 6/30/14	Vice President	Voting

Benjamin Feit	7/1/13 – 6/30/14	Secretary	Non-Voting
Sean McGrew	7/1/13 – 6/30/14	Treasurer	Voting
Joshua Lotstein	10/29/13 – 6/30/14	Member	Voting
Mamie Doyle	9/5/13 – 6/30/14	Member	Voting
Carole Kraemer	9/5/13 – 6/30/14	Member	Voting

**Board Training**

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

**Anticipated Issues:**

• As the school continues to build out toward a mature, K-12 program, several challenges will invariably arise. These include –

- Staffing. Placing the highest caliber adults stand in front of Freedom Prep’s scholars on a daily basis is the single most important factor in ensuring their academic success. As the school expands and the staff grows in number, recruiting a team of mission-aligned professionals who will push scholars to succeed in college and citizenship will become increasingly challenging.
- Enrollment. Freedom Academy operated for 10 years as a middle school and was underperforming for many of those years. Generating full enrollment for newly launched elementary- and high-school programs will pose a challenge.
- PARCC. It will be incumbent on the board, management, and school leadership to ensure curricular materials and internal assessments at all grade levels are aligned with the Common Core State Standards as PARCC implementation rolls out.

**3) INTERNAL ACCOUNTING CONTROLS**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. 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 School is responsible for ensuring the adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Board.

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

**4) BUDGETARY CONTROLS**

In addition to internal accounting controls, the 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 Board. Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

**5) ACCOUNTING SYSTEM AND REPORT**

The Charter School’s accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in Note 1 to the financial statements.

**6) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END**

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 schedule presents a summary of the revenue of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2014:

<u>Revenue</u>	<u>2014</u>
Local Sources	\$ 131,711
State Sources	3,597,658
Federal Sources	<u>325,763</u>
Total	<u>\$ 4,055,132</u>

The following schedule presents a summary of the expenditures of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2014.

<u>Expenditures:</u>	<u>2014</u>
Instruction	\$ 1,787,295
Support Services:	
Administrative expenses	1,183,930
Other Support Services	668,276
Unallocated Benefits	267,014
Contribution to Food Service	<u>10,000</u>
Total Expenses	<u>\$ 3,922,145</u>

As of June 30, 2014, there was no reserved and appropriated fund balance.

**7) CASH MANAGEMENT**

The investment policy of the school is guided in large part by State Statute as detailed in Note 2 to the financial statements. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**8) RISK MANAGEMENT**

The Board carries various forms of insurance, including, but not limited to, general liability, hazard and theft insurance on property and contents, fidelity bonds, and worker's compensation.

**9) OTHER INFORMATION**

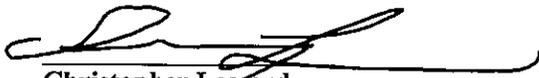
**Independent Audit**

The State of New Jersey Statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, PC was appointed by the School. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the New Jersey OMB Circular Letter 04-04. The auditors' report on the general-purpose financial statements, combining and individual fund statements, and schedules 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.

**10) ACKNOWLEDGEMENTS**

We would like to express our appreciation to the members of the Board for their concern in providing fiscal accountability to the citizens and taxpayers of Camden 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 administrative staff.

Respectfully submitted,



**Christopher Lessard**  
School Business Administrator  
Freedom Prep Charter School



**Keisha Usher-Martin**  
Board President  
Freedom Prep Charter School

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**FREEDOM PREP CHARTER SCHOOL**

1000 Atlantic Avenue  
Camden, New Jersey 08104

**ROSTER OF OFFICIALS**

**JUNE 30, 2014**

**MEMBERS OF THE BOARD OF EDUCATION**

Keisha Usher-Martin	Board President
Tyra Kennedy-Lacey	Vice President
Sean McGrew	Treasurer
Carole Kraemer	Member
Mamie Doyle	Member
Josh Lotstein	Member

**OTHER OFFICIALS**

Bejamin Feit- Board Secretary  
Ms. Valerie Carmody, Interim Business Administrator

**FREEDOM PREP CHARTER SCHOOL**

1000 Atlantic Avenue  
Camden, New Jersey 08104

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Kevin Frenia, CPA, PSA  
Holman Frenia Allison, P. C.  
618 Stokes Road  
Medford, New Jersey 08055

**OFFICIAL DEPOSITORY**

Beneficial Bank  
Audubon, NJ

**INSURANCE**

G.R. Murray Insurance  
Princeton, NJ

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Freedom Prep Charter School, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Freedom Prep Charter School, County of Camden, State of New Jersey, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Freedom Prep Charter School's basic financial statements. The accompanying introductory section, comparative totals for June 30, 2013, and other supplementary information such as the combining and individual fund financial statements, and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget 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 is also not a required part of the financial statements.

The combining and individual fund financial statements, and the accompanying Schedule of Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, and the accompanying Schedule of State Financial Assistance are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section, comparative totals for June 30, 2013, and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014 on our consideration of the Freedom Prep Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Freedom Prep Charter School's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1101

Medford, New Jersey  
October 16, 2014

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

Management's Discussion and Analysis

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**FREEDOM PREP CHARTER SCHOOL  
(COUNTY OF CAMDEN)  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**UNAUDITED**

**Introduction**

The Board of Trustees at Freedom Prep Charter School (the "Charter School") offers readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the year ended June 30, 2014. We encourage readers to consider the information presented herein in conjunction with the Charter School's financial statements.

Financial Highlights

- In total, the Charter School's net position increased by \$56,533 for the year ended June 30, 2014.
- General revenues accounts for \$3,730,639 or 89% of total revenues of \$4,191,875 for the year ended June 30, 2014. Program specific revenues, in the form of charges for services, grants and contributions, accounted for \$461,236 or 11%, of total revenues for the year ended June 30, 2013.
- The Charter School's cash balance at June 30, 2014, was \$707,333.
- The Charter School's General Fund reported an unassigned fund balance of \$636,539 at June 30, 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements as presented comprise of five components: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) the notes to the financial statements, (4) required supplementary schedules and, (5) State of New Jersey single audit.

***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Charter School's finance in a manner similar to a private-sector business.

The statement of net position presents information on all of the Charter School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The statement of activities presents information showing how the Charter School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. expenditures accrued in one fiscal year but paid in subsequent years, and depreciation).

The government-wide financial statements report on the function of the Charter School that is principally supported by subsidies from school districts whose constituents attend the Charter School. The Charter School's function is to provide an alternative education opportunity.

### ***Governmental Fund***

The focus of the Charter School's governmental fund (the general fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The Charter School's government fund (the general fund) reporting and ended fund balance of \$516,713 at June 30, 2013.

### ***Fund Financial Statements***

A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The Charter School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School has four fund types, the governmental general fund, the special revenue fund, the proprietary fund, and the fiduciary agency fund.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### ***Supplementary Information***

The governmental fund budgetary comparison schedules are presented for purposes of additional analysis and are prepared using a non-GAAP basis for state reporting requirements.

### ***New Jersey Audit Requirements***

The schedules of expenditures of state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which requires a comparative analysis of current and prior balances.

Table 1 provides a summary of the Charter School's net position for fiscal year 2013. A detailed analysis can be found in Exhibit A-1.

**Table 1 - Net Position**

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 903,442	\$ 881,947	\$ 29,934	\$ 35,729	\$ 933,376	\$ 917,676
Capital Assets, net	87,397	128,274	-	-	87,397	128,274
Total Assets	990,839	1,010,221	29,934	35,729	1,020,773	1,045,950
Total Liabilities	253,742	365,234	29,782	-	283,524	365,234
Invested in Capital Assets	87,397	128,274	-	-	87,397	128,274
Restricted	13,161	4,911	-	-	13,161	4,911
Unrestricted	636,539	511,802	152	35,729	636,691	547,531
Total Net Position	\$ 737,097	\$ 644,987	\$ 152	\$ 35,729	\$ 737,249	\$ 680,716

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$737,249 as of June 30, 2014.

The Charter School's revenues are predominately received from the State of New Jersey based on student enrollment. For the year ended June 30, 2014, the Charter School's revenues \$4,191,895, exceeded its expenditures \$4,135,342 by \$56,553.

Table 2 shows changes in net position for fiscal year 2014. A detailed analysis can be found in Exhibit A-2.

**Table 2 - Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Operating Grants & Contributions	\$ 324,493	\$ 139,910	\$ 136,512	\$ 143,622	\$ 461,005	283,532
Charges for Services	-	-	231	3,874	231	3,874
General Revenues						
Local Aid	110,660	111,019	-	-	110,660	111,019
Federal & State Aid	3,598,928	3,266,919	-	-	3,598,928	3,266,919
Miscellaneous	11,051	78,227	10,000	-	21,051	78,227
Total General Revenues	3,720,639	3,456,165	10,000	-	3,730,639	3,456,165
Total Revenues	4,045,132	3,596,075	146,743	147,496	4,191,875	3,743,571

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses						
Instruction-Regular	1,792,925	1,787,295	-	-	1,792,925	1,787,295
School/General Administration	668,275	1,112,647	-	-	668,275	1,112,647
Support Services	1,183,930	730,313	-	-	1,183,930	730,313
Undistributed Expenditures	267,014	311,899	-	-	267,014	311,899
Unallocated Depreciation & Amortization	40,877	40,621	-	-	40,877	40,621
Fixed Asset Appraisal Adj	-	(5,132)	-	-	-	(5,132)
Food Service	-	-	182,320	163,438	182,320	163,438
Total Expenses	3,953,021	3,977,643	182,320	163,438	4,135,341	4,141,081
Change in Net Position	\$ 92,111	\$ (381,568)	\$ (35,577)	\$ (15,942)	\$ 56,534	\$ (397,510)

## **Capital Assets and Debt Administration**

### ***Capital Assets***

As of June 30, 2014, the Charter School's investment in capital assets for its governmental activities totaled \$87,397(net of accumulated depreciation). The investment in capital assets includes furniture and fixtures for the Charter School.

### ***Long Term Debt***

At June 30, 2014, the Charter School had no outstanding long-term debt.

## **Economic Factors and Next Year's Budget**

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general state fund for 2013-2014. Nothing was done to compromise the quality of the programs in place in the Charter School during the regular instructional day. The budget was prepared to ensure that all students have textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

## **Contact the Charter School's Financial Management**

This financial report is designed to provide interested parties with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the funds it receives. Questions about this report or additional financial information needs should be directed to:

FREEDOM PREP CHARTER SCHOOL  
1000 Atlantic Avenue  
Camden, New Jersey 08104

## **BASIC FINANCIAL STATEMENTS**

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A. District-Wide Financial Statements

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**FREEDOM PREP CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
**(With Comparative Totals for June 30, 2013)**

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
			JUNE 30, 2014	(MEMORANDUM ONLY) JUNE 30, 2013
Current Assets:				
Cash	\$ 707,333	\$ -	\$ 707,333	\$ 785,824
Receivables, Net	196,109	29,934	226,043	131,852
Total Current Assets	903,442	29,934	933,376	917,676
Noncurrent Assets:				
Capital Assets, Net (Note 4)	87,397	-	87,397	128,274
Total Assets	990,839	29,934	1,020,773	1,045,950
LIABILITIES				
Cash Deficit	-	29,782	29,782	-
Accounts Payable & Accrued Expenses	249,750	-	249,750	215,814
Unearned Revenue	3,992	-	3,992	149,420
Total Liabilities	253,742	29,782	283,524	365,234
NET POSITION				
Restricted for:				
Other Purposes	13,161	-	13,161	4,911
Net Investment in Capital Assets	87,397	-	87,397	128,274
Unrestricted	636,539	152	636,691	547,531
Total Net Position	\$ 737,097	\$ 152	\$ 737,249	\$ 680,716

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

**FREEDOM PREP CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION TOTALS				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	JUNE 30, 2014	JUNE 30, 2013
Governmental Activities:							
Instruction	\$ 1,792,925	\$ -	\$ 297,977	\$ (1,494,948)	\$ -	\$ (1,494,948)	\$ (1,670,703)
Support Services	668,276	-	26,516	(641,760)	-	(641,760)	(706,995)
Administration	1,183,930	-	-	(1,183,930)	-	(1,183,930)	(1,112,647)
Unallocated Benefits	267,014	-	-	(267,014)	-	(267,014)	(311,899)
Fixed Asset Appraisal Adjustment	-	-	-	-	-	-	5,132
Unallocated Depreciation	40,877	-	-	(40,877)	-	(40,877)	(40,621)
Total Governmental Activities	3,953,022	-	324,493	(3,628,529)	-	(3,628,529)	(3,837,733)
Business-Type Activities:							
Proprietary Funds	182,320	231	136,512	-	(45,577)	(45,577)	(15,942)
Total Business-Type Activities	182,320	231	136,512	-	(45,577)	(45,577)	(15,942)
Total Primary Government	4,135,342	231	461,005	(3,628,529)	(45,577)	(3,674,106)	(3,853,675)
General Revenues:							
Property Taxes, Levied for General Purposes, Net				110,660	-	110,660	111,019
Unrestricted Federal & State Aid				3,598,928	-	3,598,928	3,266,919
Miscellaneous Income				21,051	-	21,051	78,227
Transfers				(10,000)	10,000	-	-
Total General Revenues, Special Items, Extraordinary Items & Transfers				3,720,639	10,000	3,730,639	3,456,165
Change In Net Position				92,110	(35,577)	56,533	(397,510)
Net Position - Beginning				644,987	35,729	680,716	1,078,226
Net Position - Ending				\$ 737,097	\$ 152	\$ 737,249	\$ 680,716

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

## B. Fund Financial Statements

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## Governmental Funds

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**FREEDOM PREP CHARTER SCHOOL  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

ASSETS & OTHER DEBITS	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS	
			JUNE 30, 2014	(MEMORANDUM ONLY) JUNE 30, 2013
Cash	\$ 832,487	\$ -	\$ 832,487	\$ 761,197
Interfund Receivables	29,413	-	29,413	29,413
Intergovernmental Accounts Receivable	17,003	149,693	166,696	91,337
Total Assets	\$ 878,903	\$ 149,693	\$ 1,028,596	\$ 881,947
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Cash Deficit	\$ -	\$ 125,154	\$ 125,154	\$ -
Intergovernmental Accounts Payable	171,327	-	171,327	192,835
Accounts Payable	57,876	20,547	78,423	22,979
Unearned Revenue	-	3,992	3,992	149,420
Total Liabilities	229,203	149,693	378,896	365,234
Fund Balances:				
Assigned:				
Other Purposes	13,161	-	13,161	4,911
Unassigned:				
General Fund	636,539	-	636,539	511,802
Total Fund Balances	649,700	-	649,700	516,713
Total Liabilities & Fund Balances	\$ 878,903	\$ 149,693		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$419,921 and the accumulated depreciation \$332,524.

	87,397	128,274
Net position of Governmental Activities	\$ 737,097	\$ 644,987

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

**FREEDOM PREP CHARTER SCHOOL  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS	
			JUNE 30, 2014	(MEMORANDUM ONLY) JUNE 30, 2013
Revenues:				
Local Sources:				
Local Levy	\$ 110,660	\$ -	\$ 110,660	\$ 111,019
Miscellaneous	21,051	-	21,051	78,227
Total Local Sources	131,711	-	131,711	189,246
State Sources	3,597,658	-	3,597,658	3,258,840
Federal Sources	1,270	324,493	325,763	147,989
Total Revenues	3,730,639	324,493	4,055,132	3,596,075
Expenditures:				
Instructional	1,494,948	297,977	1,792,925	1,787,295
Administration Costs	1,183,930	-	1,183,930	1,112,647
Support Services	641,760	26,516	668,276	730,313
Unallocated Benefits	267,014	-	267,014	311,899
Total Expenditures	3,587,652	324,493	3,912,145	3,942,154
Other Financing Sources/(Uses):				
Board Contribution to Food Service	(10,000)	-	(10,000)	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	132,987	-	132,987	(346,079)
Net Change in Fund Balances	132,987	-	132,987	(346,079)
Fund Balances July 1	516,713	-	516,713	862,792
Fund Balances June 30	\$ 649,700	\$ -	\$ 649,700	\$ 516,713

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

**FREEDOM PREP CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$	132,987
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

	\$	(40,877)	
Depreciation Expense			
Capital Asset Additions		-	(40,877)
Change in Net Position of Governmental Activities	\$	<u>92,110</u>	

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

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## Proprietary Funds

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**FREEDOM PREP CHARTER SCHOOL  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014  
 (With Comparative Totals for June 30, 2013)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS	
		(MEMORANDUM ONLY)	
		JUNE 30, 2014	JUNE 30, 2013
<b>ASSETS</b>			
Cash	\$ -	\$ -	\$ 24,627
Due from Other Governments	29,934	29,934	11,102
Total Assets	29,934	29,934	35,729
<b>LIABILITIES</b>			
Cash Deficit	29,782	29,782	-
Total Liabilities	29,782	29,782	-
<b>NET POSITION</b>			
Unreserved Net Position	152	152	35,729
Total Net Position	\$ 152	\$ 152	\$ 35,729

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

**FREEDOM PREP CHARTER SCHOOL  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR FISCAL YEAR ENDED JUNE 30, 2014  
 (With Comparative Totals for June 30, 2013)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS	
		JUNE 30, 2014	(MEMORANDUM ONLY) JUNE 30, 2013
Operating Revenues:			
Charges for Services:			
Daily Sales Nonreimbursable Programs	\$ 231	\$ 231	\$ 3,874
Total Operating Revenue	231	231	3,874
Operating Expenses:			
Salaries	10,001	10,001	19,316
Cost of Sales	172,319	172,319	143,402
Supplies	-	-	720
Total Operating Expenses	182,320	182,320	163,438
Operating Income/(Loss)	(182,089)	(182,089)	(159,564)
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	1,817	1,817	2,074
Federal Sources:			
National School Breakfast Program	19,111	19,111	41,095
National School Lunch Program	89,486	89,486	100,453
Healthy Hunger-Free Kids Act	1,874	1,874	-
After School Snacks Program	24,224	24,224	-
Total Nonoperating Revenues	136,512	136,512	143,622
Other Financing Sources/(Uses):			
Board Contribution	10,000	10,000	-
Total Other Financing Sources/(Uses)	10,000	10,000	-
Net Income/(Loss)	(35,577)	(35,577)	(15,942)
Net Position - July 1	35,729	35,729	51,671
Net Position - June 30	\$ 152	\$ 152	\$ 35,729

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

**FREEDOM PREP CHARTER SCHOOL  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR FISCAL YEAR ENDED JUNE 30, 2014  
 (With Comparative Totals for June 30, 2013)**

	BUSINESS-TYPE ACTIVITIES - FOOD SERVICE	TOTALS (MEMORANDUM ONLY)	
		JUNE 30, 2014	JUNE 30, 2013
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 231	\$ 231	\$ 3,874
Payments to Suppliers & Employees	(182,320)	(182,320)	(163,438)
Net Cash Provided/(Used) by Operating Activities	(182,089)	(182,089)	(159,564)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	117,680	117,680	141,016
Board Contribution	10,000	10,000	-
Net Cash Provided by Noncapital Financing Activities	127,680	127,680	141,016
Net Increase/(Decrease) in Cash & Cash Equivalents	(54,409)	(54,409)	(18,548)
Balances - Beginning of Year	24,627	24,627	43,175
Balances - Ending of Year	\$ (29,782)	\$ (29,782)	\$ 24,627

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

Operating Income/(Loss)	\$ (182,089)	\$ (182,089)	\$ (159,564)
Net Cash Provided/(Used) by Operating Activities	\$ (182,089)	\$ (182,089)	\$ (159,564)

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

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Fiduciary Fund

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**FREEDOM PREP CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

ASSETS	PAYROLL AGENCY FUND	STUDENT ACTIVITY FUND	TOTALS	
			JUNE 30, 2014	(MEMORANDUM ONLY) JUNE 30, 2013
Cash	\$ 46,569	\$ 571	\$ 47,140	\$ 41,704
Total Assets	46,569	571	47,140	41,704
<b>LIABILITIES</b>				
Payroll Deductions & Withholdings	17,156	-	17,156	12,291
Interfund Payable	29,413	-	29,413	29,413
Due to Student Groups	-	571	571	-
Total Liabilities	46,569	571	47,140	41,704
<b>NET POSITION</b>				
Total Net Position	\$ -	\$ -	\$ -	\$ -

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

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**FREEDOM PREP CHARTER SCHOOL**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Freedom Prep Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter 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 Freedom Prep Charter School has an approximate enrollment at June 30, 2014 of 217 students.

**B. Component Units**

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

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

Based on the aforementioned criteria, the School has no component units.

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

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

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

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

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):**

**Governmental Fund Financial Statements (continued):**

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

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

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

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

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the Charter School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, the fiduciary funds are not included in the Charter School-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**E. Fund Accounting**

The accounts of the Freedom Prep Charter School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**E. Fund Accounting (continued):**

are to be spent and the means by which spending activities are controlled. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The various funds and accounts are grouped, in the financial statements in this report, into seven fund types within three broad fund categories and two account groups as follows:

**Governmental Funds**

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

As required by the New Jersey Department of Education Freedom Prep Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived 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, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

**Proprietary Funds**

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

**Enterprise** - The enterprise fund is used to account for the operations that are financed and operated in a manner similar to a private business enterprise. The costs of providing goods or services are financed primarily through user charges; or, where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**E. Fund Accounting (continued):**

**Enterprise (continued):**

appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

Buildings & Improvements	7-20 years
Equipment	3-20 years

The School’s enterprise fund is comprised of the following:

- Food Service Fund – This fund accounts for the revenues and expenses pertaining to the Charter School’s cafeteria operations.

**Fiduciary Fund**

Fiduciary funds are used to account for assets held by a governmental entity for other parties (either as trustee or as an agent) and that cannot be used to finance the governmental entity’s own operating programs which includes private purpose trust funds and agency funds.

**Agency Funds** - assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity’s own operating programs. The Charter School currently maintains Payroll and Student Activity Funds as Agency Funds.

**F. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**F. Basis of Accounting (continued):**

on the balance sheet. Fund equity (i.e., net total position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

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

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

**G. Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are approved by the County Superintendent. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C.6:20-2A(m)1*. All budget amendments must be approved by Charter School Board resolution.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. The budget, as detailed on Exhibit C-1 and C-2, includes all amendments to the adopted budget, if any.

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**H. Encumbrances**

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 revenue fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Freedom Prep Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year-end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

**I. Cash and Cash Equivalents**

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

New Jersey Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.18A:20-37* provides a list of permissible investments that may be purchased by New Jersey Charter Schools.

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

*N.J.S.A.17:9-41 et. Seq.* establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**J. Short-Term Interfund Receivables/Payables**

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

**K. Capital Assets**

General capital assets acquired or constructed during the year are reported in the applicable governmental or business-type activities columns in the Charter School-wide financial statements. Capital assets are

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**K. Capital Assets (continued):**

defined by the Charter School as assets, which have a cost in excess of \$2,000 at the date of acquisition and a useful life of one year or more. Donated capital assets are valued at their estimated fair market value on the date received. The general capital assets acquired or constructed were valued by an independent appraisal company. General capital assets, such as land and buildings, are valued at the historical cost basis and through estimated procedures performed by an independent appraisal company, respectively.

General capital assets are reflected as expenditures in the applicable governmental funds. Depreciation expense is recorded in the Charter School-wide financial statements as well as the proprietary fund. Capital assets are depreciated on the straight-line method over the assets' estimated useful life. There is no depreciation recorded for land and construction in progress. Generally estimated useful lives are as follows:

Buildings & Other Improvements	7-20 Years
Machinery and Equipment	3-20 Years

**L. Unearned Revenue**

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

**M. Long-Term Obligations**

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

**N. Fund Balance**

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

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

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**N. Fund Balance (continued):**

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

**O. Net Position**

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

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

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

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012*—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the Charter School elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the Charter School’s financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 65 does not have any impact on the Charter School’s financial statements.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**P. Impact of Recently Issued Accounting Principles (continued):**

accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the Charter School’s financial statements.

**Q. Subsequent Events**

The Freedom Prep Charter School has evaluated subsequent events occurring after June 30, 2014 through the date of October 16, 2014, which is the date the financial statements were available to be issued.

**Note 2. Cash and Cash Equivalents**

The Charter School is governed by the deposit limitations of New Jersey state law. The Deposits and held at June 30, 2014, and reported at fair value are as follows:

	<b>Carrying Value</b>
<b>Deposits</b>	
Demand Deposits	<u>\$ 724,691</u>
 Total Deposits	 <u><u>\$ 724,691</u></u>
 <b>The District’s Cash &amp; Cash Equivalents are Reported as Follows:</b>	
Governmental Activities	\$ 707,333
Business-Type Activities	(29,782)
Fiduciary Funds	<u>47,140</u>
 Total Cash & Cash Equivalents	 <u><u>\$ 724,691</u></u>

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity funds or funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2014, the Charter School’s bank balance of \$914,795 was exposed to custodial credit risk as follows:

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**Note 2. Cash and Cash Equivalents (continued):**

Insured	\$250,000
Uninsured	47,187
Collateralized in the Charter School's Name Under GUDPA	<u>617,608</u>
Total	<u>\$914,795</u>

**Note 3. Accounts Receivable**

Accounts receivable at June 30, 2014 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Charter School's individual major and fiduciary funds, in the aggregate, are as follows:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Proprietary <u>Funds</u>	<u>Total</u>
Intergovernmental	<u>\$ 17,003</u>	<u>\$ 149,693</u>	<u>\$ 29,934</u>	<u>\$ 196,630</u>
Total	<u>\$ 17,003</u>	<u>\$ 149,693</u>	<u>\$ 29,934</u>	<u>\$ 196,630</u>

**Note 4. Capital Assets**

The following schedule is a summarization of the general fixed assets recorded at historical cost by source for the fiscal year ended June 30, 2014:

	June 30, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Tranfers</u>	June 30, <u>2014</u>
Machinery & Equipment	<u>\$ 419,921</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,921</u>
Subtotal	<u>419,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,921</u>
Accumulated Depreciation	<u>(291,647)</u>	<u>(40,877)</u>	<u>-</u>	<u>-</u>	<u>(332,524)</u>
Total	<u>\$ 128,274</u>	<u>\$ (40,877)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,397</u>

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**Note 5. Operating Leases**

**Rental Lease:**

On January 3, 2013, the Charter School entered into a lease agreement effective until January 4, 2016 with The Church of Saint Joan of Arc, West Collingswood, New Jersey (landlord), a religious corporation in the State of New Jersey, for the Facility located at 1400 Collings Road, Camden, New Jersey 08104, at a monthly rental of \$10,553. Subsequently, the Charter School has given six month notice to terminate the contract ending December 31, 2014. The Charter School has relocated to 1000 Atlantic Avenue, Camden, New Jersey.

Year-ending June 30,	Amount
2014	\$ 1,347,532
2015	1,316,319
2016	1,349,227
2017	<u>1,382,958</u>
Total Minimum Lease Payments	<u><u>\$ 5,396,037</u></u>

**Note 6. Pension Plans**

**Plan Descriptions** - 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 in January 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 (PERS) was established in January 1955 under the provisions of *N.J.S.A.43:15A* to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**Note 6. Pension Plans (continued):**

is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**Vesting and Benefit Provisions** - The vesting and benefit provisions of 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 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for 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 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 78, P.L. 2011 changed this for employees enrolled after June 28, 2011. See Significant Legislation below.

**Significant Legislation** – During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional 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 ½ of 1% to 4.5% 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 School's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced.

New Legislation signed by the Acting Governor (Chapter 133, Public Laws 2001) changed the formula for calculating retirement benefits for all current and future non-veteran retirees from N/60 to N/55 (a 9.09% increase). This legislation, signed June 29, 2001, provides that all members of the TPAF and the PERS will have their pensions calculated on the basis of years of credit divided by 55. It also provides

That all current retirees will have their original pension recalculated under the N/55 formula. Starting February 1, 2002, pension cost of living adjustments will be based on the new original pension.

Effective June 28, 2011, Chapter 78, P.L. 2011 reformed various pension and health benefits provisions. Employees hired after June 28, 2011 and enrolled in PERS will be enrolled in a new tier, Tier 5. Full

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**Note 6. Pension Plans (continued):**

retirement for Tier 5 PERS members will be age 65 and 30 years of service. All cost of living adjustments are frozen until the pension fund reaches a “target funded ratio”. Chapter 78 also requires all covered employees to contribute a prescribed percentage towards their health costs.

**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 6.5%, effective October 1, 2011, of employees’ annual compensation, as defined. The rate will increase over the next seven years to 7.5%. 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 the TPAF.

During the year ended June 30, 2014 the State of New Jersey contributed \$146,654 to the TPAF for normal and post-retirement benefits on behalf of the Charter School. Also in accordance with *N.J.S.A.18A:66-66* the State of New Jersey reimbursed the Charter School \$120,360 for the year ended June 30, 2014 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the Basic financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

**Note 7. 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, 2014, there were 100,134 retirees receiving post-retirement medical benefits, and the state contributed \$1.07 billion on their behalf.. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid 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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2014.

**Note 8. 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.

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**Note 8. Risk Management (continued):**

**Property and Liability Insurance** – The District maintains commercial insurance coverage for all risks of loss, including property, liability, employee health, accident insurance and public official surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

A complete schedule of insurance coverage can be found in the “Statistical Section” of the report.

**New Jersey Unemployment Compensation Insurance** – The Charter School has elected to fund their New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan the Charter School has a quarterly contribution due based on the amount of wages paid for the quarter and remits these funds with the employee withholdings to the State.

**Note 9. Interfund Receivables and Payables**

The following interfund balances remained on the balance sheet at June 30, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 29,413	\$ -
Payroll Fund	-	29,413
Total	<u>\$ 29,413</u>	<u>\$ 29,413</u>

The purpose of interfunds are for short-term borrowings.

**Note 10. Economic Dependency**

The Charter School participates in numerous state and federal grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount from future audits, if any, would not be material. The Charter School is dependent on the State of New Jersey for a substantial portion of its operating funds. Due to funding uncertainties at the State level, funding for Charter Schools may be reduced. The ultimate effect of this possible reduction in funding on the Charter School’s future operation is not yet determinable.

**Note 11. Fund Balance Disclosure**

**General Fund** – of the \$649,700 General Fund fund balance at June 30, 2014, \$636,539 is unassigned and \$13,161 is assigned.

**FREEDOM PREP CHARTER SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued):**  
**JUNE 30, 2014**

**Note 12. Litigation**

The Charter School was audited by the New Jersey Department of Education, Office of Fiscal Accountability and Compliance (“OFAC”). The initial report of examination issued in July 2009 found numerous violations and recommended a recovery of \$415,938 in state aid. The Charter School filed an appeal with OFAC challenging the report of examination and was granted in part and denied in part. The Charter School is expecting to settle the litigation with a total return of state aide of \$150,000. This aide is to be deducted from future aide payments over a period of six years.

**Note 13. Charter Revision**

The Charter School has revised its Charter to expand to grades five through nine. Subsequently, they have moved to a larger facility located at 1000 Atlantic Avenue, Camden, New Jersey. The new facility is 66,482 square feet. The Charter School will approximately educate 667 students for the 2014-2015 school year.

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**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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### C. Budgetary Comparison Schedules

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**FREEDOM PREP CHARTER SCHOOL  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	JUNE 30, 2014			JUNE 30, 2013			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
<b>Revenues:</b>							
Local Sources:							
Local Tax Levy	\$ 105,767	\$ 4,893	\$ 110,660	\$ 108,000	\$ 1,238	\$ 109,238	\$ 111,019
Miscellaneous	150,000	-	150,000	-	-	-	78,227
<b>Total Local Sources</b>	<b>255,767</b>	<b>4,893</b>	<b>260,660</b>	<b>108,000</b>	<b>1,238</b>	<b>109,238</b>	<b>189,246</b>
State Sources:							
Equalization Aid	3,059,300	18,003	3,077,303	3,227,170	(522,636)	2,704,534	2,757,065
Special Education Aid	143,696	3,840	147,536	153,345	(39,667)	113,678	111,261
Security Aid	91,504	666	92,170	96,744	(16,543)	80,201	78,615
State Nonpublic Aid	-	13,635	13,635	-	-	-	-
Nonbudgeted:							
On-Behalf TPAF	-	-	-	-	-	-	-
Pension Contributions	-	-	55,559	-	-	-	93,786
On-Behalf TPAF	-	-	91,095	-	-	-	106,048
Post Retirement Medical	-	-	-	-	-	-	-
Reimbursed TPAF Social	-	-	120,360	-	-	-	112,065
Security Contributions	-	-	-	-	-	-	-
<b>Total State Sources</b>	<b>3,294,500</b>	<b>36,144</b>	<b>3,330,644</b>	<b>3,477,259</b>	<b>(578,846)</b>	<b>2,898,413</b>	<b>3,258,840</b>
<b>Federal Sources:</b>							
Special Education - Medicaid Initiative	-	-	1,270	-	-	-	8,079
<b>Total Federal Sources</b>	<b>-</b>	<b>-</b>	<b>1,270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,079</b>
<b>Total Revenues</b>	<b>3,550,267</b>	<b>41,037</b>	<b>3,591,304</b>	<b>3,585,259</b>	<b>(577,608)</b>	<b>3,007,651</b>	<b>3,456,165</b>
<b>Expenditures:</b>							
Instruction:							
Salaries of Teachers	1,331,085	16,500	1,347,585	1,432,414	(273,859)	1,158,555	1,251,968
Other Salaries for Instruction	38,800	-	38,800	114,953	(12,973)	101,980	96,912
Purchased Professional - Educational Services	40,000	(10,000)	30,000	38,000	3,354	41,354	28,400
Other Purchased Services - (400-500 Series)	122,400	-	122,400	92,500	(1,528)	90,972	90,972
General Supplies	149,545	(61,000)	88,545	132,300	27,523	159,823	159,627
Textbooks	15,000	(8,500)	6,500	33,850	(18,850)	15,000	9,329
Miscellaneous	35,000	-	35,000	45,000	(9,247)	35,753	33,495
<b>Total Instruction</b>	<b>1,731,830</b>	<b>(63,000)</b>	<b>1,668,830</b>	<b>1,889,017</b>	<b>(285,580)</b>	<b>1,603,437</b>	<b>1,670,703</b>
<b>Total Expenditures</b>	<b>1,731,830</b>	<b>(63,000)</b>	<b>1,668,830</b>	<b>1,889,017</b>	<b>(285,580)</b>	<b>1,603,437</b>	<b>(67,266)</b>

**FREEDOM PREP CHARTER SCHOOL  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	JUNE 30, 2014			JUNE 30, 2013			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET ACTUAL	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET ACTUAL	
Administration:							
Salaries - General	115,500	500	116,000	98,344	(73,243)	25,101	9,188
Administration							
Salaries for Secretarial/Clerical	101,650	28,000	129,650	137,711	(26,124)	111,587	9,820
Health Benefits Costs	570,576	(143,030)	427,546	530,000	(97,024)	432,976	(27,536)
Purchased Professional -							
Technical Services	500,530	53,500	554,030	223,470	270,431	493,901	11,170
Other Purchased Services	10,500	9,650	20,150	16,000	4,000	20,000	1,056
Communications/Telephone	31,000	19,311	50,311	32,844	9,028	40,028	13,215
Supplies and Materials	20,000	(3,150)	16,850	20,000	-	20,000	5,431
Miscellaneous Expenses	9,300	4,030	13,330	21,210	(12,000)	9,210	8,694
<b>Total Administration</b>	<b>1,359,056</b>	<b>(31,189)</b>	<b>1,327,867</b>	<b>1,077,735</b>	<b>75,068</b>	<b>1,152,803</b>	<b>40,156</b>
Support Services:							
Salaries	349,100	(78,740)	270,360	299,707	(69,632)	230,075	6,952
Purchased Professional &							
Technical Services	50,000	19,600	69,600	30,000	43,000	73,000	2,291
Other Purchased Services -							
(400-500Series)	101,000	71,740	172,740	88,000	91,985	179,985	-
Rent on Land & Buildings	128,000	639	128,639	128,000	-	128,000	1,361
Insurance for Property, Liability							
& Fidelity	23,150	-	23,150	25,000	(4,618)	20,382	3,020
Supplies and Materials	20,000	5,361	25,361	15,000	36,914	51,914	3,162
Energy (Heat & Electricity)	34,500	20,500	55,000	32,800	8,000	40,800	375
<b>Total Support Services</b>	<b>705,750</b>	<b>39,100</b>	<b>744,850</b>	<b>618,507</b>	<b>105,649</b>	<b>724,156</b>	<b>17,161</b>
Nonbudgeted:							
On-Behalf TPAF Pension							
Contributions	-	-	-	-	-	-	(93,786)
On-Behalf TPAF							
Post Retirement Medical							
Reimbursed TPAF Social							
Security Contributions	-	-	-	-	-	-	(106,048)
<b>Total Expenditures</b>	<b>3,796,636</b>	<b>(55,089)</b>	<b>3,741,547</b>	<b>3,585,259</b>	<b>(104,863)</b>	<b>3,480,396</b>	<b>(321,848)</b>
Other Financing Sources/(Uses):							
Transfer Funds to Food Service	-	(60,000)	(60,000)	-	-	-	-
<b>Total Expenditures &amp; Other Financing Uses/(Sources)</b>	<b>3,796,636</b>	<b>4,911</b>	<b>3,801,547</b>	<b>3,585,259</b>	<b>(104,863)</b>	<b>3,480,396</b>	<b>(321,848)</b>
Excess/(Deficiency) of Revenues	(246,369)	36,126	(210,243)	-	(472,745)	(472,745)	126,666
Fund Balances, July 1	516,713	-	516,713	862,792	-	862,792	-
<b>Fund Balances, June 30</b>	<b>\$ 270,344</b>	<b>\$ 36,126</b>	<b>\$ 306,470</b>	<b>\$ 862,792</b>	<b>\$ (472,745)</b>	<b>\$ 390,047</b>	<b>\$ 126,666</b>

**FREEDOM PREP CHARTER SCHOOL  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

REVENUES	JUNE 30, 2014		JUNE 30, 2013		POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	FINAL BUDGET	FINAL BUDGET	ACTUAL	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET TRANSFERS	FINAL BUDGET	ORIGINAL BUDGET TRANSFERS	FINAL BUDGET						
Federal Sources	\$ 258,274	\$ 118,753	\$ 377,027	\$ 324,493	\$ (52,534)	\$ 281,835	\$ 139,910	\$ (141,925)		
Total Revenues	258,274	118,753	377,027	324,493	(52,534)	281,835	139,910	(141,925)		
EXPENDITURES:										
Instruction:										
Salaries of Teachers	258,274	(114,669)	143,605	143,605	-	176,592	116,592	60,000		
Purchased Professional - Educational Services	-	-	-	-	-	63,764	-	63,764		
General Supplies	-	195,121	195,121	154,372	40,749	4,784	-	4,784		
Total Instruction	258,274	80,452	338,726	297,977	40,749	245,140	116,592	128,548		
Support Services:										
Other Salaries	-	3,000	3,000	3,000	-	-	-	-		
Personal Services - Employee Benefits	-	35,301	35,301	23,516	11,785	35,318	23,318	12,000		
Other Purchased Professional Services	-	-	-	-	-	379	-	379		
General Supplies	-	-	-	-	-	998	-	998		
Total Support Services	-	38,301	38,301	26,516	11,785	36,695	23,318	13,377		
Total Expenditures	258,274	118,753	377,027	324,493	52,534	281,835	139,910	141,925		
Other Financing Sources/(Uses) Transfers	-	-	-	-	-	-	-	-		
Total Outflows	258,274	118,753	377,027	324,493	52,534	281,835	139,910	141,925		
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**FREEDOM PREP CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 3,730,639	\$ 324,493
	<u>                    </u>	<u>                    </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$ 3,730,639</u>	<u>\$ 324,493</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 3,587,652	\$ 324,493
	<u>                    </u>	<u>                    </u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 3,587,652</u>	<u>\$ 324,493</u>

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**OTHER SUPPLEMENTARY INFORMATION**

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**FREEDOM PREP CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	TITLE I PART A	TITLE I SIA	CHARTER SCHOOL PROGRAM	I.D.E.A. PART B BASIC	2014	2013
<b>Revenues:</b>						
Federal Sources	\$ 34,838	\$ 111,577	\$ 125,000	\$ 53,078	\$ 324,493	\$ 139,910
<b>Total Revenues</b>	<b>\$ 34,838</b>	<b>\$ 111,577</b>	<b>\$ 125,000</b>	<b>\$ 53,078</b>	<b>\$ 324,493</b>	<b>\$ 139,910</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Salaries of Teachers	\$ 2,466	\$ 96,558	\$ -	\$ 44,581	\$ 143,605	\$ 116,592
General Supplies	29,372	-	125,000	-	154,372	-
<b>Total Instruction</b>	<b>31,838</b>	<b>96,558</b>	<b>125,000</b>	<b>44,581</b>	<b>297,977</b>	<b>116,592</b>
<b>Support Services:</b>						
Other Salary	3,000	-	-	-	3,000	-
Personal Services/ Employee Benefits	-	15,019	-	8,497	23,516	23,318
<b>Total Support Services</b>	<b>3,000</b>	<b>15,019</b>	<b>-</b>	<b>8,497</b>	<b>26,516</b>	<b>23,318</b>
<b>Total Expenditures</b>	<b>\$ 34,838</b>	<b>\$ 111,577</b>	<b>\$ 125,000</b>	<b>\$ 53,078</b>	<b>\$ 324,493</b>	<b>\$ 139,910</b>

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F. Capital Projects Fund

Not Applicable

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G. Proprietary Funds

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## Enterprise Funds

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**FREEDOM PREP CHARTER SCHOOL  
ENTERPRISE FUND  
COMBINING SCHEDULE OF NET POSITION  
AS OF JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

ASSETS	BUSINESS-TYPE ACTIVITIES - <u>FOOD SERVICE</u>	2014	2013
Cash	\$ -	\$ -	\$ 24,627
Due from Other Governments:			
State	484	484	263
Federal	29,450	29,450	10,839
	<hr/>		
Total Assets	29,934	29,934	35,729
	<hr/>		
<b>LIABILITIES</b>			
Cash Deficit	29,782	29,782	-
	<hr/>		
Total Liabilities	29,782	29,782	-
	<hr/>		
<b>NET POSITION</b>			
Unreserved Net Position	152	152	35,729
	<hr/>		
Total Net Position	\$ 152	\$ 152	\$ 35,729
	<hr/> <hr/>		

**FREEDOM PREP CHARTER SCHOOL  
ENTERPRISE FUND  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
AS OF JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	BUSINESS-TYPE ACTIVITIES - <u>FOOD SERVICE</u>			2014	2013
Operating Revenues:					
Local Sources:					
Daily Sales - Nonreimbursable Programs	\$	231	\$	231	\$ 3,874
Total Operating Revenue		<u>231</u>		<u>231</u>	<u>3,874</u>
Operating Expenses:					
Salaries		10,001		10,001	19,316
Cost of Sales		172,319		172,319	143,402
Supplies		-		-	720
Total Operating Expenses		<u>182,320</u>		<u>182,320</u>	<u>163,438</u>
Operating Income/(Loss)		<u>(182,089)</u>		<u>(182,089)</u>	<u>(159,564)</u>
Nonoperating Revenues:					
State Sources:					
State School Lunch Program		1,817		1,817	2,074
Federal Sources:					
National School Lunch Program		89,486		89,486	100,453
National School Breakfast Program		19,111		19,111	41,095
Healthy Hunger-Free Kids Act		1,874		1,874	-
After School Snacks Program		24,224		24,224	-
Total Nonoperating Revenues		<u>136,512</u>		<u>136,512</u>	<u>143,622</u>
Other Financing Sources/(Uses):					
Board Contribution		<u>10,000</u>		<u>10,000</u>	<u>-</u>
Total Other Financing Sources/(Uses)		<u>10,000</u>		<u>10,000</u>	<u>-</u>
Net Income/(Loss)		(35,577)		(35,577)	(15,942)
Net Position - July 1		<u>35,729</u>		<u>35,729</u>	<u>51,671</u>
Net Position - June 30	\$	<u>152</u>	\$	<u>152</u>	\$ <u>35,729</u>

**FREEDOM PREP CHARTER SCHOOL  
ENTERPRISE FUND  
SCHEDULE OF CASH FLOWS  
AS OF JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

	BUSINESS-TYPE ACTIVITIES -		
	FOOD SERVICE	2014	2013
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 231	\$ 231	\$ 3,874
Payments to Suppliers & Employees	(182,320)	(182,320)	(163,438)
	<u>(182,089)</u>	<u>(182,089)</u>	<u>(159,564)</u>
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	117,680	117,680	141,016
Board Contribution	10,000	10,000	-
	<u>127,680</u>	<u>127,680</u>	<u>141,016</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(54,409)	(54,409)	(18,548)
Balances - Beginning of Year	24,627	24,627	43,175
	<u>\$ (29,782)</u>	<u>\$ (29,782)</u>	<u>\$ 24,627</u>

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

Operating Income/(Loss)	\$ (182,089)	\$ (182,089)	\$ (159,564)
Net Cash Provided/(Used) by Operating Activities	<u>\$ (182,089)</u>	<u>\$ (182,089)</u>	<u>\$ (159,564)</u>

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Internal Service Fund

Not Applicable

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## H. Fiduciary Fund

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**FREEDOM PREP CHARTER SCHOOL  
FIDUCIARY FUND  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014  
(With Comparative Totals for June 30, 2013)**

ASSETS	AGENCY		2014	2013
	PAYROLL FUND	STUDENT ACTIVITY		
Cash & Cash Equivalents	\$ 46,569	\$ 571	\$ 47,140	\$ 41,704
Total Assets	<u>46,569</u>	<u>571</u>	<u>47,140</u>	<u>41,704</u>
LIABILITIES				
Payroll Deductions & Withholdings	17,156	-	17,156	12,291
Interfund Payable	29,413	-	29,413	29,413
Due to Student Groups	-	571	571	-
Total Liabilities	<u>46,569</u>	<u>571</u>	<u>47,140</u>	<u>41,704</u>
NET POSITION				
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FREEDOM PREP CHARTER SCHOOL  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

ASSETS	BALANCE JULY 1, 2013	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2014
Cash	\$ 41,704	\$ 2,110,408	\$ 2,105,543	\$ 46,569
	<u>\$ 41,704</u>	<u>\$ 2,110,408</u>	<u>\$ 2,105,543</u>	<u>\$ 46,569</u>
<b>LIABILITIES</b>				
Interfunds Payable	\$ 29,413	\$ -	\$ -	\$ 29,413
Net Payroll	-	1,329,019	1,329,019	-
Payroll Deductions & Withholdings	12,291	781,389	776,524	17,156
Total Liabilities	<u>\$ 41,704</u>	<u>\$ 2,110,408</u>	<u>\$ 2,105,543</u>	<u>\$ 46,569</u>

**FREEDOM PREP CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

	BALANCE JULY 1, 2013	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2014
Freedom Prep Charter School	\$ -	\$ 976	\$ 405	\$ 571
Total Activity	<u>\$ -</u>	<u>\$ 976</u>	<u>\$ 405</u>	<u>\$ 571</u>

I. Long-Term Debt

Not Applicable

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**STATISTICAL SECTION (Unaudited)**

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**FREEDOM PREP CHARTER SCHOOL  
NET POSITION BY COMPONENT  
LAST NINE FISCAL YEARS  
(Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30.								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Activities:</b>									
Restricted	\$ 100,558	\$ 133,185	\$ 176,208	\$ 142,880	\$ 155,001	\$ 184,802	\$ 150,963	\$ 108,181	\$ 51,516
Unrestricted	636,539	511,802	850,647	408,021	(3,484)	531,238	687,238	587,349	163,821
<b>Total Governmental Activities Net Position</b>	<b>\$ 737,097</b>	<b>\$ 644,987</b>	<b>\$ 1,026,855</b>	<b>\$ 550,901</b>	<b>\$ 151,517</b>	<b>\$ 716,040</b>	<b>\$ 838,201</b>	<b>\$ 695,530</b>	<b>\$ 215,337</b>
<b>Business-Type Activities:</b>									
Unrestricted	\$ 152	\$ 35,729	\$ 51,671	\$ 69,924	\$ 59,677	\$ 11,597	\$ -	\$ -	\$ -
<b>Total Business-Type Activities Net Position</b>	<b>\$ 152</b>	<b>\$ 35,729</b>	<b>\$ 51,671</b>	<b>\$ 69,924</b>	<b>\$ 59,677</b>	<b>\$ 11,597</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>District-Wide:</b>									
Restricted	\$ 100,558	\$ 133,185	\$ 176,208	\$ 142,880	\$ 155,001	\$ 184,802	\$ 150,963	\$ 108,181	\$ 51,516
Unrestricted	636,691	547,531	902,318	477,945	56,193	542,835	687,238	587,349	163,821
<b>Total District Net Position</b>	<b>\$ 737,249</b>	<b>\$ 680,716</b>	<b>\$ 1,078,526</b>	<b>\$ 620,825</b>	<b>\$ 211,194</b>	<b>\$ 727,637</b>	<b>\$ 838,201</b>	<b>\$ 695,530</b>	<b>\$ 215,337</b>

**FREEDOM PREP CHARTER SCHOOL  
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)  
LAST NINE FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses:</b>									
Governmental Activities									
Instruction	\$ 1,792,925	\$ 1,787,295	\$ 1,680,212	\$ 1,447,522	\$ 1,451,402	\$ 1,668,078	\$ 1,654,480	\$ 1,090,733	\$ 622,136
Administration	1,183,930	1,112,647	961,091	920,714	1,264,895	1,093,152	749,985	661,638	422,079
Support Services	668,276	730,313	700,379	600,363	693,563	666,454	547,547	500,887	372,516
Unallocated Benefits	267,014	311,899	251,906	183,265	-	-	-	-	-
Unallocated Depreciation	40,877	40,621	39,851	29,000	29,801	12,857	12,857	8,197	4,914
Fixed Asset Appraisal Adjustment	-	(5,132)	(60,734)	-	-	-	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>3,953,022</b>	<b>3,977,643</b>	<b>3,572,705</b>	<b>3,180,864</b>	<b>3,439,661</b>	<b>3,440,541</b>	<b>2,964,869</b>	<b>2,261,455</b>	<b>1,421,645</b>
<b>Business-Type Activities:</b>									
Food Service	182,320	163,438	170,575	138,979	121,181	149,614	-	-	-
<b>Total Business-Type Activities Expense</b>	<b>182,320</b>	<b>163,438</b>	<b>170,575</b>	<b>138,979</b>	<b>121,181</b>	<b>149,614</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Charter School Expenses</b>	<b>\$ 4,135,342</b>	<b>\$ 4,141,081</b>	<b>\$ 3,743,280</b>	<b>\$ 3,319,843</b>	<b>\$ 3,560,842</b>	<b>\$ 3,590,155</b>	<b>\$ 2,964,869</b>	<b>\$ 2,261,455</b>	<b>\$ 1,421,645</b>
<b>Program Revenues:</b>									
Governmental Activities:									
Capital Grants & Contributions	\$ 324,493	\$ 139,910	\$ 378,487	\$ 241,725	\$ 360,330	\$ 262,292	\$ 343,510	\$ 374,525	\$ 230,512
<b>Total Governmental Activities Program Revenues</b>	<b>324,493</b>	<b>139,910</b>	<b>378,487</b>	<b>241,725</b>	<b>360,330</b>	<b>262,292</b>	<b>343,510</b>	<b>374,525</b>	<b>230,512</b>
<b>Business-Type Activities:</b>									
Charges for Service:									
Food Service	231	3,874	1,174	257	34,116	-	-	-	-
Capital Grants & Contributions	136,512	143,622	151,148	148,969	135,145	161,211	-	-	-
Transfers	10,000	-	-	-	-	-	-	-	-
<b>Total Business Type Activities Program Revenues</b>	<b>146,743</b>	<b>147,496</b>	<b>152,322</b>	<b>149,226</b>	<b>169,261</b>	<b>161,211</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Charter School Program Revenues</b>	<b>\$ 471,236</b>	<b>\$ 287,406</b>	<b>\$ 530,809</b>	<b>\$ 390,951</b>	<b>\$ 529,591</b>	<b>\$ 423,503</b>	<b>\$ 343,510</b>	<b>\$ 374,525</b>	<b>\$ 230,512</b>
<b>Net/(Expense)/Revenue:</b>									
Governmental Activities	\$ (3,628,529)	\$ (3,837,733)	\$ (3,194,218)	\$ (2,939,139)	\$ (3,079,331)	\$ (3,178,249)	\$ (2,621,359)	\$ (1,886,930)	\$ (1,191,133)
Business-Type Activities	(35,577)	(15,942)	(18,253)	10,247	48,080	11,597	-	-	-
<b>Total Charter School Net Expense</b>	<b>\$ (3,664,106)</b>	<b>\$ (3,853,675)</b>	<b>\$ (3,212,471)</b>	<b>\$ (2,928,892)</b>	<b>\$ (3,031,251)</b>	<b>\$ (3,166,652)</b>	<b>\$ (2,621,359)</b>	<b>\$ (1,886,930)</b>	<b>\$ (1,191,133)</b>

**FREEDOM PREP CHARTER SCHOOL  
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)  
LAST NINE FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30.								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues & Other Changes in Net Position:									
Governmental Activities:									
Property Taxes Levied for General Purposes, Net	\$ 110,660	\$ 111,019	\$ 138,567	\$ 126,547	\$ 112,001	\$ 98,626	\$ 421,341	\$ 312,016	\$ 175,951
Grants & Contributions	3,598,928	3,266,919	3,477,898	3,135,618	2,389,292	2,830,715	2,339,989	2,055,107	1,136,066
Miscellaneous Income	21,051	78,227	53,407	76,358	13,515	126,747	2,700	-	239
Transfers	(10,000)	-	-	-	-	-	-	-	-
Total Governmental Activities	\$ 3,720,639	\$ 3,456,165	\$ 3,669,872	\$ 3,338,523	\$ 2,514,808	\$ 3,056,088	\$ 2,764,030	\$ 2,367,123	\$ 1,312,256
Total Charter School Wide	\$ 3,720,639	\$ 3,456,165	\$ 3,669,872	\$ 3,338,523	\$ 2,514,808	\$ 3,056,088	\$ 2,764,030	\$ 2,367,123	\$ 1,312,256
Change in Net Position:									
Governmental Activities	\$ 92,110	\$ (381,568)	\$ 475,654	\$ 399,384	\$ (564,523)	\$ (122,161)	\$ 142,671	\$ 480,193	\$ 121,123
Business-Type Activities	(35,577)	(15,942)	(18,253)	10,247	48,080	11,597	-	-	-
Total Charter School	\$ 56,533	\$ (397,510)	\$ 457,401	\$ 409,631	\$ (516,443)	\$ (110,564)	\$ 142,671	\$ 480,193	\$ 121,123

Source: Charter School's Records

**FREEDOM PREP CHARTER SCHOOL  
FUND BALANCES AND GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	
General Fund										
Assigned	\$ 13,161	\$ 4,911	\$ 12,445	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	636,539	511,802	850,347	408,021	(18,484)	516,238	687,238	587,349	163,821	
Total General Fund	\$ 649,700	\$ 516,713	\$ 862,792	\$ 408,021	\$ (18,484)	\$ 516,238	\$ 687,238	\$ 587,349	\$ 163,821	
All Other Governmental Funds										
Unassigned:										
Special Revenue Fund	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -

**FREEDOM PREP CHARTER SCHOOL**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,**  
**LAST FOUR FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

	2014	2013	2012	2011
Revenues:				
Federal	\$ 325,763	\$ 147,989	\$ 392,883	\$ 265,084
State	3,597,658	3,258,840	3,463,502	3,112,259
Local	131,711	189,246	191,974	202,905
<b>Total Revenue</b>	<b>4,055,132</b>	<b>3,596,075</b>	<b>4,048,359</b>	<b>3,580,248</b>
Current Expense:				
Instruction:				
Teachers' Salaries	1,640,831	1,368,560	1,274,184	1,162,728
Other Salaries	2,409	96,912	106,462	111,749
Purchased Professional/Technical Service:	20,676	28,400	5,047	3,500
Other Purchased Services	57,993	90,972	69,828	79,873
General Educational Supplies	37,291	159,627	91,213	40,825
Textbooks	290	9,329	85,881	8,887
Other Objects	33,435	33,495	47,597	39,960
Administrative Services:				
Salaries	111,875	15,913	95,480	101,939
Salaries of Secretarial/Clerical Assistants	110,980	101,767	135,985	111,018
Total Benefit Costs	351,501	460,512	394,144	379,949
Professional/Technical Services	552,654	482,731	228,185	230,176
Other Purchased Services	15,208	18,964	14,952	6,518
Communication & Telephones	17,467	26,813	34,792	29,730
Supplies and Materials	11,670	5,431	23,356	12,628
Miscellaneous Expense	12,575	516	34,197	17,678
Judgment Payable	-	-	-	31,078
Support Services:				
Salaries	217,145	223,123	305,402	309,067
Purchased Professional/Technical Service:	53,110	70,709	53,389	31,720
Other Purchased Services	188,671	203,303	154,607	91,646
Rent on Land & Buildings	128,539	126,639	123,322	109,400
Insurance-Fidelity, Liability, Property	20,931	17,362	18,258	18,240
Supplies and Materials	23,784	48,752	15,834	18,159
Energy Costs (Heat & Electric)	36,096	40,425	29,567	22,131
Capital Outlay:				
Instructional Equipment	-	-	-	16,879
Unallocated Benefits	267,014	311,899	251,906	183,265
<b>Total Expenditures</b>	<b>3,912,145</b>	<b>3,942,154</b>	<b>3,593,588</b>	<b>3,168,743</b>
Other Financing Sources/(Uses):				
Board Contribution to Food Service	(10,000)	-	-	-
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	132,987	(346,079)	454,771	411,505
<b>Net Change in Fund Balances</b>	<b>\$ 132,987</b>	<b>\$ (346,079)</b>	<b>\$ 454,771</b>	<b>\$ 411,505</b>

Source: District Records

**EXHIBITS J-5 THROUGH J-13**

**NOT APPLICABLE**

EXHIBIT J-14

**FREEDOM PREP CHARTER SCHOOL  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST EIGHT FISCAL YEARS**

YEAR	POPULATION (a)	PER CAPITA		UNEMPLOYMENT RATE (d)
		PERSONAL INCOME(b)	PERSONAL INCOME (c)	
2014	76,903	N/A	N/A	16.0%
2013	77,250	N/A	N/A	18.5%
2012	77,283	3,330,820,017	43,099	19.6%
2011	77,335	3,303,751,200	42,720	18.6%
2010	78,790	3,262,378,740	41,406	16.3%
2009	79,519	3,339,161,848	41,992	10.1%
2008	79,263	3,191,128,380	40,260	10.1%
2007	79,201	3,062,781,871	38,671	10.1%

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income is estimated - population times estimated per capita personal income.

<sup>c</sup> Per Capita Per County from US Bureau of Economic Analysis

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**EXHIBIT J-15 NOT APPLICABLE**

**FREEDOM PREP CHARTER SCHOOL**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST EIGHT FISCAL YEARS**

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Number of Classes:</b>									
Special Education	1	1	2	2	2	3	3	2	3
Grade 6	3	3	2	2	2	2	2	3	3
Grade 7	3	3	2	2	2	2	2	3	-
Grade 8	3	3	2	2	2	2	2	-	-
<b>Total Number of Classes</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>6</b>
<b>Full-Time Employees:</b>									
School Director	1	1	1	1	1	1	1	1	1
Director of Operations	2	1	1	1	1	1	1	1	1
Deans	3	1	-	-	1	3	-	-	-
Teachers	18	22	16	18	19	17	17	15	9
Special Education Teacher	5	1	4	3	1	1	1	2	1
Teacher Aides	1	3	3	2	1	-	-	-	-
Social Worker	1	1	1	1	1	1	1	1	1
School Nurse	1	1	1	1	1	1	1	1	1
Office Manager	1	1	1	1	1	1	1	1	1
Food Services Manager	1	1	1	1	1	1	1	1	1
Custodian	1	1	1	1	1	1	-	-	-
Security Officers	-	1	1	1	1	-	-	-	-
Administrative Assistant	1	1	2	2	2	2	2	2	1
<b>Total Employees</b>	<b>36</b>	<b>36</b>	<b>33</b>	<b>33</b>	<b>32</b>	<b>30</b>	<b>26</b>	<b>25</b>	<b>17</b>
<b>Teacher/Student Ratio</b>	<b>1:10</b>	<b>1:10</b>	<b>1:12</b>	<b>1:12</b>	<b>1:10</b>	<b>1:14</b>	<b>1:17</b>	<b>1:18</b>	<b>1:18</b>
<b>Student Count at June 30</b>	<b>246</b>	<b>246</b>	<b>234</b>	<b>234</b>	<b>192</b>	<b>243</b>	<b>292</b>	<b>280</b>	<b>163</b>

**Source:** Charter School's Personnel Records

**FREEDOM PREP CHARTER SCHOOL  
OPERATING STATISTICS  
LAST NINE FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2014	234	\$3,587,652	15,332	-0.81%	23	1:10	236.2	216	-4.00%	92.37%
2013	246	3,802,244	15,456	12.49%	23	1:10	246.0	218	0.94%	88.62%
2012	234	3,215,101	13,740	11.67%	20	1:12	243.7	243	17.73%	103.85%
2011	234	2,879,061	12,304	-8.41%	21	1:11	207.0	204	7.70%	87.18%
2010	227	3,049,530	13,434	0.01%	19	1:10	192.2	174	-17.93%	76.65%
2009	239	3,210,492	13,433	41.09%	17	1:14	234.2	213	-6.17%	89.12%
2008	292	2,780,183	9,521	37.16%	17	1:17	249.6	245	14.02%	83.90%
2007	280	1,943,595	6,941	-41.79%	15	1:18	218.9	217	58.74%	77.50%
2006	163	1,943,595	11,924	106.60%	9	1:18	137.9	135	100.15%	82.82%

**Sources:** District records

**Note:** Enrollment based on annual June Charter School count.

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

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

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

**FREEDOM PREP CHARTER SCHOOL  
SCHOOL BUILDING INFORMATION  
LAST NINE FISCAL YEARS**

DISTRICT BUILDING	2014	2013	2012	2011	2010	2009	2008	2007	2006
School Building:									
Square Feet	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Capacity (Students)	255	255	255	255	255	255	320	240	160
Enrollment	234	246	234	234	227	243	292	226	217

Number of Schools at June 30, 2014:

School Building - 1

Source: District Facilities Office

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

**EXHIBIT J-19  
NOT APPLICABLE**

**FREEDOM PREP CHARTER SCHOOL  
INSURANCE SCHEDULE  
JUNE 30, 2014**

	COVERAGE	DEDUCTIBLE
<b>Property Insurance:</b>		
Blanket Real & Personal Property	2,000,000	1,000 Per Occurrence
Blanket Extra Expense	50,000,000	1,000 Per Occurrence
Blanket Valuable Papers & Records	10,000,000	1,000 Per Occurrence
Demolition & Increased Cost of Construction	10,000,000	
Fire Department Service Charge	10,000	
Arson Reward	10,000	
Pollutant Clean-up and Removal	250,000	
<b>Flood Deductibles:</b>		
Per Building		500,000
Per Building Contents		500,000
Per Member/Per Occurrence Subject to a Maximum Retained Deductible of \$1,000,000 to NJSBAIG		10,000
<b>Electronic Data Processing:</b>		
Blanket Hardware/Software	75,000	Per Occurrence
Coverage Extensions:		
Transit	25,000	
Loss of Income	10,000	
Deductible	1,000	
Flood Deductible A & V	500,000	
Flood Deductible Other Zones	10,000	
<b>Boiler &amp; Machinery:</b>		
Combined Single Limit Per Accident for PD & Business Income	100,000,000	1,000 Per Accident for PD 12 hours per accident for Business Interruption/Extra Expense. Interruption of Service Waiting Period 24 Hours
<b>Crime:</b>		
Public Employee Dishonest with Faithful Performance	50,000	
Theft, Disappearance & Destruction - Loss of Money & Securities On or Off Premises	10,000	
Theft, Disappearance & Destruction - Loss of Money & Counterfeit Paper Currency	25,000	
Forgery or Alteration	50,000	
Computer Fraud	250,000	
Public Officials Bond:		
Board Secretary/Business Administrator	160,000	

Source: District Records

FREEDOM PREP CHARTER SCHOOL  
FINANCIAL PERFORMANCE  
FISCAL RATIOS  
JUNE 30, 2014

	2012		2013		2014		Source
	Audit	Audit	Audit	Audit	Audit	Audit	
Cash	\$	1,018,529	\$	785,824	\$	707,333	Audit: Exhibit A-1
Current Assets		1,107,598		917,676		933,376	Audit: Exhibit A-1
Total Assets		1,271,361		1,045,950		1,020,773	Audit: Exhibit A-1
Current Liabilities		192,835		365,234		283,524	Audit: Exhibit A-1
Total Liabilities		192,835		365,234		283,524	Audit: Exhibit A-1
Net Position		1,078,526		680,716		737,249	Audit: Exhibit A-1
Total Revenue		3,822,194		3,743,571		4,191,875	Audit: Exhibit A-2
Total Expenses		3,743,280		4,141,081		4,135,342	Audit: Exhibit A-2
Change in Net Position		78,914		(397,510)		56,533	Audit: Exhibit A-2
Depreciation Expense		-		-		40,877	Financial Statements/Audit: Workpapers
Interest Expense		-		-		-	Financial Statements/Audit: Workpapers
Principal Payments		-		-		-	Financial Statements/Audit: Workpapers
Interest Payments		-		-		-	Financial Statements/Audit: Workpapers
Final Average Daily Enrollment		245		246		217	DOE Enrollment Reports
March 30th Budgeted Enrollment		245		246		217	Charter School Budget

Near Term Indicators	RATIOS ANALYSIS...			
	2012	2013	2014	3 YR CUM
1a. Current Ratio	5.74	2.51	3.29	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	99.31	69.26	62.43	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	100%	Average Daily Enrollment/Budgeted Enrollment
1d. * Default	Yes/No	Yes/No	Yes/No	Audit
<b>Sustainability Indicators</b>				
2a. Total Margin	2%	-11%	1%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.15	0.35	0.28	Total Liabilities/Total Assets
2c. ** Cash Flow	N/A	(232,705)	(78,491)	Net Change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2013 =2013 Cash - 2012 Cash; 2012 =2012 Cash-2011 Cash; 2011 =2011 Cash-2010 Cash

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**SINGLE AUDIT SECTION**

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EXHIBIT K-1

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Freedom Prep Charter School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Freedom Prep Charter School’s basic financial statements, and have issued our report thereon dated October 16, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal

control, described in the accompanying schedule of findings and questioned costs as findings 2014-001, 2014-002, and 2014-003 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Freedom Prep Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed five instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey as Findings No's: 2014-001, 2014-002, 2014-003, and 2014-004.

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

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

We also noted certain administrative findings that we reported to management of the Freedom Prep Charter School, as described in a separate auditor's management report dated October 16, 2014.

### **Purpose of this Report**

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1101

Medford, New Jersey  
October 16, 2014



EXHIBIT K-2

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-  
133 AND NEW JERSEY OMB CIRCULAR 04-04.**

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

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

We have audited Freedom Prep Charter School’s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the *New Jersey Aid/Grant Compliance Supplement* that could have direct and material effect on each of City of X, State Y’s major state programs for the year ended June 30, 2014. Freedom Prep Charter School’s, major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of Freedom Prep Charter School major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; *the New Jersey State Aid/ Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 04-04, *Single Audit Policy for Recipients of State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Freedom Prep Charter School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on State Aid-Public.***

As described in the accompanying schedule of findings and questioned costs, Freedom Prep Charter School did not comply with requirements regarding State Aid-Public as described in finding number 2014-004. Compliance with such requirements is necessary, in our opinion, for Freedom Prep Charter School to comply with the requirements applicable to that program.

***Qualified Opinion on State Aid-Public.***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Freedom Prep Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on State Aid-Public for the year ended June 30, 2014.

***Unmodified Opinion on Each of the Other Major State Programs***

In our opinion, Freedom Prep Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

**Report on Internal Control over Compliance**

Management of Freedom Prep Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Freedom Prep Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, 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 Freedom Prep Charter School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, and 2014-003 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Medford, New Jersey  
October 16, 2014

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FREEDOM PREP CHARTER SCHOOL  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR FISCAL YEAR ENDED JUNE 30, 2014

STATE GRANTOR/ PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2013	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS BALANCE	(ACCOUNTS RECEIVABLE) 2014	DEFERRED REVENUE 2014	DUE TO GRANTOR 2014	MEMO	
											BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
<b>State Department of Education:</b>												
General Fund:												
Equalization Aid	12-495-034-5120-078	\$ 2,949,675	7/1/11-6/30/12	\$ 188,857	\$ -	\$ -	\$(181,246)	\$(3,978)	\$ -	\$ 11,589	\$ -	\$ -
Equalization Aid	13-495-034-5120-078	2,757,065	7/1/12-6/30/13	(58,941)	58,941	-	-	-	-	-	-	-
Equalization Aid	14-495-034-5120-078	3,077,303	7/1/13-6/30/14	-	3,204,755	(3,077,303)	-	(6,300)	-	133,752	-	3,077,303
Special Education Categorical Aid	14-495-034-5120-089	147,536	7/1/13-6/30/14	-	165,809	(147,536)	-	(1,701)	-	19,974	-	147,536
Security Aid	14-495-034-5120-084	92,170	7/1/13-6/30/14	-	98,150	(92,170)	-	(32)	-	6,012	-	92,170
Non Public State Aid	N/A	13,635	7/1/13-6/30/14	-	13,635	(13,635)	-	-	-	-	-	13,635
Reimbursed TPAF Contributions (Nonbudgeted)	14-495-034-5095-006	55,559	7/1/13-6/30/14	-	55,559	(55,559)	-	-	-	-	-	55,559
On-Behalf Post Retirement Medical Contributions	14-495-034-5095-001	91,095	7/1/13-6/30/14	-	91,095	(91,095)	-	-	-	-	-	91,095
On-Behalf TPAF Social Security Reimbursement	14-495-034-5095-002	120,360	7/1/13-6/30/14	-	115,368	(120,360)	-	(4,992)	-	-	-	120,360
On-Behalf TPAF Social Security Reimbursement	13-495-034-5095-002	112,065	7/1/12-6/30/13	(28,418)	28,418	-	-	-	-	-	-	-
<b>Total General Fund</b>				101,498	3,831,730	(3,597,658)	(181,246)	(17,003)	-	171,327	-	3,597,658
Special Revenue Fund: Anti-Bullying Grant	N/A	369	7/1/11-6/30/12	369	-	-	-	-	369	-	-	-
<b>Total Special Revenue Fund</b>				369	-	-	-	-	369	-	-	-
State Department of Agriculture: National School Lunch Program National School Lunch Program	13-100-10-3360-067 14-100-10-3360-067	2,074 1,817	7/1/12-6/30/13 7/1/13-6/30/14	(263) -	263 1,333	- (1,817)	- -	- (484)	- -	- -	- -	- 1,817
<b>Total Enterprise Fund</b>				(263)	1,596	(1,817)	-	(484)	-	-	-	1,817
<b>Total State Financial Assistance</b>				\$ 101,604	\$ 3,833,326	(3,599,475)	\$(181,246)	\$(17,487)	\$ 369	\$ 171,327	\$ -	\$ 3,599,475

Less: Grants Not Subject to New Jersey OMB Circular 04-04:  
On-Behalf TPAF Contributions 146,654 7/1/13-6/30/14  
Total State Financial Assistance subject to New Jersey OMB Circular 04-04 \$ (3,452,821)

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE  
JUNE 30, 2014**

**Note 1. General**

The accompanying schedule of state financial assistance includes state award activity of the Freedom Prep Charter School. All state awards received directly state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

**Note 2. Basis of Accounting**

The accompanying schedule of financial assistance is presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Charter School's basic financial statements.

**Note 3. Relationship to Basic Financial Statements**

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

No adjustments were needed to reconcile from the budgetary basis to the GAAP basis in the general fund or special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<b>State</b>	<b>Total</b>
General Fund	\$3,597,658	\$3,597,658
Food Service Fund	<u>1,817</u>	<u>1,817</u>
Total Financial Assistance	<u>\$3,599,475</u>	<u>\$3,599,475</u>

**Note 4. Relationship to State Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related state financial reports.

**FREEDOM PREP CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE  
JUNE 30, 2014**

**Note 5. Other**

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, 2014 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, 2014.

**Note 6. Federal and State Loans Outstanding**

The Freedom Prep Charter School had no loan balances outstanding at June 30, 2014.

**FREEDOM PREP CHARTER SCHOOL  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2014**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	No
2) Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to basic financial Statements noted?	No

**State Awards**

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No
Type of auditor’s report issued on compliance for major programs	<u>Qualified</u>
Internal Control over major programs:	
1) Material weakness(es) identified?	No
2) Significant deficiencies identified that are not considered To be material weaknesses?	Yes
Any audit findings disclosed that are required to be reported in accordance With New Jersey OMB Circular 04-04	Yes

**Identification of major programs:**

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
14-495-034-5120-078	Charter School Aid
14-495-034-5120-089	Special Education Categorical Aid
14-495-034-5120-084	Security Aid

**FREEDOM PREP CHARTER SCHOOL  
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):  
For the Fiscal Year Ended June 30, 2014**

**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit (see paragraphs 13.15 and 13.35, also see AICPA Audit Guide *Government Auditing Standards and Circular a-133 Audits* for further guidance).

**Finding 2014-001:**

**Criteria or Specific Requirement:**

The Charter School should have internal controls in place to ensure that it only pays for health insurance costs for active employees.

**Condition:**

It was noted during our audit that the Charter School was paying health insurance for an individual who no longer worked for the Charter School.

**Context:**

Appropriate internal controls should be in place and followed in order to ensure that the Charter School does not pay for health insurance costs of non-employees.

**Effect:**

The Charter School risks paying health care costs on non-employees.

**Cause:**

Lack of internal controls around the review and payment of school health bills.

**Recommendation:**

That all benefit bills are reviewed and reconciled monthly to an active list of employees before processing payment.

**Views of Responsible Officials and Planned Corrective Actions:**

The Charter School management agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

**FREEDOM PREP CHARTER SCHOOL  
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):  
For the Fiscal Year Ended June 30, 2014**

**Section II – Financial Statement Findings (continued):**

**Finding 2014-002:**

**Criteria or Specific Requirement:**

The Charter School shall remit payroll tax liabilities, in accordance with statutory deadlines, to the Internal Revenue Service.

**Condition:**

It was noted during our audit that the Charter School incurred penalties for late liability payments to the Internal Revenue Service.

**Context:**

Appropriate internal controls should be in place and followed in order to ensure that all tax liabilities are being paid in a timely manner in accordance with federal guidelines.

**Effect:**

The Charter School risks paying unnecessary fines and penalties.

**Cause:**

Lack of internal controls around the remission of tax liabilities to the Internal Revenue Service.

**Recommendation:**

That the Charter School remits all tax liability payments by the proper statutory deadlines to avoid unnecessary fines and penalties.

**Views of Responsible Officials and Planned Corrective Actions:**

The Charter School management agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

**Finding 2014-003:**

**Criteria or Specific Requirement:**

The Charter School shall properly record and report monthly meal counts and collect and deposit the correct amount for student paid and reduced rate meals.

**FREEDOM PREP CHARTER SCHOOL  
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):  
For the Fiscal Year Ended June 30, 2014**

**Finding 2014-003 (continued):**

**Condition:**

It was noted during our audit that the Charter School is not properly reporting, recording or collecting the proper amounts for student meals served. In addition, September 2013 meal claims were not reimbursed to the Charter School due to untimely submissions.

**Context:**

Appropriate internal controls should be in place and followed in order to ensure that all student meals are properly recorded and reported and that the proper amount is being charged, collected and deposited.

**Effect:**

The Charter School risks misstating revenue in their food service financial statement.

**Cause:**

A lack of internal controls around the review and submission of reimbursement reports and the revenue collection process.

**Recommendation:**

That the Charter School implement controls to ensure that the food service revenue is properly reported in the school's financial statements.

**Views of Responsible Officials and Planned Corrective Actions:**

The Charter School management agrees with this finding and will correct it accordingly.

**FREEDOM PREP CHARTER SCHOOL  
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):  
For the Fiscal Year Ended June 30, 2014**

**Section III – State Financial Assistance Finding & Questioned Costs**

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and New Jersey OMB's Circular Letter 04-04.

**Finding 2014-004:**

**Information on the State Program:**

Charter School Aid, Special Categorical Aid, and Security Aid

**Criteria or Specific Requirement:**

The Charter School is to obtain bids for all qualifying purchases in accordance with New Jersey Public School Contracts Law.

**Condition:**

It was noted during our audit that the Charter School did not properly follow the bidding process as set forth by New Jersey Public School Contracts Law for both transportation.

**Questioned Costs:**

Undeterminable.

**Context:**

Appropriate internal controls should be in place and followed in order to ensure that all qualifying purchases follow New Jersey Public School Contracts Law.

**Effect:**

The Charter School risks not following state statute and paying more for services than necessary.

**Cause:**

Lack of understanding of the New Jersey Public School Contracts Law.

**Recommendation:**

That the Charter School follows guidelines set forth by New Jersey Public School Contracts Law to obtain bids for all qualifying purchases.

**Views of Responsible Officials and Planned Corrective Actions:**

The Charter School management agrees with this finding and will take the appropriate steps to follow this compliance requirement.

**FREEDOM PREP CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
For the Fiscal Year Ended June 30, 2013**

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*, U.S. OMB Circular A-133 (section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

**Finding 2013-01:**

It was noted during our audit that employees are being paid holiday bonuses and compensation for Saturday school through general disbursements. The Charter School is circumventing the 3<sup>rd</sup> party payroll processor and both employees and the Charter School are having no taxes withheld or remitted.

**Status:** Management has taken corrective action on this finding.

**Finding 2013-02:**

It was noted during our audit of medical contributions that employees did not contribute the amount required as set forth by Pension and Health Benefits Reform law, Chapter 78.

**Status:** Management has taken corrective action on this finding.

**Finding 2013-03:**

It was noted during our audit that the Charter School incurred penalties for late payments for New Jersey gross income tax.

**Status:** Management has taken corrective action on this finding.

**Finding: 2013-04:**

It was noted during our audit that the client did not record the two prior year audit adjustment entries in their accounting system. Additionally, the original budget was incorrectly posted. Due to the incorrect posting the Charter School provided a general ledger that was not in balance.

**Status:** Management has taken corrective action on this finding.

**Finding 2013-05:**

It was noted during our audit that the Charter School submitted and received reimbursements for expenditures that did not meet grant requirements for Title I and Title I SIA.

**Status:** Management has taken corrective action on this finding.

**FREEDOM PREP CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT (continued):  
For the Fiscal Year Ended June 30, 2014**

**Finding 2013-06:**

The Charter School was unable to provide the auditor with free & reduced applications as well as a directly certified listing of students. The auditor was unable to verify the meal reimbursements were correct.

**Status:** Management has taken corrective action on this finding.