

MASTERY SCHOOLS OF CAMDEN, INC.
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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October 12, 2017

Commissioner
New Jersey Department of Education
200 Riverview Executive Plaza
CN 500
Trenton, NJ 08625

Dear Commissioner:

We are pleased to report that the Comprehensive Annual Financial Report of Mastery Schools of Camden, Inc. (the School) for the fiscal year ended June 30, 2017 has been submitted. As you know, the responsibility for both the accuracy of these data and completeness and fairness of the presentation, including all disclosures, rests with the management of the School. To the best of our knowledge and belief, data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of Mastery Schools of Camden, Inc. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the School's organizational chart and a list of principal officials. The Financial Section includes the general purpose financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information. The School is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey's OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Information related to these single audits, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the Single Audit Section of this report.

1. REPORTING ENTITY AND ITS SERVICES: Mastery Schools of Camden, Inc. is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the School are included in this report. Mastery Schools of Camden, Inc. operates a Renaissance school project under an operating agreement with the Camden City School District. The agreement began effective July 17, 2014 for a ten-year term.

2. ENROLLMENT OUTLOOK: The School completed the 2016-17 school year with an average daily enrollment of 1,651 students in kindergarten through ninth grade at five locations. The School will grow to tenth grade during the 2017-2018 School Year. Based on the demand it is anticipated that, we will be able to maintain our enrollment for the foreseeable future.

3. MAJOR ACCOMPLISHMENTS: Mastery schools are organized around a common mission: “All students learn the academic and personal skills they need to be truly prepared for postsecondary success and able to pursue their dreams.” Our work is rooted in an unwavering belief that our students can achieve at the highest levels. To fulfill our mission, we recognize that we must attend to the whole child – we value personal as well as academic skills, and we match our high expectations for students with high levels of support. Our program is comprised of four interlocking systems: Curriculum and Instruction, School Culture, Assessment & Data, and Student Support.

The School also has robust after-school programming for students through collaboration with local area organizations. In addition, the School has invested in family and community engagement staff and initiatives which support our goals related to student achievement and re-confirm our commitment to being a responsive, thoughtful partner for families and community leaders.

Mastery Schools of Camden students were housed in two temporary and three permanent buildings during the 2016-17 school year. All facilities were former Camden City School District buildings. The five locations were as follows:

- North Camden Elementary – temporary location
 - Cramer Hill Elementary – temporary location
 - Molina Elementary
 - McGraw Elementary
 - East Camden Middle and High
- The students at the two temporary locations moved into a newly constructed facility in the Cramer Hill section of Camden in August 2017. The new building has capacity for over 750 students from Kindergarten to 8th grade.

4. INTERNAL ACCOUNTING CONTROLS: Management of the School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft, or misuse. To this end, adequate accounting data are compiled periodically to allow accurate preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure 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 that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure likewise is subjected to periodic evaluation by School management. Since grant periods differ in their prescribed fiscal years, representations are made prior to the end of the fiscal year for those grants having fiscal years other than July 1 through June 30.

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

5. 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. 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.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reserves for encumbrances and are included as reservations of fund balance at June 30, 2017.

6. ACCOUNTING SYSTEM AND REPORTS: The School accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (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 "Notes to the Financial Statements", Note 1.

7. CASH MANAGEMENT: The investment policy of the School is guided by state statute as detailed in "Notes to the Financial Statements", Note 2. The 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 a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

8. RISK MANAGEMENT: The School carries various forms of insurance, including but not limited to general liability, automobile liability, and comprehensive/collision, hazard, and theft insurance on property and contents.

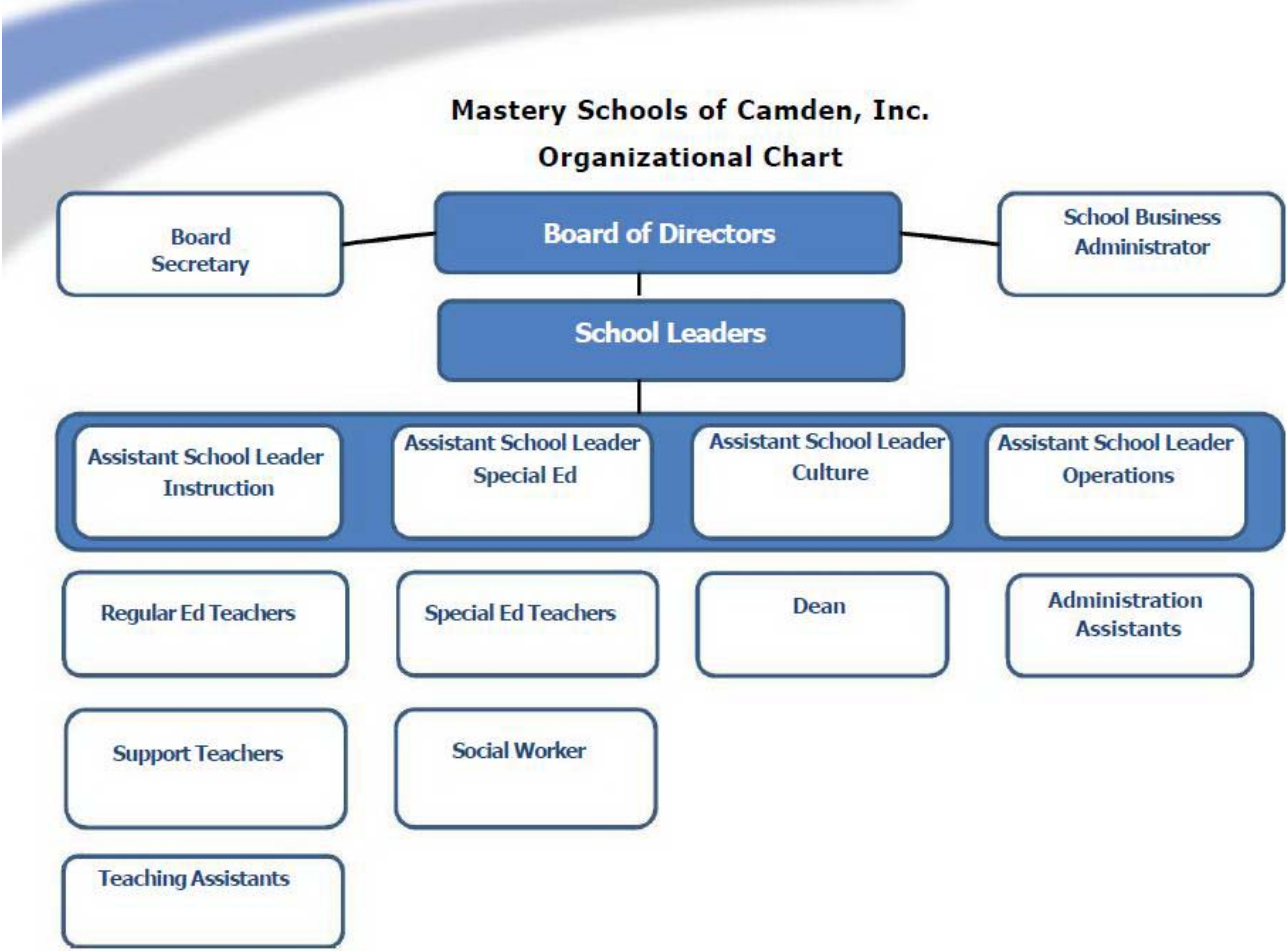
9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The firm of CliftonLarsonAllen, LLP, a professional corporation of accountants and auditors was selected and duly appointed by Mastery Schools of Camden, Inc. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey's OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,


James H. Leonard
School Business Administrator


Joseph Ferguson
Board Secretary

**MASTERY SCHOOLS OF CAMDEN, INC.
 ROSTER OF TRUSTEES AND OFFICIALS
 JUNE 30, 2017**



**MASTERY SCHOOLS OF CAMDEN, INC.
ROSTER OF TRUSTEES AND OFFICIALS
JUNE 30, 2017**

Board of Trustees

Jim Sheward, Chair

Jamie Reynolds

Reuel Robinson

Sharell Sharp

Judy Tschirgi

School Leaders

Brandon Cummings, School Leader – North Camden Elementary

Meredith Howell-Turner, School Leader – Cramer Hill Elementary

Rickia Reid, School Leader – Molina Elementary

LaQuanda Jackson, School Leader – McGraw Elementary

William Hayes, School Leader – East Camden Middle

Other

Joseph Ferguson, Board Secretary

James H. Leonard, School Business Administrator

**MASTERY SCHOOLS OF CAMDEN, INC.
CONSULTANTS AND ADVISORS
JUNE 30, 2017**

AUDIT FIRM

CliftonLarsonAllen LLP
610 W. Germantown Pike, Suite 400
Plymouth Meeting, PA 19462

ATTORNEY

Thomas O. Johnston, Esq.
Johnston Law Firm, LLC
75 Midland Avenue, Suite 1
Montclair, NJ 07042

OFFICIAL DEPOSITORY

PNC Bank
110 North Broadway
Camden, NJ 08102

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mastery Schools of Camden, Inc.
5700 Wayne Avenue
Philadelphia, Pennsylvania 19144

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund information of the Mastery Schools of Camden, Inc., in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mastery Schools of Camden, Inc.'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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*. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund information of the Mastery Schools of Camden, Inc. as of June 30, 2017, and the respective changes in financial position 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, the budgetary comparison schedule — General Fund, the budgetary comparison schedule — Special Revenue Fund, and the combining schedule of program revenues and expenditures, Special Revenue Fund — budgetary basis on pages 10 through 12 and pages 34 through 36 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 Mastery Schools of Camden, Inc.'s basic financial statements. The schedules of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey's OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are the responsibility of management and were 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 and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Board of Trustees
Mastery Schools of Camden, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017 on our consideration of Mastery Schools of Camden, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Mastery Schools of Camden, Inc.'s 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 Mastery Schools of Camden, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania



Bruce W. Braunewell, CPA
Public School Accountant
PSA #20CS00261400

October 12, 2017

**MASTERY SCHOOLS OF CAMDEN, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

The Board of Trustees of Mastery Schools of Camden, Inc. (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- Total revenues, which consisted mostly of School District student subsidies and other grants and contributions, increased from \$24,602,272 to \$32,425,386 due to an increase in the number of students from June 30, 2016.
- At the close of the current fiscal year, the School reported an ending general fund balance of \$1,379,336.
- The School's cash balance at June 30, 2017 was \$8,168,562, representing an increase of \$4,674,119 from June 30, 2016.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four components: Management's Discussion and Analysis (this section), the basic financial statements, budgetary comparison and reporting required under *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey's OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*.

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the 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 School is improving or deteriorating.

The *statement of activities* presents information showing how the 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 related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

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 School, like governmental type entities, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School has two governmental funds — the general fund and special revenue fund.

**MASTERY SCHOOLS OF CAMDEN, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

Overview of the Financial Statements (Continued)

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.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$3,697,672 as of June 30, 2017.

	<u>2017</u>	<u>2016</u>
Total Assets	\$ 11,402,893	\$ 6,546,272
Total Liabilities	<u>7,705,221</u>	<u>4,851,982</u>
Total Net Position	<u>\$ 3,697,672</u>	<u>\$ 1,694,290</u>

The School's revenues are predominately from the Camden City School District, based on the student enrollment and awards from federal, state and local sources.

	<u>2017</u>	<u>2016</u>
REVENUES		
Program Revenues:		
Private Grants	\$ 19,540	\$ 92,220
General Revenues:		
Local Share	940,493	840,485
State Share	28,888,008	21,892,898
State Aid	957,013	593,785
Special Revenue Federal Aid	1,594,647	1,168,681
Miscellaneous Income	<u>25,685</u>	<u>14,203</u>
Total Revenues	32,425,386	24,602,272
EXPENDITURES		
Instruction	17,785,823	13,429,756
Support Services	12,200,280	9,693,647
Interest on Long-Term Debt	20,290	17,102
Unallocated Depreciation	<u>415,611</u>	<u>305,711</u>
Total Expenditures	<u>30,422,004</u>	<u>23,446,216</u>
Change in Net Position	2,003,382	1,156,056
Net Position - Beginning	<u>1,694,290</u>	<u>538,234</u>
Net Position - Ending	<u>\$ 3,697,672</u>	<u>\$ 1,694,290</u>

**MASTERY SCHOOLS OF CAMDEN, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017**

Government Fund

The focus of the School's *governmental fund* (the General Fund and Special Revenue Fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the 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 School's general fund reported an ending fund balance of \$1,379,336. For the year ended June 30, 2017, the School's revenues and other financing sources (\$30,929,167) exceeded expenditures (\$29,622,467) by \$1,306,700.

The School's special revenue fund reported an ending fund balance of \$-0-. For the year ended June 30, 2017, the School's revenues (\$1,594,647) equaled expenditures (\$1,594,647).

General Fund Budgetary Highlights

Actual revenues and other financing sources were greater than budgeted revenues by \$53,201 primarily due to more than expected E-rate revenue. Actual expenditures were less than budgeted expenditures by \$300,230 primarily due to less than budgeted instruction and support expenditures.

Capital Asset and Debt Administration

CAPITAL ASSETS

As of June 30, 2017, the School's investment in capital assets for its governmental activities totaled \$2,318,336 (net of accumulated depreciation and related debt). This investment in capital assets includes building, building improvements, and equipment.

Major capital asset purchases during the year included the following:

- Capital expenditures of \$521,355 for building improvements
- Capital expenditures of \$483,782 for furniture and equipment
- Capital expenditures of \$98,428 for capital leases

Additional information on the School's capital assets can be found in Note 3 of this report.

LONG-TERM DEBT

As of June 30, 2017, the School has long-term debt of \$388,094 for capital lease obligations.

Economic Factors and Next Year's Budgets and Rates

The School's primary source of revenue comes from per pupil funding from the Camden City School District. For the school year 2017-18, we are projecting total enrollment to be around 2,150, approximately a 3% growth. Renaissance School per pupil funding for 2017-18 will be the same as in 2016-17.

Contacting the School's Financial Management

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the School Business Administrator, Mastery Schools of Camden, Inc., 5700 Wayne Avenue, Philadelphia, PA 19144.

MASTERY SCHOOLS OF CAMDEN, INC.
A-1 STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 8,168,562	\$ 8,168,562
Receivables, Net	265,100	265,100
Prepaid Items	262,801	262,801
Capital Assets:		
Capital Assets, Net of Depreciation	2,706,430	2,706,430
Total Assets	11,402,893	11,402,893
LIABILITIES		
Accounts Payable and Accrued Liabilities	6,388,931	6,388,931
Capital Lease Obligations:		
Due Within One Year	116,946	116,946
Due in More than One Year	271,148	271,148
Due to State	761,928	761,928
Unearned Revenue	166,268	166,268
Total Liabilities	7,705,221	7,705,221
NET POSITION		
Net Investment in Capital Assets	2,318,336	2,318,336
Unrestricted	1,379,336	1,379,336
Total Net Position	\$ 3,697,672	\$ 3,697,672

See accompanying Notes to Financial Statements.

MASTERY SCHOOLS OF CAMDEN, INC.
A-2 STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction:						
Regular Instruction	\$ 12,532,161	\$ -	\$ 450,000	\$ -	\$ (12,082,161)	\$ (12,082,161)
Special Education Instruction	5,253,662	-	534,128	-	(4,719,534)	(4,719,534)
Support Services:						
Administrative	6,149,983	-	-	-	(6,149,983)	(6,149,983)
Culture and Educational Support	1,781,070	-	371,089	-	(1,409,981)	(1,409,981)
Professional Development	22,632	-	7,374	-	(15,258)	(15,258)
Nursing	324,330	-	-	-	(324,330)	(324,330)
Psychologist	132,808	-	-	-	(132,808)	(132,808)
Community Advocacy and Engagement	680,155	-	232,056	-	(448,099)	(448,099)
Operations	3,109,302	-	-	-	(3,109,302)	(3,109,302)
Interest on Long-Term Debt	20,290	-	-	-	(20,290)	(20,290)
Unallocated Depreciation	415,611	-	-	-	(415,611)	(415,611)
Total Governmental Activities	<u>30,422,004</u>	<u>-</u>	<u>1,594,647</u>	<u>-</u>	<u>(28,827,357)</u>	<u>(28,827,357)</u>
Total Primary Government	<u>\$ 30,422,004</u>	<u>\$ -</u>	<u>\$ 1,594,647</u>	<u>\$ -</u>	<u>(28,827,357)</u>	<u>(28,827,357)</u>
General Revenues:						
Local Share					940,493	940,493
State Share					28,888,008	28,888,008
Federal and State Aid Not Restricted					957,013	957,013
Private Grants					19,540	19,540
Miscellaneous Income					25,685	25,685
Total General Revenues and Transfers					<u>30,830,739</u>	<u>30,830,739</u>
Change in Net Position					2,003,382	2,003,382
Net Position - Beginning of Year					<u>1,694,290</u>	<u>1,694,290</u>
Net Position - End of Year					<u>\$ 3,697,672</u>	<u>\$ 3,697,672</u>

See accompanying Notes to Financial Statements.

MASTERY SCHOOLS OF CAMDEN, INC.
B-1 BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS	General Fund	Special Revenue Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 7,572,859	\$ 595,703	\$ 8,168,562
Receivables, Net	66,305	198,795	265,100
Due from Other Funds	32,570	-	32,570
Prepaid Expenditures	262,801	-	262,801
	\$ 7,934,535	\$ 794,498	\$ 8,729,033
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 780,604	\$ -	\$ 780,604
Accrued Expenses	5,608,327	-	5,608,327
Due to Other Funds	-	32,570	32,570
Due to State	-	761,928	761,928
Unearned Revenue	166,268	-	166,268
Total Liabilities	6,555,199	794,498	7,349,697
FUND BALANCES			
Nonspendable:			
Prepaid Expenditures	262,801	-	262,801
Assigned:			
Capital Reserve	100,000	-	100,000
Maintenance Reserve	500,000	-	500,000
Emergency Reserve	500,000	-	500,000
Unassigned:			
General Fund	16,535	-	16,535
Special Revenue Fund	-	-	-
Total Fund Balances	1,379,336	-	1,379,336
Total Liabilities and Fund Balances	\$ 7,934,535	\$ 794,498	\$ 8,729,033
Total Governmental Fund Balances			\$ 1,379,336
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds:			
Capital Assets			3,517,864
Accumulated Depreciation			(811,434)
Total			2,706,430
Capital lease obligations used in governmental funds are not financial resources and, therefore, are not reported in the fund liabilities. The total capital lease obligations, both current and long term, are reported in the statement of net position. Balances at year-end are:			
			(388,094)
Net Position of Governmental Activities			\$ 3,697,672

See accompanying Notes to Financial Statements.

MASTERY SCHOOLS OF CAMDEN, INC.
B-2 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Share	\$ 940,493	\$ -	\$ 940,493
State Share	28,888,008	-	28,888,008
Private Grants	19,540	-	19,540
Miscellaneous	25,685	-	25,685
Total Local Sources	29,873,726	-	29,873,726
State Sources	896,569	-	896,569
Federal Sources	60,444	1,594,647	1,655,091
Total Revenues	30,830,739	1,594,647	32,425,386
EXPENDITURES			
Current:			
Instruction:			
Regular Instruction	12,406,742	450,000	12,856,742
Special Education Instruction	4,719,534	534,128	5,253,662
Support Services:			
Administrative	6,277,429	-	6,277,429
Culture and Educational Support	1,413,311	371,089	1,784,400
Professional Development	15,258	7,374	22,632
Nursing	324,330	-	324,330
Psychologist	132,808	-	132,808
Community Advocacy and Engagement Operations	448,099	232,056	680,155
Capital Lease Expenditures	3,786,528	-	3,786,528
Total Expenditures	29,622,467	1,594,647	31,217,114
EXCESS OF REVENUES OVER EXPENDITURES	1,208,272	-	1,208,272
OTHER FINANCING SOURCES			
Proceeds from Capital Lease Obligation (Nonbudgeted)	98,428	-	98,428
Total Other Financing Sources	98,428	-	98,428
NET CHANGE IN FUND BALANCES	1,306,700	-	1,306,700
Fund Balance - Beginning of Year	72,636	-	72,636
Fund Balance - End of Year	\$ 1,379,336	\$ -	\$ 1,379,336

See accompanying Notes to Financial Statements.

MASTERY SCHOOLS OF CAMDEN, INC.
B-3 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Governmental Funds \$ 1,306,700

Amounts Reported for Governmental Activities in the Statement of Activities
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.

Capital Outlays	1,103,565
Depreciation Expense	<u>(415,611)</u>
Total	<u>687,954</u>

Governmental funds report capital lease obligations proceeds as financing sources, while
repayment is reported as expenditures. In the statement of net position, however, the
capital lease obligations increases liabilities and does not affect the statement of activities
and repayment of principal reduces the obligations. The net effect of these differences in
the treatment of the capital lease obligations is as follows:

Capital Lease Obligations	<u>8,728</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 2,003,382</u></u>
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**MASTERY SCHOOLS OF CAMDEN, INC.
B-4 STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
B-5 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
B-6 STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
B-7 STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
B-8 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Renaissance School and Reporting Entity

Mastery Schools of Camden, Inc. (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 School was formed in the State of New Jersey as a nonprofit corporation for the purpose of operating and maintaining a Renaissance school charter granted by the State of New Jersey. Mastery Schools of Camden, Inc. operates the Renaissance school project under an operating agreement with the Camden City School District and is located in the County of Camden, State of New Jersey. The Renaissance school project agreement began effective July 17, 2014 for a ten-year term. The School served over 1,600 students from grades kindergarten to ninth grade during the school year 2016-17.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School. For the School, this includes general operations and special revenue activities of the School.

The primary criterion for including activities within the School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School over which the Board exercises operating control. Based on the aforementioned criteria, the School has no component units to be included in the reporting entity. Further, the School is not includable in any other reporting entity on the basis of such criteria.

The Mastery Schools of Camden, Inc. School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Its mission is all students learn the academic and personal skills they need to be truly prepared for postsecondary success and able to pursue their dreams.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental fund balance sheet and statement of governmental fund revenues, expenditures, and changes in fund balance) report on the School's general fund and special revenue fund.

Government-Wide Financial Statements:

The statement of net position and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by provider have been met.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Fund Financial Statements:

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 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 School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The school reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the School and accounts for all revenues and expenditures of the School except for those required to be accounted for in other fund.

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

Method of Accounting

Accounting standards requires a statement of net position, a statement of activities and changes in net position. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Method of Accounting (Continued)

These calculations are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net invested in capital assets.”

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid expenditures, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances represent amounts constrained for a specific purpose by a governmental entity using its highest level of decision-making authority. Committed fund balances are established and modified by a resolution approved by the Board of Trustees. Assigned fund balances are intended by the School to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balances are considered the remaining amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance are available, it is currently the School’s policy to use restricted first, then unrestricted fund balance. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, it is currently the School’s policy to use committed first, then assigned, and finally unassigned amounts.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with GAAP. An annual budget is adopted for the General Fund and Special Revenue Fund.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Budgets and Budgetary Accounting (Continued)

The Budgetary Comparison Schedule should present both the original and the final appropriated budgets for the reporting period. The School has a general fund and special revenue fund budget; the original budgets were filed and accepted in March 2016 by the New Jersey Department of Education. There were multiple budget revisions during the year, all approved by the Board of Trustees. The budget is required supplementary information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Accounting Estimates — Self-Insured Claims

The School participates in a self-funded benefit payment plan (the Plan). The Mastery Charter High School is the sponsor of the Plan. The Plan covers eligible employees/members and dependents of the School as defined in the agreement. The School is primarily self-insured, up to certain limits, for employee group health claims. The Plan contains stop-loss insurance, which will reimburse the Plan for amounts of paid claims in excess of \$150,000 on any individual covered by the Plan in the policy year ending June 30, 2017. The stop-loss insurance also provides up to \$1,000,000 of coverage beyond our aggregate annual claims limit of \$14,960,369 for the fiscal year ended June 30, 2017. The annual claims limit is based on the average enrollment of 1253 covered employees, but is ultimately derived based on the actual covered employees times a monthly claims factor of \$995, for each month of the policy period.

During the year ended June 30, 2017, the School paid premiums to Mastery Charter High School based on 1) the Plan's historical claims experience, 2) actual claims for the year ended June 30, 2017, and 3) the estimated claims incurred but not reported. Such estimates were provided by the School's benefits consultant.

Total expense under the program was approximately \$13,624,000, which includes the School's portion of \$1,652,445 for the year ended June 30, 2017.

Cash and Cash Equivalents

The School's cash is considered to be cash on hand, amounts held at financial institutions, and certificate of deposits that are readily convertible to known amounts of cash.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 1 BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Accounts Receivable

Accounts receivable primarily consist of amounts due from the New Jersey Department of Education for federal and state subsidy programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances and net of any allowance for doubtful accounts. The allowance is estimated based on professional judgement and historical information. As of June 30, 2017, the allowance for doubtful accounts totaled \$1,540,219.

Prepaid Items

Prepaid items include payments to vendors for services applicable to future accounting periods such as rental payments and insurance premiums.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the assets.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. No provision for income taxes has been established, as the School has no unrelated business activity.

**MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School invests in repurchase agreements with its bank wherein the funds are secured by obligations of the U.S. government or agencies or instrumentalities of the U.S. government. As of June 30, 2017, \$8,328,026 of the School's bank balance was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 8,328,026
Collateralized	-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School's Name	-
Total Custodial Credit Risk	<u>\$ 8,328,026</u>

Reconciliation to the Financial Statements:

Total Custodial Credit Risk	\$ 8,328,026
Plus: Insured Amount	250,000
Less: Outstanding Checks	(417,964)
Plus: Deposits in Transit	-
Petty Cash	8,500
Total Cash Per Financial Statements	<u>\$ 8,168,562</u>

NOTE 3 CAPITAL ASSETS

Capital assets are stated at cost. Depreciation has been calculated on such assets using the straight-line method over the following estimated lives:

Buildings and Improvements	5 – 10 Years
Furniture and Equipment	5 – 10 Years
Capital Lease Equipment	5 Years
Software	3 Years

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year is summarized below:

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
<u>Governmental Activities</u>				
Capital Assets, being Depreciated:				
Building Improvements	\$ 666,454	\$ 521,355	\$ -	\$ 1,187,809
Furniture and Equipment	1,255,999	483,782	-	1,739,781
Capital Lease Equipment	491,846	98,428	-	590,274
Total Capital Assets being Depreciated	<u>2,414,299</u>	<u>1,103,565</u>	<u>-</u>	<u>3,517,864</u>
Less Accumulated Depreciation for:				
Building Improvements	29,074	28,295	-	57,369
Furniture and Equipment	238,868	269,261	-	508,129
Capital Lease Equipment	127,881	118,055	-	245,936
Total Accumulated Depreciation	<u>395,823</u>	<u>415,611</u>	<u>-</u>	<u>811,434</u>
Total Capital Assets being Depreciated, Net	<u>2,018,476</u>	<u>687,954</u>	<u>-</u>	<u>2,706,430</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,018,476</u>	<u>\$ 687,954</u>	<u>\$ -</u>	<u>\$ 2,706,430</u>

NOTE 4 CAPITAL LEASE OBLIGATIONS

The School leases copiers under capital leases that expire between August 2019 and September 2021. As of June 30, 2017, the leased copiers are reflected at a cost of \$590,274 and related accumulated depreciation of \$245,936. The leases require monthly payments of principal and interest ranging from \$923 to \$2,770 at rate of 4.79% per annum.

Future minimum payments under the capital lease as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 132,990
2019	132,990
2020	107,132
2021	41,568
2022	5,543
Total	<u>420,223</u>
Less: Amount Representing Interest	32,129
Present Value of Minimum Lease Payments	<u>\$ 388,094</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Lease Obligation	\$ 396,822	\$ 98,428	\$ 107,156	\$ 388,094
Total Long-Term Debt	<u>\$ 396,822</u>	<u>\$ 98,428</u>	<u>\$ 107,156</u>	<u>\$ 388,094</u>

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 REVENUE

The School receives a substantial amount of its support from federal, state, and local governments. A significant reduction in the level of support, if it were to occur, could have an effect on the School's programs and activities.

NOTE 6 GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS

The School participates in numerous state and federal grant and reimbursement programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs for social security taxes, retirement expense and health services are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants and reimbursement programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 7 PENSION PLAN

Application to State of New Jersey Pension Plans

The School submitted its application to the New Jersey Division of Pensions and Benefits to join the State of New Jersey pension system. The School is awaiting approval of its application, which is typically a lengthy process for a new school. We are actively monitoring the status of our application with the New Jersey Department of Education and the Division of Pensions and Benefits. Upon receiving approval to join the pension system, the School will begin enrolling employees in the pension system, process payroll deductions, and receive the State of New Jersey subsidy for employer FICA contributions on the wages of members of the TPAF.

In addition, the School is part of the Mastery Charter School 403(b) Retirement Plan (403(b) plan), a multiple employer defined contribution plan under Section 403(b) of the Internal Revenue Code, in which any School employee can elect to contribute. Employees who intend to participate in the New Jersey Pension program can also participate in the 403(b) plan, but these contributions are not matched by the school.

Due to the significant delay in the School's New Jersey pension application approval and in case of an unfavorable outcome, starting in May 2017 the School enrolled all eligible employees into the 403(b) plan with a matching provision. The estimated liability for the employer match since inception has been recorded as of June 30, 2017 to fund the employer match contribution to the plan. The "catch-up" contributions to the 403(b) plan are scheduled to start in November 2017.

The total retirement plan contribution expense incurred for the year ended June 30, 2017 totaled \$1,606,951.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past two years.

NOTE 9 MANAGEMENT AND TECHNOLOGY AGREEMENT

The School uses a Network Support Team (NST) for its educational, administrative, and financial services. The NST is a separate department that is included in the operations of the Mastery Charter High School.

As of July 1, 2014, the School entered into a five-year management agreement with the Mastery Charter High School to provide educational, administrative, and financial services for the School by the NST. The NST management fee is 8.5% of local school funds plus reimbursement for any costs NST incurs in providing the educational, administrative, and financial services. Unless specified notice is given, the agreement will automatically renew for an additional five years to run from July 1, 2019 through June 30, 2024.

The School also had a technology and equipment agreement with Mastery Charter High School totaling \$368,186. This agreement is renewed annually.

The NST management and technology fee totaled \$2,903,610 for the current year.

NOTE 10 RECENT ACCOUNTING PRONOUNCEMENTS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employees through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2017. This Statement will become effective for June 30, 2018 year-end. The School has determined that GASB 75 will have no effect on its financial statements.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions in Statement No. 80 are effective for reporting periods beginning after June 15, 2016. The School has determined that GASB 80 will have no effect on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for reporting periods beginning after December 15, 2016. The School has determined that Statement No. 81 will have no effect on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 14, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for reporting periods beginning after June 15, 2016. The School has determined that GASB 82 will have no effect on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The provisions in Statement No. 83 are effective for reporting periods beginning after June 15, 2018. The School has not yet completed the process of evaluating the impact of GASB 83 on its financial statements.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions in Statement No. 84 are effective for reporting periods beginning after December 15, 2018. The School has not yet completed the process of evaluating the impact of GASB 84 on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions in Statement No. 85 are effective for reporting periods beginning after June 15, 2017. The School has not yet completed the process of evaluating the impact of GASB 85 on its financial statements.

MASTERY SCHOOLS OF CAMDEN, INC.
C-1 BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
(UNAUDITED)
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES					
Local Sources:					
Local Tax Levy	\$ 897,150	\$ 42,850	\$ 940,000	\$ 940,493	\$ 493
Other Revenue	-	-	-	19,540	19,540
Fundraising	-	25,685	25,685	25,685	-
Total Local Sources	<u>897,150</u>	<u>68,535</u>	<u>965,685</u>	<u>985,718</u>	<u>20,033</u>
State Sources:					
Equalization Aid	29,007,850	(100,850)	28,907,000	28,888,008	(18,992)
Reimbursed TPAF Social Security Contributions (Nonbudgeted)	592,000	173,000	765,000	767,169	2,169
Special Education Medicaid Initiative	-	129,000	129,000	129,400	400
Total State Sources	<u>29,599,850</u>	<u>201,150</u>	<u>29,801,000</u>	<u>29,784,577</u>	<u>(16,423)</u>
Federal Sources:					
E-Rate	-	10,853	10,853	60,444	49,591
Total Federal Sources	<u>-</u>	<u>10,853</u>	<u>10,853</u>	<u>60,444</u>	<u>49,591</u>
Total Revenues	<u>30,497,000</u>	<u>280,538</u>	<u>30,777,538</u>	<u>30,830,739</u>	<u>53,201</u>
EXPENDITURES					
Regular Education - Instruction:					
Salaries	7,620,883	154,617	7,775,500	7,758,410	17,090
Benefits	2,332,000	235,500	2,567,500	2,517,666	49,834
Professional Services	378,000	(41,000)	337,000	329,154	7,846
General Supplies	375,000	6,120	381,120	362,382	18,738
General Supplies - Books	513,500	55,500	569,000	564,581	4,419
General Supplies - Computers	538,000	(19,800)	518,200	512,396	5,804
General Supplies - Furniture and Equipment	203,000	15,000	218,000	214,665	3,335
Field Trips	88,000	47,000	135,000	128,843	6,157
Conferences, Travel and Meals	12,000	15,000	27,000	18,645	8,355
Total Regular Education - Instruction	<u>12,060,383</u>	<u>467,937</u>	<u>12,528,320</u>	<u>12,406,742</u>	<u>121,578</u>
Special Education - Instruction:					
Salaries of Teachers	2,095,828	220,528	2,316,356	2,313,820	2,536
Benefits	666,162	141,703	807,865	786,056	21,809
Purchased Professional-Educational Services	1,327,651	250,000	1,577,651	1,560,647	17,004
General Supplies	20,000	8,000	28,000	22,329	5,671
General Supplies - Books	20,000	10,000	30,000	12,804	17,196
Transportation	15,000	10,000	25,000	21,702	3,298
General Supplies - Computers	5,000	2,500	7,500	2,176	5,324
Total Special Education - Instruction	<u>4,149,641</u>	<u>642,731</u>	<u>4,792,372</u>	<u>4,719,534</u>	<u>72,838</u>
Administrative:					
Salaries	1,334,000	111,000	1,445,000	1,441,216	3,784
Benefits	405,000	110,000	515,000	498,488	16,512
Purchased Professional/Technical Services	125,000	35,000	160,000	159,234	766
Aftercare Program	852,500	(812,500)	40,000	31,538	8,462
Legal Services	100,000	5,000	105,000	99,123	5,877
Management Fees	2,542,000	(2,975)	2,539,025	2,535,423	3,602
Insurance	143,000	(26,000)	117,000	116,734	266
Postage	26,100	(15,100)	11,000	10,159	841
Advertising/Marketing	21,000	-	21,000	16,349	4,651
Printing	186,000	(10,000)	176,000	164,596	11,404
Dues, Board and Other	25,500	(10,000)	15,500	10,112	5,388
Supplies	80,000	(10,000)	70,000	64,625	5,375
Transportation Services	226,000	39,000	265,000	257,075	7,925
Telecommunications	435,000	(335,000)	100,000	98,328	1,672
Furniture and Equipment	7,500	2,500	10,000	6,660	3,340
Computers and Software	5,000	(2,500)	2,500	600	1,900
FICA Subsidy Reserve	-	770,000	770,000	767,169	2,831
Total Administrative	<u>6,513,600</u>	<u>(151,575)</u>	<u>6,362,025</u>	<u>6,277,429</u>	<u>84,596</u>

MASTERY SCHOOLS OF CAMDEN, INC.
C-1 BUDGETARY COMPARISON SCHEDULE — GENERAL FUND (CONTINUED)
(UNAUDITED)
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (CONTINUED)					
Support Services:					
Culture and Educational Support:					
Salaries	\$ 931,285	\$ (11,090)	\$ 920,195	\$ 917,488	\$ 2,707
Benefits	406,984	10,732	417,716	406,985	10,731
Purchased Professional Services	10,000	-	10,000	4,760	5,240
Supplies and Materials	58,000	35,000	93,000	84,078	8,922
Total Culture and Educational Support	<u>1,406,269</u>	<u>34,642</u>	<u>1,440,911</u>	<u>1,413,311</u>	<u>27,600</u>
Professional Development:					
Purchased Professional Services	18,626	7,000	25,626	15,258	10,368
Total Professional Development	<u>18,626</u>	<u>7,000</u>	<u>25,626</u>	<u>15,258</u>	<u>10,368</u>
Nursing:					
Purchased Professional Services	303,500	24,000	327,500	324,330	3,170
Total Nursing	<u>303,500</u>	<u>24,000</u>	<u>327,500</u>	<u>324,330</u>	<u>3,170</u>
Psychologist:					
Purchased Professional Services	286,000	(148,000)	138,000	132,808	5,192
Total Psychologist	<u>286,000</u>	<u>(148,000)</u>	<u>138,000</u>	<u>132,808</u>	<u>5,192</u>
Community Advocacy and Engagement:					
Salaries	155,330	63,625	218,955	218,895	60
Benefits	89,450	27,737	117,187	115,985	1,202
Purchased Professional Services	85,997	(1,000)	84,997	79,502	5,495
Other	40,804	(5,000)	35,804	33,717	2,087
Total Community Advocacy and Engagement	<u>371,581</u>	<u>85,362</u>	<u>456,943</u>	<u>448,099</u>	<u>8,844</u>
Operations:					
Salaries	340,000	(340,000)	-	-	-
Benefits	119,000	(119,000)	-	-	-
Cleaning	1,100,000	(66,000)	1,034,000	1,025,000	9,000
Utilities	650,000	(325,000)	325,000	318,185	6,815
Building Rental	1,200,000	340,000	1,540,000	1,524,787	15,213
Maintenance and Repairs	320,000	290,000	610,000	599,864	10,136
Pest Control	33,000	5,000	38,000	34,364	3,636
Security	129,000	(9,000)	120,000	109,353	10,647
Trash and Snow	79,000	10,000	89,000	82,749	6,251
Supplies	132,000	(37,000)	95,000	92,226	2,774
Total Operations	<u>4,102,000</u>	<u>(251,000)</u>	<u>3,851,000</u>	<u>3,786,528</u>	<u>64,472</u>
Total Support Services	6,487,976	(247,996)	6,239,980	6,120,334	119,646
Capital Lease Outlay	-	-	-	98,428	(98,428)
Total Expenditures	<u>29,211,600</u>	<u>711,097</u>	<u>29,922,697</u>	<u>29,622,467</u>	<u>300,230</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	1,285,400	(430,559)	854,841	1,208,272	353,431
OTHER FINANCING SOURCES (USES)					
Capital Leases (Nonbudgeted)	-	-	-	98,428	98,428
Total Other Financing Sources And Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,428</u>	<u>98,428</u>
NET CHANGE IN FUND BALANCES					
	1,285,400	(430,559)	854,841	1,306,700	451,859
Fund Balance - Beginning of Year	(668,119)	785,579	117,460	72,636	(44,824)
FUND BALANCE - END OF YEAR	<u>\$ 617,281</u>	<u>\$ 355,020</u>	<u>\$ 972,301</u>	<u>\$ 1,379,336</u>	<u>\$ 407,035</u>

MASTERY SCHOOLS OF CAMDEN, INC.
C-2 BUDGETARY COMPARISON SCHEDULE — SPECIAL REVENUE FUND
(UNAUDITED)
YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Federal Sources:					
Title I, Part A	\$ 2,047,651	\$ (755,353)	\$ 1,292,298	\$ 1,292,298	\$ -
IDEA, Part B	157,349	145,000	302,349	302,349	-
Total Revenues	<u>2,205,000</u>	<u>(610,353)</u>	<u>1,594,647</u>	<u>1,594,647</u>	<u>-</u>
EXPENDITURES					
Current:					
Regular Education - Instruction:					
Other Salaries for Instruction	513,447	(135,896)	377,551	377,551	-
Benefits	149,670	(77,221)	72,449	72,449	-
Total Regular Education - Instruction	<u>663,117</u>	<u>(213,117)</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>
Special Education - Instruction:					
Other Salaries for Instruction	315,172	(115,528)	199,644	199,644	-
Benefits	28,838	3,297	32,135	32,135	-
Professional Services	157,349	145,000	302,349	302,349	-
Total Special Education - Instruction	<u>501,359</u>	<u>32,769</u>	<u>534,128</u>	<u>534,128</u>	<u>-</u>
Support Services:					
Culture and Educational Support					
Salaries - Support Services	475,715	(168,910)	306,805	306,805	-
Benefits	133,016	(68,732)	64,284	64,284	-
Total Culture and Educational Support	<u>608,731</u>	<u>(237,642)</u>	<u>371,089</u>	<u>371,089</u>	<u>-</u>
Professional Development:					
Purchased Professional Services	7,374	-	7,374	7,374	-
Total Professional Development	<u>7,374</u>	<u>-</u>	<u>7,374</u>	<u>7,374</u>	<u>-</u>
Community Advocacy and Engagement:					
Salaries	328,625	(134,372)	194,253	194,253	-
Benefits	95,794	(57,991)	37,803	37,803	-
Total Community Advocacy and Engagement	<u>424,419</u>	<u>(192,363)</u>	<u>232,056</u>	<u>232,056</u>	<u>-</u>
Total Expenditures	<u>2,205,000</u>	<u>(610,353)</u>	<u>1,594,647</u>	<u>1,594,647</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MASTERY SCHOOLS OF CAMDEN, INC.
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
C-3 BUDGET TO GAAP RECONCILIATION
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

**NOTE 1 EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND
OUTFLOWS AND GAAP REVENUES AND EXPENDITURES**

The General Fund budget basis is GAAP, therefore no reconciliation is required.

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

MASTERY SCHOOLS OF CAMDEN, INC.
SPECIAL REVENUE FUND
E-1 COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES,
SPECIAL REVENUE FUND — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017

	<u>Total</u>	<u>Title I</u>	<u>Title II</u>	<u>IDEA</u>
REVENUES				
Intergovernmental:				
State	\$ -	\$ -	\$ -	\$ -
Federal	1,594,647	1,284,924	7,374	302,349
Other Sources:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,594,647</u>	<u>1,284,924</u>	<u>7,374</u>	<u>302,349</u>
EXPENDITURES				
Current:				
Instruction:				
Regular Instruction	450,000	450,000	-	-
Special Education Instruction	534,129	231,780	-	302,349
Support Services:				
Culture and Educational Support	371,088	371,088	-	-
Professional Development	7,374	-	7,374	-
Community Advocacy and Engagement:	<u>232,056</u>	<u>232,056</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,594,647</u>	<u>1,284,924</u>	<u>7,374</u>	<u>302,349</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**MASTERY SCHOOLS OF CAMDEN, INC.
SPECIAL REVENUE FUND
E-2 SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES —
ALL PROGRAMS — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**MASTERY SCHOOLS OF CAMDEN, INC.
F-1 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
F-2 SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
F-3 SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or there the Board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

For the year ended June 30, 2017, the School had no enterprise funds.

**MASTERY SCHOOLS OF CAMDEN, INC.
ENTERPRISE FUND
G-1 COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
ENTERPRISE FUND
G-2 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
ENTERPRISE FUND
G-3 COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

INTERNAL SERVICE FUND

**MASTERY SCHOOLS OF CAMDEN, INC.
INTERNAL SERVICE FUND
G-4 COMBINING STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
INTERNAL SERVICE FUND
G-5 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
INTERNAL SERVICE FUND
G-6 COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

FIDUCIARY FUNDS

**MASTERY SCHOOLS OF CAMDEN, INC.
FIDUCIARY FUND
H-1 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
FIDUCIARY FUND
H-2 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
FIDUCIARY FUND
H-3 STUDENT ACTIVITY AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
FIDUCIARY FUND
H-4 PAYROLL AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
FIDUCIARY FUND
H-5 UNEMPLOYMENT COMPENSATION INSURANCE TRUST FUND
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
STATISTICAL SECTION**

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.	61
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the School's most significant local revenue source.	70
<i>Debt Capacity</i>	
These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.	75
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.	79
<i>Operating Information</i>	
These schedules contain service and infrastructure data to help the reader understand how the information in the School's financial report relates to the services the school provides and the activities it performs.	82

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

FINANCIAL TRENDS

MASTERY SCHOOLS OF CAMDEN, INC.
J-1 NET POSITION BY COMPONENT
(UNAUDITED)
YEARS ENDED JUNE 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
GOVERNMENTAL ACTIVITIES			
Invested in Capital Assets, Net of Related Debt	\$ 2,318,336	\$ 1,621,654	\$ 497,371
Unrestricted Fund Balance	<u>1,379,336</u>	<u>72,636</u>	<u>40,863</u>
 Total Governmental Activities	 <u>\$ 3,697,672</u>	 <u>\$ 1,694,290</u>	 <u>\$ 538,234</u>
 SCHOOL-WIDE	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Invested in Capital Assets, Net of Related Debt	\$ 2,318,336	\$ 1,621,654	\$ 497,371
Unrestricted	<u>1,379,336</u>	<u>72,636</u>	<u>40,863</u>
 Total School Net Position	 <u>\$ 3,697,672</u>	 <u>\$ 1,694,290</u>	 <u>\$ 538,234</u>

Source: CAFR Schedule A-1

**MASTERY SCHOOLS OF CAMDEN, INC.
J-2 CHANGES IN NET POSITION
(UNAUDITED)
YEARS ENDED JUNE 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
EXPENSES			
Governmental Activities:			
Instruction:			
Regular Instruction	\$ 12,532,161	\$ 9,554,357	\$ 2,850,693
Special Education Instruction	5,253,662	3,875,399	718,722
Support Services:			
Administrative	6,149,983	5,440,313	1,361,231
Culture And Educational Support	1,781,070	1,468,260	590,934
Professional Development	22,632	4,540	-
Nursing	324,330	309,266	139,934
Psychologist	132,808	132,905	15,463
Community Advocacy And Engagement	680,155	422,373	238,666
Operations	3,109,302	1,915,990	1,066,783
Other Support Services	-	-	1,750
Debt Service:			
Interest	20,290	17,102	5,154
Unallocated Depreciation	415,611	305,711	90,112
Total Expenditures	<u>30,422,004</u>	<u>23,446,216</u>	<u>7,079,442</u>
REVENUES			
Governmental Activities:			
Local Sources:			
Local Share	940,493	840,485	181,005
State Share	28,888,008	21,892,898	5,471,859
Private Grants	19,540	92,220	1,375,505
Miscellaneous	25,685	14,203	4,021
Total Local Sources	<u>29,873,726</u>	<u>22,839,806</u>	<u>7,032,390</u>
State Sources	896,569	592,534	180,517
Federal Sources	1,655,091	1,169,932	404,769
Total Revenues	<u>32,425,386</u>	<u>24,602,272</u>	<u>7,617,676</u>
NET REVENUE (EXPENSE)			
Government Activities	<u>2,003,382</u>	<u>1,156,056</u>	<u>538,234</u>
Total School-Wide Net Revenue	<u>\$ 2,003,382</u>	<u>\$ 1,156,056</u>	<u>\$ 538,234</u>

Source: CAFR Schedule A-2

MASTERY SCHOOLS OF CAMDEN, INC.
J-2A COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
(UNAUDITED)
JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 7,572,859	\$ 595,703	\$ 8,168,562
Receivables, Net	66,305	198,795	265,100
Due from Other Funds	32,570	-	32,570
Prepaid Expenditures	262,801	-	262,801
	<u>7,934,535</u>	<u>794,498</u>	<u>8,729,033</u>
Total Assets	<u>\$ 7,934,535</u>	<u>\$ 794,498</u>	<u>\$ 8,729,033</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 780,604	\$ -	\$ 780,604
Accrued Expenses	5,608,327	-	5,608,327
Interfund Payable	-	32,570	32,570
Due to State		761,928	761,928
Unearned Revenue	166,268	-	166,268
Total Liabilities	<u>6,555,199</u>	<u>794,498</u>	<u>7,349,697</u>
FUND BALANCES			
Nonspendable:			
Prepaid Expenditures	262,801	-	262,801
Assigned:			
Capital Reserve	100,000	-	100,000
Maintenance Reserve	500,000	-	500,000
Emergency Reserve	500,000	-	500,000
Unassigned:			
General Fund	16,535	-	16,535
Special Revenue Fund	-	-	-
Total Fund Balances	<u>1,379,336</u>	<u>-</u>	<u>1,379,336</u>
Total Liabilities and Fund Balances	<u>\$ 7,934,535</u>	<u>\$ 794,498</u>	<u>\$ 8,729,033</u>

Source: CAFR B-1

MASTERY SCHOOLS OF CAMDEN, INC.
J-2B COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Local Sources:			
Local Share	\$ 940,493	\$ -	\$ 940,493
State Share	28,888,008	-	28,888,008
Private Grants	19,540	-	19,540
Miscellaneous	25,685	-	25,685
Total Local Sources	<u>29,873,726</u>	<u>-</u>	<u>29,873,726</u>
State Sources	896,569	-	896,569
Federal Sources	60,444	1,594,647	1,655,091
Total Revenues	<u>30,830,739</u>	<u>1,594,647</u>	<u>32,425,386</u>
EXPENDITURES			
Current:			
Instruction:			
Regular Instruction	12,406,742	450,000	12,856,742
Special Education Instruction	4,719,534	534,128	5,253,662
Support Services:			
Administrative	6,277,429	-	6,277,429
Culture and Educational Support	1,413,311	371,089	1,784,400
Professional Development	15,258	7,374	22,632
Nursing	324,330	-	324,330
Psychologist	132,808	-	132,808
Community Advocacy and Engagement	448,099	232,056	680,155
Operations	3,786,528	-	3,786,528
Capital Lease Expenditures	98,428	-	98,428
Total Expenditures	<u>29,622,467</u>	<u>1,594,647</u>	<u>31,217,114</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,208,272	-	1,208,272
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Lease Obligation (Nonbudgeted)	98,428	-	98,428
Total Other Financing Sources (Uses)	<u>98,428</u>	<u>-</u>	<u>98,428</u>
NET CHANGE IN FUND BALANCES	1,306,700	-	1,306,700
Fund Balance - Beginning of Year	<u>72,636</u>	<u>-</u>	<u>72,636</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,379,336</u>	<u>\$ -</u>	<u>\$ 1,379,336</u>

Source: CAFR B-2

MASTERY SCHOOLS OF CAMDEN, INC.
J-2C STATEMENT OF CASH FLOWS
GOVERNMENTAL FUNDS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in Fund Balance	\$ 1,306,700	\$ -	\$ 1,306,700
Adjustments to Reconcile Increase in Unrestricted Net Assets to Net Cash Provided by Operating Activities:			
(Increase) Decrease in Current Assets:			
Accounts Receivable	125,622	162,673	288,295
Due from Other Funds	240,855	-	240,855
Prepaid Expenses	305,200	-	305,200
Receivables from Other Governments	-	-	-
Increase (Decrease) in Current Liabilities:			
Accounts Payable	436,925	-	436,925
Accrued Expenses	1,496,846	-	1,496,846
Unearned Revenue	166,268	-	166,268
Due to State	-	761,928	761,928
Due to Other Funds	-	(328,898)	(328,898)
Net Cash Provided by Operating Activities	4,078,416	595,703	4,674,119
INCREASE IN CASH AND CASH EQUIVALENTS	4,078,416	595,703	4,674,119
Cash and Cash Equivalents - Beginning of Year	3,494,443	-	3,494,443
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,572,859	\$ 595,703	\$ 8,168,562

Source: School Financial Statements - J-2A and J-2B

MASTERY SCHOOLS OF CAMDEN, INC.
J-3 FUND BALANCES — GOVERNMENTAL FUNDS
(UNAUDITED)
YEARS ENDED JUNE 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
GENERAL FUND			
Nonspendable:			
Prepaid Expenditures	\$ 1,362,801	\$ 568,001	\$ 268,513
Assigned:			
Capital Reserve	100,000	-	-
Maintenance Reserve	500,000	-	-
Emergency Reserve	500,000	-	-
Unassigned Fund Balance	<u>16,535</u>	<u>(495,365)</u>	<u>(227,650)</u>
Total General Fund	<u><u>\$ 2,479,336</u></u>	<u><u>\$ 72,636</u></u>	<u><u>\$ 40,863</u></u>

Source: CAFR B-1

MASTERY SCHOOLS OF CAMDEN, INC.
J-4 CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
(UNAUDITED)
YEARS ENDED JUNE 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES			
Local Sources:			
Local Share	\$ 940,493	\$ 840,485	\$ 181,005
State Share	28,888,008	21,892,898	5,471,859
Private Grants	19,540	92,220	1,375,505
Miscellaneous	25,685	14,203	4,021
Total Local Sources	<u>29,873,726</u>	<u>22,839,806</u>	<u>7,032,390</u>
State Sources	896,569	592,534	180,517
Federal Sources	1,655,091	1,169,932	404,769
Total Revenues	<u>32,425,386</u>	<u>24,602,272</u>	<u>7,617,676</u>
EXPENDITURES			
Current:			
Instruction:			
Regular Instruction	12,856,742	10,079,633	3,044,882
Special Education Instruction	5,253,662	3,875,399	718,723
Support Services:			
Administrative	6,277,429	5,531,735	1,387,089
Culture and Educational Support	1,784,400	1,481,130	345,542
Professional Development	22,632	4,540	-
Nursing	324,330	309,266	139,934
Psychologist	132,808	132,905	15,463
Community Advocacy and Engagement	680,155	422,373	238,666
Operations	3,786,528	2,733,518	1,281,745
Capital Lease Expenditures	98,428	344,284	147,562
Total Expenditures	<u>31,217,114</u>	<u>24,914,783</u>	<u>7,319,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,208,272	(312,511)	298,070
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Lease Obligation (Nonbudgeted)	98,428	344,284	147,562
Total Other Financing Sources (Uses)	<u>98,428</u>	<u>344,284</u>	<u>147,562</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,306,700</u>	<u>\$ 31,773</u>	<u>\$ 445,632</u>

Source: CAFR Schedule B-2

**MASTERY SCHOOLS OF CAMDEN, INC.
 J-5 GENERAL FUND — OTHER LOCAL REVENUE BY SOURCE
 (UNAUDITED)
 YEARS ENDED JUNE 30**

<u>Years Ended June 30</u>	<u>Private Grants</u>	<u>Miscellaneous</u>	<u>Totals</u>
2017	\$ 19,540	\$ 25,685	\$ 45,225
2016	92,220	14,203	106,423
2015	1,375,505	4,021	1,379,526

Source: Renaissance School Records

REVENUE CAPACITY

**MASTERY SCHOOLS OF CAMDEN, INC.
J-6 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-7 DIRECT AND OVERLAPPING PROPERTY TAX RATES
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-8 PRINCIPAL PROPERTY TAXPAYERS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-9 PROPERTY TAX LEVIES AND COLLECTIONS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

DEBT CAPACITY

**MASTERY SCHOOLS OF CAMDEN, INC.
J-10 RATIOS OF OUTSTANDING DEBT BY TYPE
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-11 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-12 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

**MASTERY SCHOOLS OF CAMDEN, INC.
J-13 LEGAL DEBT MARGIN INFORMATION
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-14 DEMOGRAPHIC AND ECONOMIC STATISTICS
(UNAUDITED)**

	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2017	74,420	\$ 3,578,411,280	\$ 48,084	10.1 %
2016	76,119	\$ 3,568,915,434	\$ 46,886	11.1 %
2015	77,332	\$ 3,485,894,564	\$ 45,077	11.1 %

^a Population information provided by the NJ Dept. of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Personal capital income by municipality estimated based upon the 2000 Census published by the Bureau of Economic Analysis

^d Unemployment data provided by the NJ Dept. of Labor and Workforce Development

OPERATING INFORMATION

**MASTERY SCHOOLS OF CAMDEN, INC.
J-15 PRINCIPAL EMPLOYERS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

MASTERY SCHOOLS OF CAMDEN, INC.
J-16 FULL TIME EQUIVALENT RENAISSANCE SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
(UNAUDITED)
YEARS ENDED JUNE 30

FUNCTION/PROGRAM	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction:			
Regular Instruction	106.0	87.0	30.0
Special Education Instruction	28.0	21.0	6.0
Other Instruction	17.0	17.7	4.5
Support Services:			
Student and Instruction Related Services	29.0	19.5	11.0
General Administration	25.0	29.3	8.0
	<u>205.0</u>	<u>174.5</u>	<u>59.5</u>
Total	<u><u>205.0</u></u>	<u><u>174.5</u></u>	<u><u>59.5</u></u>

Source: Renaissance School Personnel Records

MASTERY SCHOOLS OF CAMDEN, INC.
J-17 OPERATING STATISTICS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff ^a</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) ^b</u>	<u>Average Daily Attendance (ADA)</u>	<u>Percent Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2015	474	\$ 7,576,813	\$ 15,985	N/A	30	15.8	380.13	355.50	N/A	93.5 %
2016	1,523	\$ 24,570,499	\$ 16,133	N/A	108	14.1	1,391.29	1,284.06	N/A	92.3 %
2017	1,623	\$ 31,118,686	\$ 19,174	N/A	134	12.1	1,651.00	1,506.00	N/A	91.2 %

Sources: Renaissance School records

Note: Enrollment based on June school count.

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

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

**MASTERY SCHOOLS OF CAMDEN, INC.
J-18 SCHOOL BUILDING INFORMATION
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-19 SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MASTERY SCHOOLS OF CAMDEN, INC.
J-20 INSURANCE SCHEDULE
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

	<u>Coverage</u>	<u>Deductible</u>
<u>School Package Policy</u>		
Building and Contents (All Locations)	\$ 375,000,000	\$ 25,000
Boiler and Machinery	75,000,000	5,000
General Liability (Each Occurrence)	1,000,000	-
General Liability (Aggregate)	2,000,000	-
Educators Legal Liability	5,000,000	50,000
General Automobile Liability	1,000,000	-
School Board Legal Liability	5,000,000	25,000
Employment Practices Liability	5,000,000	25,000
Umbrella	10,000,000	10,000
Excess Umbrella	10,000,000	-
Workers' Compensation	500,000	-
<u>Student Accident Insurance</u>		
Medical Expense Benefit	\$ 25,000	\$ -
Aggregate Limit	500,000	-
Fidelity/Employee Theft Bond	\$ 500,000	\$ 5,000

Source: Renaissance School Records

**RENAISSANCE SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**MASTERY SCHOOLS OF CAMDEN, INC.
J-21 FINANCIAL PERFORMANCE — FISCAL RATIOS
NEAR TERM INDICATORS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 8,168,562	\$ 3,494,443	\$ 813,091
Current Assets	8,696,463	4,527,796	1,711,809
Capital Assets - Net	2,706,430	2,018,476	624,229
Total Assets	<u>\$ 11,402,893</u>	<u>\$ 6,546,272</u>	<u>\$ 2,336,038</u>
Current Liabilities	\$ 7,434,073	\$ 4,565,974	\$ 1,698,720
Long-Term Liabilities	271,148	286,008	99,084
Total Liabilities	<u>\$ 7,705,221</u>	<u>\$ 4,851,982</u>	<u>\$ 1,797,804</u>
Net Position	<u>\$ 3,697,672</u>	<u>\$ 1,694,290</u>	<u>\$ 538,234</u>
Total Revenue	\$ 32,425,386	\$ 24,602,272	\$ 7,617,676
Total Expenses	<u>30,422,004</u>	<u>23,446,216</u>	<u>7,079,442</u>
Change in Net Position	<u>\$ 2,003,382</u>	<u>\$ 1,156,056</u>	<u>\$ 538,234</u>
Depreciation	\$ 415,611	\$ 305,711	\$ 90,112
Principal Payments	107,156	74,320	20,704
Interest Payments	20,290	17,102	5,154
Final Average Daily Enrollment	1,651	1,391	380
March 30th Budgeted Enrollment	1,750	1,400	600
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Near Term Indicators			
Current Ratio	1.17	0.99	1.01
Unrestricted Days Cash	98	54	42
Enrollment Variance	0.94	0.99	0.63
Default	N/A	N/A	N/A

MASTERY SCHOOLS OF CAMDEN, INC.
J-22 FINANCIAL PERFORMANCE — FINANCIAL RATIOS
SUSTAINABILITY INDICATORS
(UNAUDITED)
YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 8,168,562	\$ 3,494,443	\$ 813,091
Current Assets	8,696,463	4,527,796	1,711,809
Capital Assets - Net	2,706,430	2,018,476	624,229
Total Assets	<u>\$ 11,402,893</u>	<u>\$ 6,546,272</u>	<u>\$ 2,336,038</u>
Current Liabilities	\$ 7,434,073	\$ 4,565,974	\$ 1,698,720
Long-Term Liabilities	271,148	286,008	99,084
Total Liabilities	<u>\$ 7,705,221</u>	<u>\$ 4,851,982</u>	<u>\$ 1,797,804</u>
Net Position	<u>\$ 3,697,672</u>	<u>\$ 1,694,290</u>	<u>\$ 538,234</u>
Total Revenue	\$ 32,425,386	\$ 24,602,272	\$ 7,617,676
Total Expenses	<u>30,422,004</u>	<u>23,446,216</u>	<u>7,079,442</u>
Change in Net Position	<u>\$ 2,003,382</u>	<u>\$ 1,156,056</u>	<u>\$ 538,234</u>
Depreciation	\$ 415,611	\$ 305,711	\$ 90,112
Principal Payments	107,156	74,320	20,704
Interest Payments	20,290	17,102	5,154
Final Average Daily Enrollment	1,651	1,391	380
March 30th Budgeted Enrollment	1,750	1,400	600
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sustainability Indicators			
Total Margin	6%	5%	7%
Debt to Asset	0.68	0.74	0.77
Cash Flow	4,078,416	2,681,352	813,091
Debt Service Coverage Ratio	15.88	12.83	21.01

SINGLE AUDIT SECTION

**INDEPENDENT AUDITORS' 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***

Board of Trustees
Mastery Schools of Camden, Inc.
Camden, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, and each major fund information of the Mastery Schools of Camden, Inc., as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Mastery Schools of Camden, Inc.'s basic financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mastery Schools of Camden, Inc.'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 Mastery Schools of Camden, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mastery Schools of Camden, Inc.'s internal control.

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

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

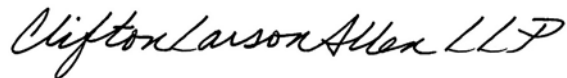
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mastery Schools of Camden, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and *requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

We noted certain matters that we reported to management of the Mastery Schools of Camden, Inc. in a separate report entitled, “Auditors’ Management Report on Administrative Findings — Financial, Compliance and Performance” dated October 12, 2017.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and *requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 12, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND NEW JERSEY OMB CIRCULAR 15-08**

Board of Trustees
Mastery Schools of Camden, Inc.
Camden, New Jersey

Report on Compliance for Each Major Federal Program

We have audited Mastery Schools of Camden, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement and New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of Mastery Schools of Camden, Inc.'s major federal and state programs for the year ended June 30, 2017. Mastery Schools of Camden, Inc.'s major federal and state programs are identified in the summary of auditors' 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 federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mastery Schools of Camden, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey's OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards, the Uniform Guidance and State of New Jersey's OMB Circular Letter 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about Mastery Schools of Camden, Inc.'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 unmodified opinions on compliance for major federal and state programs. However, our audit does not provide a legal determination of Mastery Schools of Camden, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Mastery Schools of Camden, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Mastery Schools of Camden, Inc. 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 Mastery Schools of Camden, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey's OMB Circular Letter 15-08, 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 Mastery Schools of Camden, Inc.'s internal control over compliance.

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

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

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 result of that testing based on the requirements of the Uniform Guidance and State of New Jersey's OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 12, 2017

MASTERY SCHOOLS OF CAMDEN, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A
YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Award Identification Number	Grant/ Contract Period	Grant Amount	Accrued (Deferred) Revenue at 7/1/16	Total Received for the Year	Federal Disbursements/ Expenditures	Accrued (Deferred) at 6/30/17
<u>U.S. Department of Education:</u>								
Pass-through State Department of Education:								
No Child Left Behind Consolidated Grant:								
Title I, Part A	84.010	S01A150030	7/1/15-6/30/16	\$ 1,066,186	\$ 254,578	\$ 254,578	\$ -	\$ -
Title I, Part A	84.010	S01A150030	7/1/16-6/30/17	2,046,853	-	1,880,628	1,284,925	(595,703)
Title II, Part A	84.367	S367A150029	7/1/16-6/30/17	7,374	-	-	7,374	7,374
Special Education Cluster:								
IDEA, Part B	84.027	S027A150100	7/1/15-6/30/16	102,495	18,844	18,844	-	-
IDEA, Part B	84.027	S027A150100	7/1/16-6/30/17	302,349	-	277,153	302,349	25,196
Total U.S. Department of Education					273,422	2,431,203	1,594,648	(563,133)
Total Expenditures of Federal Awards					<u>\$ 273,422</u>	<u>\$ 2,431,203</u>	<u>\$ 1,594,648</u>	<u>\$ (563,133)</u>

See accompanying Notes to Schedules of Awards and Financial Assistance.

MASTERY SCHOOLS OF CAMDEN, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS, SCHEDULE B
YEAR ENDED JUNE 30, 2017

State Grantor Program Title	Grant or State Project Number	Grant/ Contract Period	Grant Amount	Accrued (Deferred) Revenue at 7/1/16	Total Received for the Year	Budgetary Expenditures	Accrued (Deferred) at 6/30/17
<u>State Department of Education:</u>							
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 20,950,025	\$ 132,488	\$ 132,488	\$ -	\$ -
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	337,811	(2,179)	(2,179)	-	-
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	605,063	54,684	54,684	-	-
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	27,285,790	-	27,437,883	27,285,790	(152,093)
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	47,979	-	48,247	47,979	(268)
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	1,554,239	-	1,562,902	1,554,239	(8,663)
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	180,517	180,517	-	-	180,517
Reimbursed TPAF Social Security Contributions	16-495-034-5095-002	7/1/15-6/30/16	592,534	592,534	-	-	592,534
Reimbursed TPAF Social Security Contributions	17-495-034-5095-002	7/1/16-6/30/17	767,169	-	-	767,169	767,169
Total State Department of Education				958,044	29,234,025	29,655,177	1,379,196
Total Expenditures of State Awards				<u>\$ 958,044</u>	<u>\$ 29,234,025</u>	<u>\$ 29,655,177</u>	<u>\$ 1,379,196</u>

See accompanying Notes to Schedules of Awards and Financial Assistance.

MASTERY SCHOOLS OF CAMDEN, INC.
NOTES TO SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 1 GENERAL INFORMATION

The accompanying Schedules of Awards and Financial Assistance present the activities of the federal and state financial assistance programs of Mastery Schools of Camden, Inc. (the School). Financial awards received directly from federal and state agencies, as well as financial assistance passed through other governmental agencies or nonprofit organizations, are included in the schedule.

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedules of Awards and Financial Assistance include the federal and state grant activity of the School and are presented on the accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey's OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The Schedules of Awards and Financial Assistance present only a selected portion of the activities of the School. It is not intended to, nor does it, present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's statement of activities and statement of revenue, expenditures, and changes in fund balance – governmental funds.

NOTE 4 INDIRECT COST RATE

Mastery Schools of Camden, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MASTERY SCHOOLS OF CAMDEN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal and State Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 750,000 </u>
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no

**MASTERY SCHOOLS OF CAMDEN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results (Continued)

Identification of Major State Programs

GMIS Number(s)

17-495-034-5120-078

Name of Federal Program or Cluster

Equalization Aid – Local and State Aid

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 889,655

Auditee qualified as low-risk auditee?

 X yes no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal and State Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a) and the State of New Jersey’s OMB Circular Letter 15-08.

Section IV – Prior Audit Findings

There were no prior year findings required to be reported under the Federal Single Audit Act and the State Single Audit Act.



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