

Robert Treat Academy Charter School, Inc.

**Robert Treat Academy Charter School, Inc.
Board of Trustees
Newark, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report
of the**

**Robert Treat Academy
Charter School, Inc.**

Newark, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

**Robert Treat Academy
Charter School, Inc.
Board of Trustees
Business Department**

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INTRODUCTORY SECTION



ROBERT TREAT ACADEMY
CHARTER SCHOOL
A 2008 NCLB BLUE RIBBON SCHOOL
www.RobertTreatAcademy.org



Marcelino Trillo
Vice Principal

Theresa Adubato
Principal

Paul Parada
Vice Principal

December 1, 2017

Honorable President and
 Members of the Board of Trustees
 Robert Treat Academy Charter School, Inc.
 County of Essex
 Newark, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of Robert Treat Academy Charter School, Inc. (the "School" or "Academy") for the fiscal year ended June 30, 2017, is hereby submitted. This CAFR includes the School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards (GASB), Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Robert Treat Academy Charter School, Inc. Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School. 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, roster of officials, and a list of consultants and advisors. The financial section includes Management's Discussion and Analysis, the basic financial statements and notes providing an overview of the School's financial position and operating results, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, as the information was available to us. The School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single audit policy for recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on the internal control and compliance with applicable laws, regulation, contracts and grants, along with findings and questioned costs, is included in the single audit section of this report.



NORTH CAMPUS: 443 Clifton Avenue, Newark, New Jersey 07104-1339 (973) 482-8811-Tel (973) 482-7681-Fax
JACKIE ROBINSON CAMPUS: 180 William Street, Newark, New Jersey 07103-3004 (973) 286-1020-Tel (973) 286-1050-Fax

1. **REPORTING ENTITY AND ITS SERVICES:** The School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds of the School are included in this report. Robert Treat Academy Charter School, Inc. and its two schools constitute the School's reporting entity.

The School provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for disabled youngsters.

2. **ECONOMIC CONDITION AND OUTLOOK:** The School area has remained constant. Business and residential areas are relatively the same as the prior year. The School's outlook remains good since its programs exceed those in surrounding areas.

3. **MAJOR INITIATIVES:**

Robert Treat Academy Charter School completed its twentieth year of operation in June 2017.

Robert Treat Academy has two campuses. Our Stephen N. Adubato campus located at 443 Clifton Avenue has an enrollment of 453 students. Our Jackie Robinson campus located at 180 William Street has an enrollment of 229 students. Total enrollment is 682 students.

Our enrollment plan at our Jackie Robinson campus is to increase the size of the building to accommodate two classrooms per grade level. The current challenge is to raise the funds to enlarge the recently purchased building and expand the number of classrooms to enroll additional students.

An educational challenge was the change to the Next Generation Science Standards. These standards were adopted by New Jersey in 2014. The change in standards, which resulted in changes to curriculum, instructional materials, and professional development, was initiated in grades K-5 and was completed in grades 6th through 8th in the 2016-2017 school year. The assessment for these standards will be measured by the New Jersey Student Learning Assessment Science. However, this change is still pending review by the State Board of Education. Further it has not been established which grades will be assessed.

Equally challenging has been maintaining the achievement and progress of our students measured by the Partnership for Assessment of Readiness for College and Career (PARCC) test. When results are received, we begin the process of scrutinizing data to determine where and what curricular and instructional adjustments need to be made.

The overall long-term goal for proficiency set by the New Jersey Department of Education (ESSA School Accountability) is for 80% of students achieving levels 4 or 5 by 2030. The performance goal set by the District and School State Assessment Annual Accountability Targets for year 1 (2016-2017) was Baseline (scores from 2015-2016) plus 5% goal progress. In English Language Arts, the goal progress was met as our students achieved 80.8 % proficiency. In mathematics, the goal progress was met as our students achieved 74.5 % proficiency. The Academic Progress (student growth) goal set by the New Jersey Department of Education (ESSA School Accountability) is 40% schoolwide. In English Language Arts/Literacy the goal was met as our schoolwide student growth was 44%. In mathematics the goal was not met by .05%, as our schoolwide student growth was 39.9%.

Both Robert Treat Academy campuses offer an eleven-month school year with a seven-hour instructional day and an eight-hour professional day. Early care beginning at 7:30 a.m. and an extended school day (until 5:30 p.m.) accommodate working parents and provide time for extracurricular activities. Our remedial services in English/Language Arts and Math as well as remedial and guided reading, tutoring and homework help, take place during the extended day insuring that students do not miss classroom instructional time because they are receiving additional instruction.

The extended day program offers extracurricular enrichment activities including recreation and athletics, arts programs (Instrumental Music Instruction, Chorus, Step Dancing, Arts and Crafts, and Creative Writing) as well as activities to address character education.

Parent participation continues to be a key element of our focus as witnessed by the high levels of attendance we consistently record at monthly parent meetings. Parents serve on the Board of Trustees and are elected to the Parent Council Executive Committee. Parent representatives also volunteer in other areas (coaching recreational activities, chaperoning students on trips, attending and assisting at school-wide events, plays and performances).

In the nine subject areas including English/Language Arts and Mathematics, Science (this test remained in place as the NJ ASK for 4th and 8th grades), Social Studies, Technology, World Languages (Spanish), Visual and Fine Arts, Physical Education and Health, and 21st Century Life & Careers our curricula is aligned to the NJ Student Learning Standards.

Professional development efforts centered around continued training for our teachers in the use of the curriculum and on utilizing data to drive instruction using interim assessments. Additionally, we have partnered with the University of Chicago's STEP Program in an effort to elevate student reading levels across the board.

In all subject areas, staff development remains crucial to meeting the Academy's overall mission. Our training schedule included workshops in math, English/language arts, reading, science, and behavior management. In the area of technology, staff development was offered to help teachers become more effective users of technology in the classroom.

Efforts to prepare our students for the PARCC test were a main area of attention and will continue to be foremost on our list of goals and a focus of staff development activities and Saturday Academy.

In June 2017, our thirteenth class of eighth grade students graduated from the Academy. Those students were prepared for the admissions process for secondary school by our High School Placement Program. The program is responsible for working with our students and their families to place graduates in the most appropriate setting for their secondary school education. Those graduates earned in excess of \$4 million dollars in financial aid and scholarships to attend some of the most prestigious private, independent schools in the nation.

Our first group of alumni to complete college graduated in 2013. We have maintained relationships with many of these students and will continue to maintain contact with them. Several graduates have joined the staff of the Academy as either instructional assistants/teachers or clerks and it is our hope that many of our former students will return to Newark as productive citizens of the community.

The Academy also continued its relationships with community-based organizations. These groups included the Academy's founding organization, The North Ward Center, Inc., and Just One Soccer which made sports activities available, as well as the Johns Hopkins Center for Talented Youth, which provided summer enrichment programs for students as well as online courses for more gifted students. The Academy also maintained its membership in the New Jersey Charter Schools Association and the New Jersey School Boards Association.

4. INTERNAL ACCOUNTING CONTROLS: Management of the School is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The system of internal controls 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 awards and state financial assistance, the School also is responsible for ensuring that an adequate system of internal controls is in place to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. These internal controls are also subject to periodic evaluation by the School's management.

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

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 approved by a vote of the Board of Trustees. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. Project-length budgets, if any, are approved for capital improvements accounted for in the Capital Projects 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 canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as committed or assigned fund balance at June 30, 2017.

6. ACCOUNTING SYSTEM AND REPORTS: The School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the School is organized on the basis of funds. These funds are explained in the Notes to Financial Statements.

7. DEBT ADMINISTRATION: At June 30, 2017, the School had a net pension liability for the Public Employees' Retirement System but had no liability for compensated absences.

8. **CASH MANAGEMENT:** The investment policy of the School is guided in large part by State Statute as detailed in the Notes to Financial Statements, Note 1. The School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the Act.

9. **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in Exhibit J-20.

10. **OTHER INFORMATION: INDEPENDENT AUDIT** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Smolin, Lupin & Co, P.A. was selected by the School. In addition to meeting the requirements set forth in State Statutes, the audit was also designed to meet the requirements of the Single Audit Act, and New Jersey OMB's Circular 15-08, as required. The auditor's report on the basic financial statements and specific required supplemental information 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.

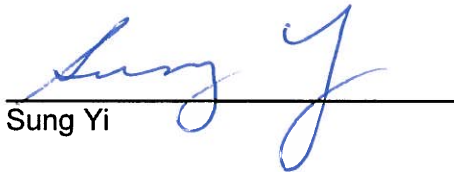
11. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Robert Treat Academy Charter School, Inc.'s Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Theresa Adubato

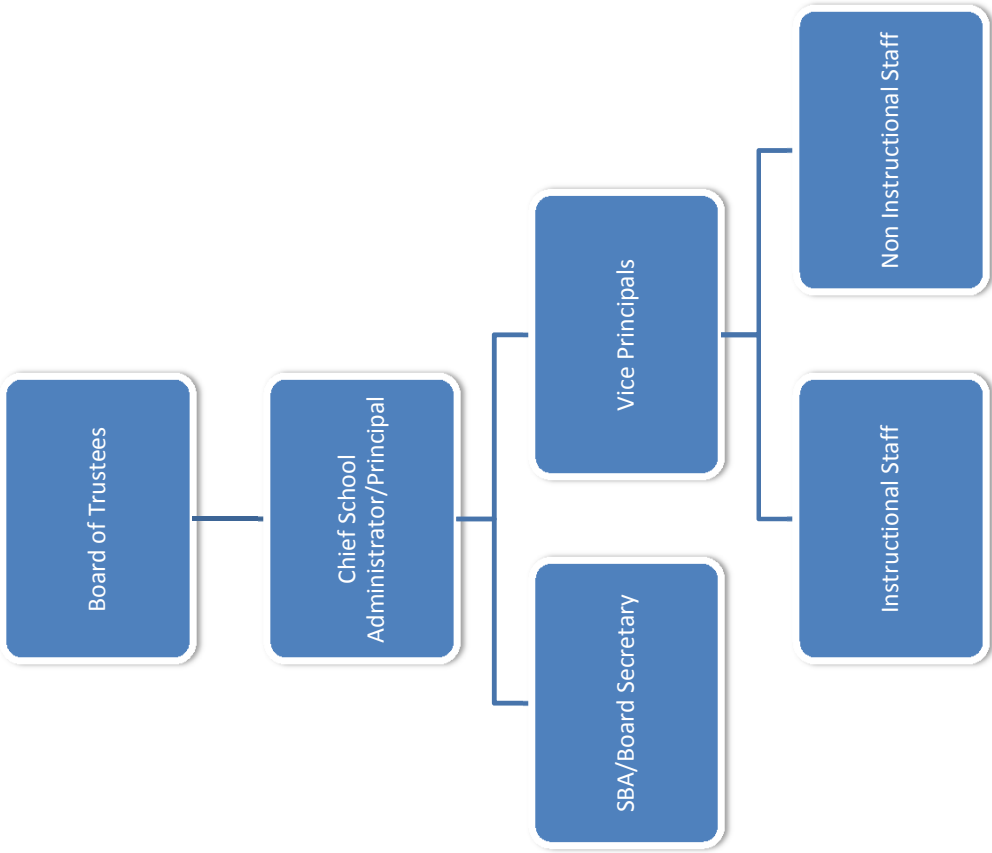
Principal/Chief School
Administrator



Sung Yi

Board Secretary/School
Business Administrator

ROBERT TREAT ACADEMY CHARTER SCHOOL
2016 - 2017 TABLE OF ORGANIZATION



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ROSTER OF OFFICIALS
JUNE 30, 2017**

Members of the Board of Trustees	Term Expires
Philip B. Alagia	June 2019
Robert R. Detore (President)	June 2019
Adrienne Davis (Vice President)	June 2019
Tahira Strand	June 2018
Karen Calderon	June 2018
Wilfredo Caraballo	June 2018
Emil Garruto	June 2020
John J. Clancy, Jr.	June 2020
Zarala Zabala de Kelly	June 2020

Other Officials

Theresa Adubato, Principal/Chief School Administrator
Lucy Bernardo, Recording Secretary
Nicholas Grieco, Board Attorney
Marcelino Trillo, Vice Principal
Paul Parada, Vice Principal
Sung Yi, Board Secretary/School Business Administrator

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
CONSULTANTS AND ADVISORS
JUNE 30, 2017**

Audit Firm

Smolin, Lupin & Co., P.A.
165 Passaic Avenue
Fairfield, NJ 07004

Attorney

Nicholas Grieco
Inglesino, Webster, Wyciskala & Taylor, LLC
600 Parsippany Road # 204
Parsippany, NJ 07054

Fiscal Agent

The North Ward Center, Inc.
346 Mt. Prospect Avenue
Newark, NJ 07104

Official Depositories

Wells Fargo Bank, NA
684 Mt. Prospect Avenue
Newark, NJ 07104

Valley National Bank
167 Bloomfield Avenue
Newark, NJ 07104

FINANCIAL SECTION

Independent Auditor's Report

The Honorable President and
Members of the Board of Trustees
Robert Treat Academy Charter School, Inc.
County of Essex
Newark, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Robert Treat Academy Charter School, Inc. (the "School"), in the County of Essex, 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 School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Robert Treat Academy Charter School, Inc., in the County of Essex, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Robert Treat Academy Charter School, Inc.'s basic financial statements. The introductory section, combining and individual fund financial statements, statistical section, schedule of expenditures of federal 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* (Uniform Guidance), and schedule of expenditures of state financial assistance as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

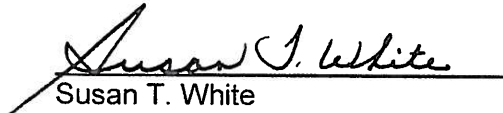
The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of Robert Treat Academy Charter School, 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 results of that testing, and not to provide an opinion on the effectiveness of Robert Treat Academy Charter School, 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 Robert Treat Academy Charter School, Inc.'s internal control over financial reporting and compliance.



SMOLIN, LUPIN & CO., P.A.
Certified Public Accountants



Susan T. White
Public School Accountant
License #20CS00119300

Fairfield, New Jersey
December 1, 2017

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The discussion and analysis of Robert Treat Academy Charter School, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance. Certain comparative information between the current fiscal year (2016-2017) and the prior fiscal year (2015-2016) is presented in the Management's Discussion and Analysis.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position of governmental activities decreased by \$394,453, which represents a 128.81% decrease from 2016. Net position of business-type activities increased by \$74,678.
- General revenues accounted for \$9,898,952 in revenue, or 74.66% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$3,360,270, or 25.34% of total revenues of \$13,259,222.
- Total assets of governmental activities decreased by \$189,466, as cash decreased by \$205,270, receivables increased by \$130,000, and net capital assets decreased by \$114,196.
- Among governmental funds, the General Fund had \$10,784,166 in revenues and \$10,679,973 in expenditures. The General Fund's fund balance increased \$104,193 over 2016.

Using this Comprehensive Annual Financial Report (CAFR)

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

The focus of governmental accounting differs from that of business enterprises. In government, the financial statement user is concerned with determining accountability for funds, evaluating operating results, and assessing the level of service that can be provided by the government along with its ability to meet obligations as they become due. In comparison, the primary emphasis in the private sector from both an operational and reporting perspective is on the maximization of profits.

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED (CONTINUED)**

Reporting the School as a Whole

Statement of Net position and the Statement of Activities

While this document contains the large number of funds used by the School to provide programs and activities, the view of the School as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental Activities** - The School's programs and services are reported here, including instruction, support services, operation and maintenance of plant facilities.
- **Business-Type Activities** - These are services provided on a fee basis to recover all the expenses of the goods or services provided. The Food Service and Before and After Care enterprise funds are reported as business-type activities.

Reporting the School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED (CONTINUED)**

Reporting the School's Most Significant Funds (Continued)

Enterprise Fund

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

The School as a Whole

The Statement of Net Position provides the perspective of the School as a whole. Net position may serve over time as a useful indicator of a school's financial position.

The School's financial position is the product of several types of financial transactions, including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the School's net position at June 30.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Assets:								
Current and Other Assets	\$ 1,701,517	\$ 1,776,787	\$ 233,672	\$ 154,931	\$ 1,935,189	\$ 1,931,718	\$ 3,471	0.18%
Capital Assets	222,412	336,608	117,789	1,320	340,201	337,928	2,273	0.67%
Total Assets	<u>1,923,929</u>	<u>2,113,395</u>	<u>351,461</u>	<u>156,251</u>	<u>2,275,390</u>	<u>2,269,646</u>	<u>5,744</u>	0.25%
Deferred Outflows	<u>1,785,700</u>	<u>564,058</u>			<u>1,785,700</u>	<u>564,058</u>	<u>1,221,642</u>	216.58%
Liabilities:								
Long-term Liabilities	4,381,566	2,775,020			4,381,566	2,775,020	1,606,546	57.89%
Other Liabilities	938,132	1,069,765	187,620	67,088	1,125,752	1,136,853	(11,101)	-0.98%
Total Liabilities	<u>5,319,698</u>	<u>3,844,785</u>	<u>187,620</u>	<u>67,088</u>	<u>5,507,318</u>	<u>3,911,873</u>	<u>1,595,445</u>	40.78%
Deferred Inflows	<u>12,614</u>	<u>60,898</u>			<u>12,614</u>	<u>60,898</u>	<u>(48,284)</u>	-79.29%
Net Position:								
Investment in Capital Assets	222,412	336,608	117,789	1,320	340,201	337,928	2,273	0.67%
Restricted	75,000	75,000			75,000	75,000	-	0.00%
Unrestricted - (deficit)	<u>(1,920,095)</u>	<u>(1,639,838)</u>	<u>46,052</u>	<u>87,843</u>	<u>(1,874,043)</u>	<u>(1,551,995)</u>	<u>(322,048)</u>	20.75%
Total Net Position	<u>\$ (1,622,683)</u>	<u>\$ (1,228,230)</u>	<u>\$ 163,841</u>	<u>\$ 89,163</u>	<u>\$ (1,458,842)</u>	<u>\$ (1,139,067)</u>	<u>\$ (319,775)</u>	28.07%

The School's combined net position of \$(1,458,842) on June 30, 2017, results in a decrease of 28.07% from the prior year.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED (CONTINUED)**

Reporting the School's Most Significant Funds (Continued)

The School as a Whole (continued)

Table 2 shows changes in net position for fiscal years 2017 and 2016.

TABLE 2 CHANGES IN NET POSITION				
	2017	2016	Amount Change	% Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 321,649	\$ 299,169	\$ 22,480	7.51%
Operating Grants and Contributions	3,038,621	2,283,291	755,330	33.08%
General Revenues:				
Property Taxes	1,323,693	1,273,255	50,438	3.96%
Grants and Entitlements	8,572,049	8,113,292	458,757	5.65%
Other	3,210	10,946	(7,736)	-70.67%
Total Revenues	13,259,222	11,979,953	1,279,269	10.68%
Program Expenses:				
Instruction	7,199,835	6,272,638	927,197	14.78%
Administrative	2,033,720	1,875,598	158,122	8.43%
Support Services	3,536,994	3,168,237	368,757	11.64%
Unallocated depreciation	143,618	152,017	(8,399)	
Enterprise Fund	664,830	596,893	67,937	11.38%
Total Expenses	13,578,997	12,065,383	1,513,614	12.55%
Decrease in Net Position	\$ (319,775)	\$ (85,430)	\$ (234,345)	274.31%

Governmental Activities

Local tax levy made up 10.57% of revenues for governmental activities for the School for fiscal year 2017 and 11.27% for fiscal year 2016. Local tax levy revenues increased by \$50,438, which is a 3.96% increase over the prior year. The School's total governmental activity revenues were \$12,519,714 for the year ended June 30, 2017.

Governmental Funds

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund revenues and special revenue fund revenues for the fiscal year ended June 30, 2017:

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED (CONTINUED)**

Reporting the School's Most Significant Funds (Continued)

Governmental Funds (continued)

**TABLE 3
GENERAL AND SPECIAL REVENUE FUND REVENUES**

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2015-16</u>	<u>Percent of Increase (Decrease)</u>
Tax Levy - Local Share	\$ 1,323,693	11.66 %	\$ 50,438	3.96 %
Local Levy - State Share	8,572,049	75.49	458,757	5.65
Local Sources - Miscellaneous	3,210	0.03	(7,736)	(70.67)
State Sources	895,312	7.88	61,177	7.33
Federal Sources	560,841	4.94	9,318	1.69
Total	<u>\$ 11,355,105</u>	<u>100.00 %</u>	<u>\$ 571,954</u>	5.30 %

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2017:

**TABLE 4
GENERAL AND SPECIAL REVENUE FUND EXPENDITURES**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2015-16</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Instruction	\$ 4,061,504	36.10 %	\$ 176,343	4.54 %
Undistributed				
Expenditures	6,589,047	58.56	381,023	6.14
Capital Outlay	29,422	0.26	(977)	(3.21)
Special Revenue	570,939	5.07	(52,811)	(8.47)
Total	<u>\$ 11,250,912</u>	<u>100.00 %</u>	<u>\$ 503,578</u>	4.69 %

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED (CONTINUED)**

Reporting the School's Most Significant Funds (Continued)

Business-Type Activities

Revenues for the School's business-type activities (Food Service Program and Before and After Care Program) were comprised of charges for services, and federal and state reimbursements.

- Food service revenues exceed expenses by \$74,678.
- Before and After Care revenues equaled expenses.
- Charges for services represent \$321,649 of revenues. This represents amounts paid by parents for sales and services.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, breakfasts, and snacks was \$417,859.

Governmental Activities

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

Administrative and support services include expenses associated with administrative and financial supervision of the School.

The School's Funds

All Governmental Funds (i.e., General Fund and Special Revenue Fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$11,355,105 and expenditures were \$11,250,912. The net increase in fund balance for the year is \$104,193.

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management.

Expenditures are up \$503,578 over the prior year mostly due to increases in salaries, purchased professional educational services and employee benefits. Revenues exceeded expenditures during the fiscal year, resulting in an increase to fund balance. Miscellaneous revenues decreased due to a decrease in grants.

General Fund Budgeting Highlights

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

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED (CONTINUED)**

Capital Assets

At the end of the fiscal year 2017, the School had \$340,201, net of depreciation, invested in equipment and improvements, which is a decrease of \$114,196 in governmental activities and an increase of \$116,469 in business-type activities from fiscal year 2016.

Debt Administration

At June 30, 2017, the School had a net pension liability of \$4,381,566 and no liability for compensated absences.

For the Future

- The School is presently in good financial condition.
- The School routinely monitors the rules and regulations of the No Child Left Behind federal legislation to assess and ensure financial compliance.

Contacting the School's Financial Management

This financial report is designed to provide the School's parents and supporters with a general overview of the School's finances and to show the School's accountability for the resources it receives. If you have questions about this report or need additional information, contact the School's Finance Department.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the School, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,255,925	\$ 163,056	\$ 1,418,981
Receivables, net	355,803	70,616	426,419
Other assets	14,789		14,789
Restricted assets:			
Restricted cash	75,000		75,000
Capital assets			
Being depreciated	<u>222,412</u>	<u>117,789</u>	<u>340,201</u>
Total assets	<u>1,923,929</u>	<u>351,461</u>	<u>2,275,390</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	<u>1,785,700</u>		<u>1,785,700</u>
Total deferred outflows of resources	<u>1,785,700</u>		<u>1,785,700</u>
LIABILITIES			
Accounts payable	407,191	187,620	594,811
Payroll deductions and withholdings	60,066		60,066
Due to Robert Treat Academy Parent Council	33,623		33,623
Payable to state government	58,200		58,200
Payable to other governments	8,192		8,192
Salaries and benefits payable	370,860		370,860
Noncurrent liabilities:			
Due beyond one year:			
Net pension liability	<u>4,381,566</u>		<u>4,381,566</u>
Total liabilities	<u>5,319,698</u>	<u>187,620</u>	<u>5,507,318</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	<u>12,614</u>		<u>12,614</u>
NET POSITION			
Investment in capital assets	222,412	117,789	340,201
Restricted for:			
Charter school reserve	75,000		75,000
Unrestricted (deficit)	<u>(1,920,095)</u>	<u>46,052</u>	<u>(1,874,043)</u>
Total net position	<u>\$ (1,622,683)</u>	<u>\$ 163,841</u>	<u>\$ (1,458,842)</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Function/Programs	Expenses	Indirect Expenses Allocation	Program			Revenues		Net (Expense) Revenue and Changes in Net Position														
			Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total											
Government activities:																						
Instruction	\$ 4,545,022	\$ 2,654,813	\$ -	\$ 2,048,895	\$ -	\$ (5,150,940)	\$ -	\$ (5,150,940)													\$ (5,150,940)	
Administrative	1,377,210	656,510		304,379		(1,729,341)		(1,729,341)													(1,729,341)	
Support services	2,919,576	617,418		267,488		(3,269,506)		(3,269,506)													(3,269,506)	
Unallocated depreciation	143,618					(143,618)		(143,618)													(143,618)	
Total governmental activities	8,985,426	3,928,741		2,620,762		(10,293,405)		(10,293,405)													(10,293,405)	
Business-type activities:																						
Food services Before and After Care	446,254		103,073	417,859																	74,678	74,678
	218,576		218,576																			
Total business-type activities	664,830		321,649	417,859																	74,678	74,678
Total primary government	\$ 9,650,256		\$ 321,649	\$ 3,038,621	\$ -	(10,293,405)		(10,293,405)													74,678	(10,218,727)
General revenues:																						
Property taxes levied for general purposes, net																						
Federal and State aid not restricted																						
Miscellaneous income																						
Total general revenues																						
Change in net position																						
Net position - beginning																						
Net position - ending																						
\$ (1,622,683)																						
\$ 163,841																						
\$ (1,458,842)																						

The accompanying notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash	\$ 1,255,925	\$ -	\$ 1,255,925
Restricted cash	75,000		75,000
Accounts receivable:			
State	82,980		82,980
Federal		240,388	240,388
Interfund	240,388		240,388
Other	32,435		32,435
Other Assets	14,789		14,789
Total assets	\$ 1,701,517	\$ 240,388	\$ 1,941,905
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 227,933	\$ -	\$ 227,933
Payroll deductions and withholdings	60,066		60,066
Due to Robert Treat Academy Parent Council	33,623		33,623
Salaries and benefits payable	370,860		370,860
Intergovernmental payable:			
State	58,200		58,200
Other	8,192		8,192
Interfund payables		240,388	240,388
Total liabilities	758,874	240,388	999,262
Fund balances:			
Restricted for:			
Charter school reserve	75,000		75,000
Committed:			
Year-end encumbrances	33,740		33,740
Assigned:			
Year-end encumbrances	90,684		90,684
Unassigned	743,219		743,219
Total fund balances	942,643		942,643
Total liabilities and fund balances	\$ 1,701,517	\$ 240,388	

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The costs of the assets are \$1,543,339 and the accumulated depreciation is \$1,320,927.	222,412
Deferred outflows related to pensions.	1,785,700
Accounts payable related to the April 1, 2018 required PERS pension contribution that is not liquidated with current financial resources.	(179,258)
Deferred inflows related to pensions.	(12,614)
Net pension liability.	(4,381,566)
Net position of governmental activities	\$ (1,622,683)

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local sources:			
Local tax levy	\$ 1,323,693	\$ -	\$ 1,323,693
Miscellaneous	3,210		3,210
	<u>1,326,903</u>		<u>1,326,903</u>
Total revenues - local sources	1,326,903		1,326,903
State sources	9,457,263	10,098	9,467,361
Federal sources		560,841	560,841
	<u>9,457,263</u>	<u>570,939</u>	<u>10,028,202</u>
Total revenues	<u>10,784,166</u>	<u>570,939</u>	<u>11,355,105</u>
EXPENDITURES:			
Current expense:			
Instruction	4,061,504	483,518	4,545,022
Administrative	3,699,265	57,627	3,756,892
Support services	2,889,782	29,794	2,919,576
Capital outlay	29,422		29,422
	<u>10,679,973</u>	<u>570,939</u>	<u>11,250,912</u>
Total expenditures	<u>10,679,973</u>	<u>570,939</u>	<u>11,250,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>104,193</u>		<u>104,193</u>
Net change in fund balances	104,193		104,193
Fund balances - July 1	<u>838,450</u>		<u>838,450</u>
Fund balances - June 30	<u>\$ 942,643</u>	<u>\$ -</u>	<u>\$ 942,643</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds (from B-2)	\$	104,193
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.</p>		
Depreciation	\$	(143,618)
Capital outlays		<u>29,422</u>
		(114,196)
<p>Governmental funds report School pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School's pension contributions in the current period.</p>		
		<u>(384,450)</u>
Change in net position of governmental activities	\$	<u><u>(394,453)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Food Services	Before and After Care	Total
ASSETS			
Current assets:			
Cash	\$ 163,056	\$ -	\$ 163,056
Accounts receivable			
State	940		940
Federal	69,676		69,676
Total current assets	233,672		233,672
Noncurrent assets:			
Furniture, machinery and equipment	127,217		127,217
Less: accumulated depreciation	9,428		9,428
Total noncurrent assets	117,789		117,789
Total assets	351,461		351,461
LIABILITIES			
Current liabilities:			
Accounts payable	187,620		187,620
Total current liabilities	187,620		187,620
NET POSITION			
Investment in capital assets	117,789		117,789
Unrestricted	46,052		46,052
Total net position	\$ 163,841	\$ -	\$ 163,841

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	<u>Food Services</u>	<u>Before and After Care</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for services:			
Daily sales - reimbursable programs	\$ 67,111	\$ -	\$ 67,111
Daily sales - non-reimbursable programs	35,962		35,962
Service fees		<u>218,576</u>	<u>218,576</u>
Total operating revenues	<u>103,073</u>	<u>218,576</u>	<u>321,649</u>
OPERATING EXPENSES:			
Salaries	144,176	186,958	331,134
Payroll taxes and employee benefits	28,119	31,618	59,737
Management and administrative fees	16,500		16,500
Supplies	200		200
Purchased professional services	2,761		2,761
Miscellaneous	960		960
Equipment	6,529		6,529
Depreciation	880		880
Cost of sales - reimbursable programs	230,836		230,836
Cost of sales - non-reimbursable programs	<u>15,293</u>		<u>15,293</u>
Total operating expenses	<u>446,254</u>	<u>218,576</u>	<u>664,830</u>
Operating loss	<u>(343,181)</u>		<u>(343,181)</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	5,279		5,279
Federal sources:			
School Breakfast Program	39,023		39,023
National School Lunch Program	270,507		270,507
After School Snack Program	86,021		86,021
Food Distribution Program	<u>17,029</u>		<u>17,029</u>
Total nonoperating revenues	<u>417,859</u>		<u>417,859</u>
Change in net position	74,678		74,678
Total net position - July 1	<u>89,163</u>		<u>89,163</u>
Total net position - June 30	<u>\$ 163,841</u>	<u>\$ -</u>	<u>\$ 163,841</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Food Services	Before and After Care	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 103,073	\$ 218,576	\$ 321,649
Payments to employees	(144,176)	(186,958)	(331,134)
Payment for payroll taxes and employee benefits	(28,119)	(31,618)	(59,737)
Payments to suppliers	<u>(252,867)</u>	<u> </u>	<u>(252,867)</u>
Net cash used by operating activities	<u>(322,089)</u>	<u> </u>	<u>(322,089)</u>
Cash flows from noncapital financing activities:			
State sources	4,738		4,738
Federal sources	<u>355,553</u>	<u> </u>	<u>355,553</u>
Net cash provided by noncapital financing activities	<u>360,291</u>	<u> </u>	<u>360,291</u>
Net increase in cash	38,202		38,202
Cash - July 1	<u>124,854</u>	<u> </u>	<u>124,854</u>
Cash - June 30	<u>\$ 163,056</u>	<u>\$ -</u>	<u>\$ 163,056</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ <u>(343,181)</u>	\$ <u> </u>	\$ <u>(343,181)</u>
Adjustments not affecting cash:			
Depreciation	880		880
Donated commodities received during the year	17,029		17,029
Change in assets and liabilities:			
Increase in accounts payable	<u>3,183</u>	<u> </u>	<u>3,183</u>
Total adjustments	<u>21,092</u>	<u> </u>	<u>21,092</u>
Net cash used by operating activities	<u>\$ (322,089)</u>	<u>\$ -</u>	<u>\$ (322,089)</u>

SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING TRANSACTIONS

Equipment acquired by incurring liability	\$ <u>117,349</u>	\$ <u> </u>	\$ <u>117,349</u>
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The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Robert Treat Academy Charter School, Inc. (the "School") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

A. Description of School and Reporting Entity:

The School is a not-for-profit corporation of the State of New Jersey, established to function as an educational institution. The Board of Trustees (the "Board") consists of nine trustees, who each serve three-year terms, and is responsible for the fiscal control of the School. A principal/chief school administrator is appointed by the Board and is responsible for the administrative control of the School.

The School receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. The primary criterion for including activities within the School's reporting entity is the degree of oversight responsibility maintained by the School's management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The financial statements include all funds and account groups of the School.

The School has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. Recent Accounting Standards:

During fiscal year 2017, the School adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective with fiscal year ended June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective with fiscal year ended June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. There is no impact on the financial statements due to the adoption of this standard.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Recent Accounting Standards (Continued):

- GASB No. 77, *Tax Abatement Disclosure*, effective with fiscal year ended June 30, 2017. The requirements of this Statement improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. There is no impact on the financial statements due to the adoption of this standard.
- GASB No. 82, *Pension Issues - An Amendment of GASB Statements Nos. 67, 68, and 73*, effective with fiscal year ended June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement 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.

Other accounting standards that the School is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* - will be effective beginning with fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 83, *Certain Asset Retirement Obligations* - will be effective with the fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). 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.
- GASB No. 84, *Fiduciary Activities* - will be effective with the fiscal year ending June 30, 2020. 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 the fiduciary relationship exists.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Recent Accounting Standards (Continued):

- GASB No. 85, *Omnibus 2017* - will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address various issues related to blending component units, goodwill, fair value measurement, and the timing of measurement of postemployment benefits recognized in the financial statements.
- GASB No. 86, *Certain Debt Extinguishment Issues* - will be effective with the fiscal year ending June 30, 2018. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on extinguished debt and notes to financial statements for debt that is in substance defeased.
- GASB No. 87, *Leases* - will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Management has not yet determined the impact of implementing these pronouncements.

C. Basis of Presentation:

The School's basic financial statements consist of Charter School-Wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Charter School-Wide Statements

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

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the School at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued):

Charter School-Wide Statements (Continued)

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

Fund Financial Statements

During the fiscal year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds. The New Jersey Department of Education (NJ DOE) has elected to require New Jersey schools to treat each Governmental Fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJ DOE believes that the presentation of all funds as major is important for public interest and to promote consistency among school financial reporting models.

The School reports the following Governmental Funds:

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

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

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). As of June 30, 2017, there was no Capital Projects Fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, mortgage obligations to finance major property acquisition, construction and improvement programs. As of June 30, 2017, there was no Debt Service Fund.

The School reports the following Proprietary Funds:

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued):

The School reports the following Fiduciary Funds:

Trust and Agency Funds (Student Activity and Payroll Fund): The Trust and Agency Fund is used to account for the assets that the School holds on behalf of others as their agent. The Trust and Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds include payroll and student activity funds. As of June 30, 2017, there was no Student Activity Fund.

D. Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Charter School-Wide, Proprietary, and Fiduciary Fund Financial Statements: The school-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund. The Fiduciary Fund's agency funds do not have a measurement focus. All assets, all liabilities, and all deferred outflows/inflows of resources associated with these operations (with the exception of the Fiduciary Funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Local tax levy is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Local tax levy and unrestricted state aid associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the School.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared each year for the General and Special Revenue Funds. The budgets are submitted to the New Jersey Department of Education after being voted upon at a monthly Board of Trustees meeting. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as noted below. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. All budget amendments and transfers must be approved by Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and GAAP. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year-end.

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

F. Encumbrance Accounting:

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year-end, as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the Special Revenue Fund for which the School has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity:

1. Cash:

Cash includes cash in banks.

New Jersey schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey schools. Additionally, the School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of New Jersey's 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 School's deposits are insured through the Federal Deposit Insurance Corporation (FDIC) and GUDPA. The School is required to deposit their funds in a depository, which is protecting such funds pursuant to GUDPA. GUDPA requires all banks doing business in the State of New Jersey to pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds for all deposits not covered by the FDIC. Bank balances are insured up to \$250,000 in aggregate by the FDIC for each bank.

2. Receivables and Allowance for Uncollectible Accounts:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

3. Inventories:

The cost of inventories of the Governmental Fund types are recorded as expenditures at the time individual inventory items are purchased.

4. Short-Term Interfund Receivables/Payables:

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

5. Capital Assets:

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the Charter School-Wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity
(Continued):**

5. Capital Assets (Continued):

All reported capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold Improvements	7 - 10
Furniture	7 - 10
Office & Computer Equipment	5 - 10
Instructional and Other Equipment	5 - 20

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

6. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The one item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Charter School-Wide Statement of Net Position and results from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investment; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The one item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the Charter School-Wide Statement of Net Position and results from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued):

7. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-Wide financial statements. In general, Governmental Fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from Governmental Funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

8. Salaries and Benefits Payable:

Certain School employees who provide services to the School over the eleven-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2017, the amount earned by these employees but not disbursed was \$370,860.

9. Compensated Absences:

School employees are granted vacation and sick leave in varying amounts under the School's personnel policies. It is the policy of the School that all full-time employees are allowed compensated sick leave of ten (10) working days per fiscal year. In addition, unused vacation and sick time carries over at the end of the school year. However, at the time of termination of employment, employees forfeit all accrued benefits except for vacation.

The School has not recorded any liability for compensated absences at June 30, 2017.

10. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grant and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

11. Pension:

In the Charter School-Wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity
(Continued):**

11. Pension (Continued):

In the Governmental Fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

12. Net Position/Fund Balance:

Charter School-Wide Statements

In the Charter School-Wide statements, there are three classes of net position:

- Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation). Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included, if any.
- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - any portion of net position not already classified as either investment in capital assets or net position - restricted is classified as net position - unrestricted.

Governmental Fund Equity:

Fund balance categories are designed to make the nature and extent of the constraints placed on the School's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources reported in the Governmental Fund.

Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance - Amounts constrained to specific purposes by an entity itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the entity takes the same highest-level action to remove or change the constraint.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued):

12. Net Position/Fund Balance (Continued):

Year-End Encumbrances - Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustees for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Assigned Fund Balance - Amounts the entity intends to use for a specific purpose; intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.

Year-End Encumbrances - Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

H. Revenues and Expenditures/Expenses:

Revenues from District of Residence:

The School's primary source of revenue is from the district of residence from which its students are enrolled in the School. The amounts are calculated from the most recent budget data of the student's district.

Local Levy - Equalization Aid State and Local Share - The School's funding is pursuant to the School Funding Reform Act of 2008, which states the district of residence shall pay directly to the charter school, for each student enrolled in the charter school who resides in the district, an amount equal to 90% of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation.

Special Education / Security Aid / State Adjustment Aid - The district of residence shall pay directly to the School the security aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the School. Additionally, the School receives Adjustment Aid and a portion of Equalization Aid and Security Aid directly from the State of New Jersey. Adjustment Aid is intended to maintain funding levels.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures/Expenses (Continued):

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School-Wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses in the Enterprise Fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activities of the Enterprise Fund. For the School, these revenues are sales for food service and fees for the before and after care programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

I. Allocation of Indirect Expenses:

The School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, pension, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The School has no long-term debt. Interest expense on short-term debt is included in administrative expenses. See Note 12.

J. Extraordinary and Special Items:

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

K. Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results may differ from estimated amounts.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Income Taxes:

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The School's Forms 990, Return of Organization Exempt from Income Tax, for the years ended 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2. CASH

As of June 30, 2017, cash of the School consisted of \$1,418,981 in checking accounts.

The School has no bank deposits that are uninsured, unregistered or uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the School's name.

Custodial Credit Risk - 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 has a deposit policy for custodial credit risk. As of June 30, 2017, the School's bank balances of \$1,452,770 was not exposed to custodial credit risk, as the School's deposits are primarily in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. See Note 1.

NOTE 3. RESTRICTED CASH

On October 24, 2013, the Board of Trustees of the School authorized the creation of a \$75,000 escrow trust account as required by the New Jersey Department of Education to be utilized in the event of the dissolution of the charter granted to the School. The escrow trust account created is the Robert Treat Academy Charter School, New Jersey Department of Education Trust.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental receivables for local, Federal, and State activities. All receivables are considered collectible in full.

A summary of the principal items of receivables follows:

	Amount
Governmental Activities:	
General Fund:	
State	\$ 82,980
Local	32,435
Special Revenue Fund:	
Federal	240,388
Total Governmental Activities	355,803
Business-type Activities:	
Food Services	
State	940
Federal	69,676
	70,616
Total Receivables	\$ 426,419

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following interfund balances remained on the fund financial statements at June 30, 2017:

	Interfund Receivable	Interfund Payable
General Fund	\$ 240,388	\$ -
Special Revenue Fund	-	240,388
	\$ 240,388	\$ 240,388

The receivable/payable between the General Fund and the Special Revenue Fund resulted from the loans made to the Special Revenue Fund to fund grants, until the Special Revenue Fund receives monies due from Federal grants.

There were no interfund transfers for the year ended June 30, 2017.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. CAPITAL ASSETS

Capital assets' activity for the year ended June 30, 2017, was as follows:

	Balance as of July 1, 2016	Additions	Reclass/ Retirements	Balance as of June 30, 2017
Furniture and Equipment	\$ 1,239,811	\$ 29,422	\$ -	\$ 1,269,233
Leasehold Improvements	274,105			274,105
Total at Historical Cost	<u>1,513,916</u>	<u>29,422</u>		<u>1,543,338</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	391,585	118,791		510,376
Leasehold Improvements	785,723	24,827		810,550
Total Accumulated Depreciation	<u>1,177,308</u>	<u>143,618</u>		<u>1,320,926</u>
Governmental Activity Capital Assets, Net	<u>\$ 336,608</u>	<u>\$ (114,196)</u>	<u>\$ -</u>	<u>\$ 222,412</u>
Business-type Activities:				
Equipment	\$ 9,868	\$ 117,349	\$ -	\$ 127,217
Less Accumulated Depreciation	8,548	880		9,428
Business-type Activities Capital Assets, Net	<u>\$ 1,320</u>	<u>\$ 116,469</u>	<u>\$ -</u>	<u>\$ 117,789</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Unallocated	\$ 143,618
Business Type Activities:	
Food Services	<u>880</u>
Total	<u>\$ 144,498</u>

NOTE 7. FUND BALANCES

General Fund: Of the \$942,643 General Fund balance in the fund financial statement at June 30, 2017, \$75,000 is restricted as required by the New Jersey Department of Education, for the potential costs in the event of the dissolution of the charter granted to the School; \$124,424 is reserved for encumbrances; and \$743,219 is unassigned.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. NET POSITION - UNRESTRICTED (DEFICIT)

As reflected on Exhibit A-1, Statement of Net Position, a deficit in unrestricted net position of \$1,920,095 existed as of June 30, 2017 for governmental activities. The primary cause of this deficit is the recognition of the net pension liability. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred.

However, in accordance with the rules and regulations that govern the School in the formulation of their annual budget (see Note 1), pension expense that relates to future services, or that are contingent on a specific event outside the control of the School and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the School is facing financial difficulties.

The deficit is a result of the following:

Unassigned fund balance (Exhibit C-1)	\$	743,219
Year-end encumbrances		124,424
State net pension liability and related deferred outflows and inflows		<u>(2,787,738)</u>
 Unrestricted net position (deficit) (Exhibit A-1)	 \$	 <u><u>(1,920,095)</u></u>

NOTE 9. PENSION PLANS

Descriptions of Systems

Substantially all of the School's employees participate in one of the following contributory defined benefit public employees retirement systems, which have been established by State statute: The Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement health care, to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60 and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Descriptions of Systems (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State, and to any county, municipality, school board, or public agency, provided the employee is not required to be a member of another state-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60 and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or at www.state.nj.us/treasury/pensions. According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

Funding Policy

The contribution policy is set by New Jersey State statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% percent of employees' annual compensation. An additional increase will be phased in over the next few years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the School is a non-contributing employer of the TPAF.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLANS (CONTINUED)

Funding Policy (Continued)

During the years ended June 30, 2017, 2016, and 2015, the State of New Jersey contributed \$653,363, \$539,478 and \$381,487, respectively, to the TPAF for post-retirement medical benefits and normal costs of pension on behalf of the School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the School \$231,851 during the fiscal year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The School's actuarially determined contributions to PERS for each of the years ended June 30, 2017, 2016 and 2015 were \$131,428, \$106,280 and \$98,360, respectively, equal to the required contributions for each year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Public Employee's Retirement System (PERS)

At June 30, 2017, the School reported a liability of \$4,381,566 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and charter schools, actuarially determined. At June 30, 2016, the School's proportion was .00742540%, which was an increase of .00141498% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized full accrual pension expense of \$515,870 in the government-wide financial statements. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 81,484	\$ -
Changes of assumptions	907,626	
Net difference between projected and actual earnings on pension plan investments	167,073	
Changes in proportion and differences between School contribution and proportionate share of contributions	450,259	12,614
School contributions subsequent to the measurement date	<u>179,258</u>	
Total	<u>\$ 1,785,700</u>	<u>\$ 12,614</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employee's Retirement System (PERS) (Continued)

\$179,258 is reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2017	\$ 223,821
2018	223,821
2019	255,873
2020	214,123
2021	<u>71,379</u>
Total	<u>\$ 989,017</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following key actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65 - 4.15%
Thereafter	Based on age 2.65 - 5.15%
	Based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that in the future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one- year static projection based on mortality improvement Scale AA. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Tables (setback 3 years for males and set forward 1 year for females).

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employee's Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability for PERS was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employee's Retirement System (PERS) (Continued)

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate

The following presents the School's proportionate share of the net pension liability as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
School's proportionate share of the PERS Net Pension Liability	\$ 5,369,098	\$ 4,381,566	\$ 3,566,273

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$	13,319,369,669
Collective deferred inflows of resources		-
Collective net pension liability		59,007,817,464
School's proportion		0.0074254%

The components of the net pension liability of the participating employers for PERS as of June 30, 2016, are as follows:

	State	Local	Total
Total pension liability	\$ 36,295,189,928	\$ 49,474,698,146	\$ 85,769,888,074
Plan fiduciary net position	6,904,504,223	19,857,566,387	26,762,070,610
	\$ 29,390,685,705	\$ 29,617,131,759	\$ 59,007,817,464
School's net pension liability (as reported on June 30, 2017)			\$ 4,381,566

The average of the expected remaining service lives of all employees that are provided with pension benefits through the pension plan (active and inactive employees) is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014, respectively.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pensions and Annuity Fund (TPAF)

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

The State's proportionate share of the TPAF net pension liability associated with the School as of June 30, 2017 was \$24,195,725. The School's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the School was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and charter schools, actuarially determined. At June 30, 2016, the State's proportionate share of the TPAF net pension liability associated with the School was .03075740%, which was an increase of .00348677 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized on-behalf pension expense and revenue in the government-wide financial statements of \$1,817,972 for contributions incurred by the State.

Actuarial Assumptions

The actuarial valuation used the following assumptions, applied to all periods included in the measurement.

Inflation rate	2.50%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Mortality Rates

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953-2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pensions and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation- Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	.50%	2.87%
Hedge Funds- Multi Strategy	5.00%	3.70%
Hedge Funds- Equity Hedge	3.75%	4.72%
Hedge Funds- Distressed	<u>3.75%</u>	3.49%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate of the most recent fiscal year.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pensions and Annuity Fund (TPAF) (Continued)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the School as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the School would be if it were calculated using a discount rate that is 1-percentage point lower (2.22%) or 1-percentage point higher (4.22%) than the current rate:

	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's proportionate share of the net pension liability associated with the School	\$ 28,895,103	\$ 24,195,725	20,358,077

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

Pension Plan Fiduciary Net Position

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

Additional Information

Collective deferred outflows of resources	\$ 17,581,004,496
Collective deferred inflows of resources	300,836,088
Collective net pension liability, nonemployer	78,666,367,052
School's proportion	0.03075740%

Collective pension expense for the plan measurement period ended June 30, 2016 is \$5,938,166,374.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees, which include those School employees who are eligible for pension coverage.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP)

Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 as a cost-sharing multiple employer defined contribution pension fund. The DCRP provides eligible members and their beneficiaries with a tax sheltered defined contribution retirement benefit, along with life insurance and disability coverage.

Supplemental Annuity Collective Trust Fund (SACT)

The State established and administers a SACT, which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

NOTE 10. POST RETIREMENT BENEFITS

State Plan

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.state.nj.us/treasury/pensions/pdf/financial/2016divisioncombined.pdf>.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11. DEFERRED COMPENSATION

The School offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by Valic, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 12. COMMITMENTS

Line of Credit

The School has a demand line of credit from a bank in the amount of \$200,000, for working capital purposes. The interest rate on the line is at the Wall Street Journal Prime Rate, payable monthly. The line of credit is collateralized by all personal property of the School. There were no borrowings outstanding against the line of credit at June 30, 2017. Borrowings during the year ended June 30, 2017, ranged for \$-0- to \$200,000, at interest rates that ranged from 3.75% to 4.25%.

Other Commitments

The School rents its facilities in Newark, NJ under one year operating leases from The North Ward Center, Inc., a related party not-for-profit organization. Rent expense for the year ended June 30, 2017, was \$1,229,000.

The School also had a fiscal service agreement with The North Ward Center, Inc. Fiscal service expense was \$96,000 for the year ended June 30, 2017. The School also had an agreement for 2017 with The North Ward Center, Inc. for \$35,000 to provide traffic control services. The School had a legal agreement for legal services with a law firm of approximately \$39,000 for the year ended June 30, 2017.

Future minimum commitment payments are as follows:

	Rent	Fiscal Services	Legal	Traffic Control	Total
June 30, 2018	\$ 1,279,000	\$ 96,000	\$ 39,000	\$ 35,000	\$ 1,449,000

The leases include rent for its Clifton Avenue School, playground and William Street School.

NOTE 13. 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.

Property, Liability, and Workers' Compensation Insurance

The School maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The School also participates, together with other school districts, in a joint insurance workers compensation trust (See Note 14).

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14. CONTINGENCIES

The School is involved in claims incidental to its operations. In the opinion of the administration, the ultimate resolution of these matters will not have a material effect on the financial position of the School, or will be covered under the School's insurance policies.

The School is a participant, together with other school districts, in a joint insurance workers' compensation trust. In the event that claims against the trust exceed annual revenues, the School would be obligated to contribute its ratable share of the losses to pay the liability.

NOTE 15. OTHER MATTERS

The School participates in federal awards and state financial assistance grant programs. Expenditures financed by such assistance are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local levy - charter school aid - local share	\$ 1,276,352	\$ 47,341	\$ 1,323,693	\$ 1,323,693	\$ -
Miscellaneous - donations		2,510	2,510	2,510	
Miscellaneous - rentals		700	700	700	
Total - local sources	1,276,352	50,551	1,326,903	1,326,903	
State sources:					
Special education categorical aid	131,306	(38,765)	92,541	92,541	
Adjustment aid	525,352	203,960	729,312	729,312	
Security Aid	243,192	(2,607)	240,585	240,585	
Equalization Aid	7,652,310	(142,699)	7,509,611	7,509,611	
On-behalf TPAF pension-post retirement medical contributions (non-budgeted)				296,023	296,023
On-behalf TPAF pension - normal (non-budgeted)				342,851	342,851
On-behalf TPAF pension - non-contributory insurance (non-budgeted)				12,422	12,422
On-behalf TPAF pension - long-term disability insurance (non-budgeted)				2,067	2,067
Reimbursed TPAF social security contributions (non-budgeted)				231,851	231,851
Total - state sources	8,552,160	19,889	8,572,049	9,457,263	885,214
Total revenues	9,828,512	70,440	9,898,952	10,784,166	885,214
EXPENDITURES:					
CURRENT EXPENSE:					
Instruction:					
Salaries of teachers	2,570,421	(317,592)	2,252,829	2,252,756	73
Other salaries for instruction	721,928	303,472	1,025,400	1,025,319	81
Other purchased services	44,000	118,100	162,100	162,033	67
General supplies	580,000	(214,600)	365,400	365,332	68
Textbooks	337,500	(81,000)	256,500	256,064	436
Total - instruction	4,253,849	(191,620)	4,062,229	4,061,504	725

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Administrative:					
Salaries - administration	\$ 406,037	\$ 3,000	\$ 409,037	\$ 409,007	\$ 30
Salaries of secretarial and clerical assistants	446,512	2,000	448,512	444,735	3,777
Unallocated benefits	1,253,365	274,805	1,528,170	1,436,841	91,329
Purchased professional and technical services	275,380	52,860	328,240	294,436	33,804
Other purchased services	10,000	(10,000)			
Communications and telephone	25,000	8,000	33,000	32,520	480
General supplies	162,000	33,500	195,500	195,324	176
Interest on current loans		2,000	2,000	1,188	812
Total administrative	2,578,294	366,165	2,944,459	2,814,051	130,408
Support services:					
Salaries of other professional staff	736,335	70,000	806,335	803,957	2,378
Purchased professional - educational services	210,000	22,000	232,000	231,684	316
Other purchased services	278,000	21,000	299,000	298,354	646
Rental of land and buildings other than lease purchase agreements	1,224,000	5,000	1,229,000	1,229,000	
Insurance	40,000	5,400	45,400	45,358	42
Supplies and materials	13,000		13,000	10,937	2,063
Transportation - other than to/from school	9,000		9,000	5,100	3,900
Energy (electricity)	237,000	(21,000)	216,000	215,990	10
Other objects	56,000		56,000	49,402	6,598
Total support services	2,803,335	102,400	2,905,735	2,889,782	15,953
On-behalf TPAF pension-post retirement medical contributions (non-budgeted)				296,023	(296,023)
On-behalf TPAF pension - normal (non-budgeted)				342,851	(342,851)
On-behalf TPAF pension - non-contributory insurance (non-budgeted)				12,422	(12,422)
On-behalf TPAF pension - long-term disability insurance (non-budgeted)				2,067	(2,067)
Reimbursed TPAF social security contributions (non-budgeted)				231,851	(231,851)
Total expenditures - current expense	9,635,478	276,945	9,912,423	10,650,551	(738,128)

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY:					
Instruction equipment	\$ 30,000	\$ (30,000)	\$ -	\$ -	\$ -
Non instructional equipment	<u>320,000</u>	<u>(290,000)</u>	<u>30,000</u>	<u>29,422</u>	<u>578</u>
Total capital outlay	<u>350,000</u>	<u>(320,000)</u>	<u>30,000</u>	<u>29,422</u>	<u>578</u>
Total expenditures	<u>9,985,478</u>	<u>(43,055)</u>	<u>9,942,423</u>	<u>10,679,973</u>	<u>(737,550)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(156,966)</u>	<u>113,495</u>	<u>(43,471)</u>	<u>104,193</u>	<u>147,664</u>
Fund balance - July 1	<u>838,450</u>		<u>838,450</u>	<u>838,450</u>	
Fund balance - June 30	<u>\$ 681,484</u>	<u>\$ 113,495</u>	<u>\$ 794,979</u>	<u>\$ 942,643</u>	<u>\$ 147,664</u>
Recapitulation of fund balance:					
Restricted fund balance:				\$ 75,000	
Charter school reserve				33,740	
Committed fund balance:				90,684	
Year-end encumbrances				<u>743,219</u>	
Assigned fund balance:					
Year-end encumbrances					
Unassigned fund balance				942,643	
Total fund balance					
Reconciliation to Governmental Funds Statements (GAAP):					
State aid payments not recognized on GAAP basis				-	
Fund balance per Governmental Funds (GAAP)				<u>\$ 942,643</u>	

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources	\$ -	\$ 12,600	\$ 12,600	\$ 10,098	\$ (2,502)
Federal sources	530,000	36,220	566,220	560,841	(5,379)
Total revenues	530,000	48,820	578,820	570,939	(7,881)
EXPENDITURES:					
Instruction:					
Salaries of teachers	241,000	7,593	248,593	243,214	5,379
Other salaries for instruction	209,000	26,603	235,603	235,603	
General supplies		6,127	6,127	4,701	1,426
Total instruction	450,000	40,323	490,323	483,518	6,805
Support services:					
Salaries of other professional staff	26,000	4,790	30,790	29,790	1,000
Personal services - employee benefits	54,000	3,703	57,703	57,627	76
Supplies and materials		4	4	4	
Total support services	80,000	8,497	88,497	87,421	1,076
Total expenditures/outflows	530,000	48,820	578,820	570,939	7,881
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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

**NOTES TO REQUIRED
SUPPLEMENTARY INFORMATION - Part II**

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2017

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 10,784,166	\$ 570,939
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized:		
Current year		
Prior year	_____	_____
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 10,784,166</u>	<u>\$ 570,939</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 10,679,973	\$ 570,939
Differences - budget to GAAP:		
Encumbrances for goods and services ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current year		
Prior year	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,679,973</u>	<u>\$ 570,939</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Schedule of the School's Proportionate Share of the Net Pension Liability
 Public Employees Retirement System
 Last Four Years *

	Fiscal Year Ended June 30,			
	2014	2015	2016	2017
School's proportion of the net pension liability (asset)	0.00599815%	0.00575001%	0.00601042%	0.00742540%
School's proportionate share of the net pension liability (asset)	<u>\$ 2,303,926</u>	<u>\$ 2,233,868</u>	<u>\$ 2,775,020</u>	<u>\$ 4,381,566</u>
School's covered - employee payroll	<u>\$ 803,082</u>	<u>\$ 849,075</u>	<u>\$ 925,548</u>	<u>\$ 1,100,895</u>
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	286.89%	263.09%	299.82%	398.00%
Plan fiduciary net position as a percentage of the total pension liability (local)	48.72%	52.08%	47.92%	40.14%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

Note - This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten year trend is compiled, the School will only present information for those years for which information is available.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Schedule of School Contributions
 Public Employees Retirement System
 Last Four Years

	Fiscal Year Ended June 30,			
	2014	2015	2016	2017
Contractually required contribution	\$ 90,831	\$ 98,360	\$ 106,280	\$ 133,014
Contributions in relation to the contractually required contribution	(90,831)	(98,360)	(106,280)	(133,014)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	<u>\$ 803,082</u>	<u>\$ 849,075</u>	<u>\$ 925,548</u>	<u>\$ 1,100,895</u>
Contributions as a percentage of covered- employee payroll	11.31%	11.58%	11.48%	12.08%

Note - This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten year trend is compiled, the School will only present information for those years for which information is available.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Schedule of the School's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity System
Last Four Years *
(Unaudited)

	Fiscal Year Ended June 30,			
	2014	2015	2016	2017
School's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%
State's proportion of the net pension liability (asset) associated to the School **	0.02337043%	0.02670881%	0.02727063%	0.03075740%
State's proportionate share of the net pension liability (asset) associated with the School **	<u>\$ 11,811,232</u>	<u>\$ 14,274,990</u>	<u>\$ 17,236,202</u>	<u>\$ 24,195,725</u>
School's covered - employee payroll	<u>\$ 2,493,375</u>	<u>\$ 3,079,579</u>	<u>\$ 3,128,921</u>	<u>\$ 2,901,438</u>
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll **	473.07%	463.54%	550.87%	833.92%
Plan fiduciary net position as a percentage of the total pension liability (local)	33.76%	33.64%	28.71%	22.33%

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

** TPAF is a special funding situation defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the School (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the School.

Note - This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten year trend is compiled, the School will only present information for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
PART III**

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Notes to Required Supplementary Information - Part III
Schedule of the School's Proportionate Share of the Net Pension Liability
and Schedule of School Contributions
For the Fiscal Year Ended June 30, 2017

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

For 2016, the discount rate changed to 3.22%, and the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Special Revenue Fund
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2017

	Future Ready NJ Competitive	(Exhibit E-1a) E.S.E.A.	I.D.E.A. Part B - Basic	I.D.E.A. Part B - Preschool	Totals
REVENUES:					
State sources	\$ 10,098	\$ -	\$ -	\$ -	\$ 10,098
Federal sources		435,049	123,432	2,360	560,841
Total revenues	10,098	435,049	123,432	2,360	570,939
EXPENDITURES:					
Instruction:					
Salaries of teachers	2,880	227,374	12,960		243,214
Other salaries for instruction		176,263	59,340		235,603
General supplies	4,500	123	78		4,701
Total instruction	7,380	403,760	72,378		483,518
Support services:					
Salaries of other professional staff	2,320		25,600	1,870	29,790
Personal services - employee benefits	398	31,289	25,454	486	57,627
Supplies and materials				4	4
Total support services	2,718	31,289	51,054	2,360	87,421
Total expenditures	\$ 10,098	\$ 435,049	\$ 123,432	\$ 2,360	\$ 570,939

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Special Revenue Fund
 E.S.E.A.

Combining Schedule of Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2017

	Title I Part A Current Year	Title II Part A Current Year	Totals
REVENUES:			
Federal sources	\$ 421,521	\$ 13,528	\$ 435,049
EXPENDITURES:			
Instruction:			
Salaries of teachers	227,374		227,374
Other salaries for instruction	164,082	12,181	176,263
General supplies	119	4	123
Total instruction	391,575	12,185	403,760
Support services:			
Personal services - employee benefits	29,946	1,343	31,289
Total support services	29,946	1,343	31,289
Total expenditures	\$ 421,521	\$ 13,528	\$ 435,049

CAPITAL PROJECTS FUND DETAIL STATEMENTS

The Capital Projects Fund is used to account for the acquisition and construction of major facilities and equipment purchases other than those financed by Proprietary Funds.

At June 30, 2017, there was no Capital Projects Fund.

PROPRIETARY FUNDS DETAIL STATEMENTS

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

FOOD SERVICE FUND

This Fund provides for the operation of food services for the School.

BEFORE AND AFTER SCHOOL CARE FUND

This Fund provides for the operation of before and after care services for the School.

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

FIDUCIARY FUNDS DETAIL STATEMENTS

Agency Funds are used to account for assets when the School is functioning either as a trustee or as an agent for another party.

The School did not have any fiduciary funds.

LONG-TERM DEBT SCHEDULES

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School. This includes mortgage obligations outstanding and obligations under capital leases.

At June 30, 2017, there were no Long-Term Debt Schedules.

The School did not have any mortgages payable or obligations under capital leases.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC. STATISTICAL SECTION (UNAUDITED)

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the School's financial performance and well being have changed over time.	65 - 69
Revenue Capacity	
These schedules contain information to help the reader assess the School's most significant local revenue source, the property tax.	N/A
Debt Capacity	
These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.	N/A
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place.	N/A
Operating Information	
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.	70 - 76

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Net Position by Component
 Last Ten Years
(accrual basis of accounting)
 Unaudited

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Investment in capital assets	\$ 117,171	\$ 311,519	\$ 525,305	\$ 524,233	\$ 464,870	\$ 564,771	\$ 600,515	\$ 458,226	\$ 336,608	\$ 222,412
Restricted				75,000			75,000	75,000	75,000	75,000
Unrestricted (deficit)	306,594	215,524	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,639,838)	(1,920,095)
Total governmental activities net position	423,765	527,043	929,873	835,917	897,291	1,078,949	1,099,583	(1,055,838)	(1,228,230)	(1,622,683)
Business-type activities:										
Investment in capital assets				8,458	6,041	4,315	3,082	2,201	1,320	117,789
Unrestricted				8,458	6,041	4,315	3,082	2,201	87,843	46,052
Total business-type activities net position				8,458	6,041	4,315	3,082	2,201	89,163	163,841
School wide:										
Investment in capital assets	117,171	311,519	525,305	532,691	470,911	569,086	603,597	460,427	337,928	340,201
Restricted				75,000			75,000	75,000	75,000	75,000
Unrestricted (deficit)	306,594	215,524	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,551,995)	(1,874,043)
Total School net position	\$ 423,765	\$ 527,043	\$ 929,873	\$ 844,375	\$ 903,332	\$ 1,083,264	\$ 1,102,665	\$ (1,053,637)	\$ (1,139,067)	\$ (1,458,842)

Source: Robert Treat Academy Charter School, Inc.'s records.

Notes: For the fiscal year ended June 30, 2015, the School adopted GASB No.'s 68 and 71, which require the School to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Changes in Net Position
 Last Ten Years
 (accrual / basis of accounting)
 Unaudited

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
Instruction	\$ 2,964,052	\$ 3,347,212	\$ 4,152,934	\$ 4,115,507	\$ 4,364,149	\$ 4,922,483	\$ 5,315,182	\$ 6,028,461	\$ 6,272,638	\$ 7,199,835
Administrative	615,325	654,853	819,613	1,084,527	831,872	964,745	991,462	1,593,117	1,875,598	2,033,720
Support services	1,904,530	2,128,842	2,592,178	2,503,538	3,149,220	3,045,008	3,490,033	2,927,008	3,168,237	3,536,994
Unallocated depreciation	76,368	57,007	77,393	94,534	96,456	123,372	160,619	149,989	152,017	143,618
Total governmental activities expenses	\$ 5,560,275	\$ 6,187,914	\$ 7,642,118	\$ 7,798,106	\$ 8,441,697	\$ 9,055,608	\$ 9,957,296	\$ 10,698,575	\$ 11,468,490	\$ 12,914,167
Business-type activities:										
Food service	165,448	189,538	232,176	257,501	301,627	266,350	238,504	249,005	383,723	446,254
Before and after care	143,912	136,154	159,314	125,374	164,330	157,277	202,143	218,557	213,170	218,576
Total business-type activities expense	\$ 309,360	\$ 325,692	\$ 391,490	\$ 382,875	\$ 465,957	\$ 423,627	\$ 440,647	\$ 467,562	\$ 596,893	\$ 664,830
Total school expenses	\$ 5,869,635	\$ 6,513,606	\$ 8,033,608	\$ 8,180,981	\$ 8,907,654	\$ 9,479,235	\$ 10,397,943	\$ 11,166,137	\$ 12,065,383	\$ 13,578,997
Program revenues:										
Governmental activities:										
Charges for services:										
Operating grants and contributions	\$ 734,794	\$ 640,488	\$ 916,617	\$ 695,490	\$ 804,915	\$ 929,396	\$ 980,304	\$ 1,559,587	\$ 1,898,605	\$ 2,620,762
Total governmental activities program revenues	\$ 734,794	\$ 640,488	\$ 916,617	\$ 695,490	\$ 804,915	\$ 929,396	\$ 980,304	\$ 1,559,587	\$ 1,898,605	\$ 2,620,762
Business-type activities:										
Charges for services:										
Food service	22,133	31,581	42,101	62,159	37,532	25,795	21,808	25,070	85,999	103,073
Operating grants and contributions	143,279	157,957	190,075	193,932	222,573	207,934	209,392	218,750	384,686	417,859
Before and after care	144,067	136,154	159,314	125,374	164,330	157,277	202,143	218,557	213,170	218,576
Total business type activities program revenues	\$ 309,479	\$ 325,692	\$ 391,490	\$ 381,465	\$ 424,435	\$ 391,006	\$ 433,343	\$ 462,377	\$ 683,855	\$ 739,508
Total school program revenues	\$ 1,044,273	\$ 966,180	\$ 1,308,107	\$ 1,076,955	\$ 1,229,350	\$ 1,320,402	\$ 1,413,647	\$ 2,021,964	\$ 2,582,460	\$ 3,360,270
Net (expense)/revenue:										
Governmental activities	\$ (4,825,481)	\$ (5,547,426)	\$ (6,725,501)	\$ (7,102,616)	\$ (7,736,782)	\$ (8,125,213)	\$ (8,976,992)	\$ (9,138,988)	\$ (9,569,885)	\$ (10,293,405)
Business-type activities	119		8,458		(41,522)	(32,621)	(7,304)	(5,185)	86,962	74,678
Total school-wide net expense	\$ (4,825,362)	\$ (5,547,426)	\$ (6,725,501)	\$ (7,094,158)	\$ (7,778,304)	\$ (8,157,834)	\$ (8,984,296)	\$ (9,144,173)	\$ (9,482,923)	\$ (10,218,727)

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.

Changes in Net Position
Last Ten Years
(accrual / basis of accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position:										
Governmental activities:										
Property taxes levied for:										
General purposes	\$ 1,053,014	\$ 753,578	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255	\$ 1,323,693
Unrestricted grants and contributions	3,808,729	4,895,063	5,739,439	5,935,939	6,637,804	7,108,175	7,716,559	8,016,584	8,113,292	8,572,049
Investment earnings	1,153	13								
Miscellaneous income	942	2,050	551,296	208,358	253,795	167,412	102,000	33,722	10,946	3,210
Transfers						(70,000)	(6,071)	(4,304)		
Total governmental activities	4,863,838	5,650,704	7,128,331	7,008,660	7,837,261	8,267,766	8,997,626	9,287,493	9,397,493	9,898,952
Business-type activities:										
Transfers						70,000	6,071	4,304		
Total business-type activities						70,000	6,071	4,304		
Total school-wide	\$ 4,863,838	\$ 5,650,704	\$ 7,128,331	\$ 7,008,660	\$ 7,837,261	\$ 8,337,766	\$ 9,003,697	\$ 9,291,797	\$ 9,397,493	\$ 9,898,952
Change in net position:										
Governmental activities	\$ 38,357	\$ 103,278	\$ 402,830	\$ (93,956)	\$ 100,479	\$ 142,553	\$ 20,634	\$ 148,505	\$ (172,392)	\$ (394,453)
Business-type activities	119			8,458	(41,522)	37,379	(1,233)	(881)	86,962	74,678
Total school	\$ 38,476	\$ 103,278	\$ 402,830	\$ (85,498)	\$ 58,957	\$ 179,932	\$ 19,401	\$ 147,624	\$ (85,430)	\$ (319,775)

Source: Robert Treat Academy Charter School, Inc.'s records.

Notes: For the fiscal year ended June 30, 2015, the School adopted GASB No. 68 and 71, which require the School to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund:										
Reserved	\$ 33,000	\$ 33,500	\$ 33,500	\$ -	\$ -	\$ -	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Unreserved	273,594	182,024	371,068				33,500	41,900	30,380	33,740
Restricted:										
Charter school reserve				33,500	33,500	33,500	75,000	75,000	75,000	75,000
Committed										
Assigned				278,184	438,026	480,678	390,568	57,502	66,481	90,684
Unassigned								628,231	666,589	743,219
Total general fund	\$ 306,594	\$ 215,524	\$ 404,568	\$ 311,684	\$ 471,526	\$ 514,178	\$ 499,068	\$ 802,633	\$ 838,450	\$ 942,643

68 Source: Robert Treat Academy Charter School, Inc.'s records.

Note: In accordance with GASB 54, effective for the fiscal year ended June 30, 2011, the description and terminology utilized to identify fund balance was changed.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Changes in Fund Balances, Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)
 Unaudited

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Tax levy	\$ 1,053,014	\$ 753,578	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255	\$ 1,323,693
Miscellaneous	2,095	8,263	551,296	208,358	253,795	167,412	102,000	33,722	10,946	3,210
State sources	4,131,167	5,192,305	6,086,670	6,273,154	7,076,161	7,646,726	8,254,515	8,630,315	8,947,427	9,467,361
Federal sources	412,356	337,046	569,386	358,275	366,558	390,845	442,348	559,215	551,523	560,841
Total revenue	5,598,632	6,291,192	8,044,948	7,704,150	8,642,176	9,267,162	9,984,001	10,464,743	10,783,151	11,355,105
Expenditures:										
Instruction	2,489,598	2,749,722	3,426,593	3,353,996	3,490,811	3,928,425	4,264,031	4,545,985	4,415,022	4,545,022
Administrative	1,362,469	1,395,019	1,686,452	2,001,355	1,943,350	2,166,669	2,267,831	2,977,387	3,518,881	3,756,892
Support services	1,801,840	1,986,166	2,451,680	2,348,221	3,011,080	2,837,142	3,264,815	2,625,802	2,783,032	2,919,576
Capital outlay	17,975	251,355	291,179	93,462	37,093	222,274	196,363	7,700	30,399	29,422
Total expenditures	5,671,882	6,382,262	7,855,904	7,797,034	8,482,334	9,154,510	9,993,040	10,156,874	10,747,334	11,250,912
Excess (deficiency) of revenues over (under) expenditures	(73,250)	(91,070)	189,044	(92,884)	159,842	112,652	(9,039)	307,869	35,817	104,193
Other financing sources (uses):										
Transfers out						(70,000)	(6,071)	(4,304)		
Total other financing sources (uses)						(70,000)	(6,071)	(4,304)		
Net change in fund balances	\$ (73,250)	\$ (91,070)	\$ 189,044	\$ (92,884)	\$ 159,842	\$ 42,652	\$ (15,110)	\$ 303,565	\$ 35,817	\$ 104,193
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Robert Treat Academy Charter School, Inc.'s records.

Notes: Noncapital expenditures are total expenditures less capital outlay.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Full-time Equivalent Charter School Employees by Function/Program
Last Ten Years
Unaudited

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Employees										
Certified	42	41	49	55	58	60	63	65	61	64
Other	34	31	33	35	35	37	36	36	45	45
Total	<u>76</u>	<u>72</u>	<u>82</u>	<u>90</u>	<u>93</u>	<u>97</u>	<u>99</u>	<u>101</u>	<u>106</u>	<u>109</u>

Source: Robert Treat Academy Charter School, Inc.'s personnel records

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Operating Statistics
Last Ten Years
Unaudited

Fiscal Year Ended June 30	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Average Daily Enrollment (ADE) b	Average Daily Attendance (ADA) b	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	\$ 5,653,907	\$ 12,592.22	4.19%	449.0	434	-0.18%	96.7%
2009	6,130,907	13,627.27	8.22%	449.9	434	0.20%	96.5%
2010	7,564,725	15,132.48	11.05%	499.9	483	11.11%	96.6%
2011	7,703,572	14,698.67	-2.87%	524.1	507	4.84%	96.7%
2012	8,445,241	15,343.82	4.39%	550.4	530	5.02%	96.3%
2013	8,932,236	15,593.99	1.63%	572.8	549	4.07%	95.8%
2014	9,796,677	16,344.14	4.81%	599.4	573	4.64%	95.6%
2015	10,149,174	16,236.08	-0.66%	625.1	600	4.29%	96.0%
2016	10,716,935	16,485.06	1.53%	650.1	626	4.00%	96.3%
2017	11,221,490	16,465.87	-0.12%	681.5	653	4.83%	95.8%

Source: Robert Treat Academy Charter School, Inc.'s records.

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

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Operating Statistics (Continued)
 Last Ten Years
 Teacher/Student Ratio
 Unaudited

Fiscal Year Ended June 30,	Kindergarten	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2008	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.75
2009	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.75
2010	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2011	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2012	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2013	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2014	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2015	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2016	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2017	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5

Source: Robert Treat Academy Charter School, Inc.'s records.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
School Building Information
Last Ten Years
Unaudited

Robert Treat Academy Charter School, Inc. rents 49,896 square feet of space and 21,000 square feet of space in school buildings from the North Ward Center, Inc. at 443 Clifton Avenue and 180 William Street, respectively.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Schedule of Required Maintenance Expenditures by School Facilities
 Last Ten Years
 Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx

* School Facilities
 School # (s)

Fiscal Year Ended June 30,	North	Central	Total
2008	\$ 87,163	\$ -	\$ 87,163
2009	77,251		77,251
2010	90,474	34,386	124,860
2011	103,082	21,778	124,860
2012	366,137	36,657	402,794
2013	94,258	52,810	147,068
2014	183,324	53,499	236,823
2015	131,752	51,667	183,419
2016	119,746	53,221	172,967
2017	138,208	115,733	253,941
Total School Facilities	\$ <u>1,391,395</u>	\$ <u>419,751</u>	\$ <u>1,811,146</u>

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Robert Treat Academy Charter School, Inc.'s records.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Insurance Schedule
June 30, 2017
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Commercial Property and General Liability - New Jersey Schools Insurance Group:		
Personal Property/Fire Damage	\$ 1,258,716	\$ 1,000
General Liability:		
Bodily Injury and Property Damage Occurrence	11,000,000	
Products and Completed Operations Annual Aggregate	11,000,000	
Personal and Advertising Inquiry Occurrence/Aggregate	11,000,000	
Employee Benefits Liability	11,000,000	1,000
Business Auto	11,000,000	1,000
Commercial Inland Marine/Blanket Hardware and Software	150,000	1,000
Boiler and Machinery	100,000,000	1,000
Environmental Liability	1,000,000	
Crime:		
Employee Dishonesty	250,000	1,000
Theft - Loss of Money and Securities - On and Off Premises	1,000	
School District Legal Liability - New Jersey Schools Insurance Group		
Coverage A	11,000,000	5,000
Workers Compensation - New Jersey Schools Insurance Group:		
Statutory:		
Each Accident	2,000,000	
Disease - Policy Limit/Employee	2,000,000	
Compulsory Student Accident - Berkley Life and Health Insurance Company	1,000,000	
Catastrophic Student Accident - United States Fire Insurance Company	500,000	

Source: Robert Treat Academy Charter School, Inc.'s records.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Charter School Performance Framework
 Financial Performance, Fiscal Ratios
 Unaudited

	2015 Audit	2016 Audit	2017 Audit	Source
Cash	1,223,307	1,586,049	1,418,981	Audit: Exhibit A-1
Current Assets	370,272	270,669	441,208	Audit: Exhibit A-1
Total Assets	2,129,006	2,269,646	2,275,390	Audit: Exhibit A-1
Current Liabilities	972,226	1,136,853	1,125,752	Audit: Exhibit A-1
Total Liabilities	972,226	1,136,853	1,125,752	Audit: Exhibit A-1 ***
Net Position	(1,053,637)	(1,139,067)	(1,458,842)	Audit: Exhibit A-1
Total Revenue	11,313,761	11,979,953	13,259,222	Audit: Exhibit A-2
Total Expenses	11,166,137	12,065,383	13,578,997	Audit: Exhibit A-2
Change in Net Position	147,624	(85,430)	(319,775)	Audit: Exhibit A-2
Depreciation Expense	149,989	152,017	143,618	Financial Statements/Audit Workpapers
Interest Expense	-	-	1,188	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	1,188	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	625.10	650.10	681.50	DOE Enrollment Reports
March 30th Budgeted Enrollment	625	650	675	Charter School Budget

Near Term Indicators	2015	2016	2017	3 YR CUM	Source:
1a. Current Ratio	1.64	1.63	1.65	1.64	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	39.99	47.98	38.14	42.04	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	101%	100%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	No	No	No		Audit
Sustainability Indicators					
2a. Total Margin	1.30%	-0.71%	-2.41%	-0.705%	Change in Net Assets/Total Revenue
2b. Debt to Asset	45.67%	50.09%	49.48%	0.48	Total Liabilities/Total Assets
2c.** Cash Flow	719,639	362,742	(167,068)	305,104	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	-	-	-	-	(Change in Net Assets + Depreciation + Interest Expense)/(Principal & Interest Payments)

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2017 = 2017 Cash - 2016 Cash; Cash 2016 = 2016 Cash - 2015 Cash; 2015 = 2015 Cash - 2014 Cash
 *** Total Liabilities without Net Pension Liability

SINGLE AUDIT SECTION

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

The Honorable President and
Members of the Board of Trustees
Robert Treat Academy Charter School, Inc.
County of Essex
Newark, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Robert Treat Academy Charter School, Inc., in the County of Essex, 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 Robert Treat Academy Charter School, Inc.'s basic financial statements, and have issued our report dated December 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Robert Treat Academy Charter School, 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 Robert Treat Academy Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Robert Treat Academy Charter School, 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 Robert Treat Academy Charter School, 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 audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that we report to the Board of Trustees of Robert Treat Academy Charter School, Inc. in a separate report entitled *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated December 1, 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 results of that testing, and not to provide an opinion on the effectiveness of Robert Treat Academy Charter School, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Robert Treat Academy Charter School, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smolin, Lupin & Co., P.A.
Certified Public Accountants



Susan T. White
Public School Accountant
License #20CS00119300

Fairfield, New Jersey
December 1, 2017

**INDEPENDENT AUDITOR'S 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'S CIRCULAR 15-08**

The Honorable President and
Members of the Board of Trustees
Robert Treat Academy Charter School, Inc.
County of Essex
Newark, New Jersey

Report on Compliance for each Major Federal and State Program

We have audited Robert Treat Academy Charter School, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of Robert Treat Academy Charter School, Inc.'s major federal and state programs for the year ended June 30, 2017. Robert Treat Academy Charter School, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Robert Treat Academy Charter School, 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* (Uniform Guidance); and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB's Circular 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 or state program occurred. An audit includes examining, on a test basis, evidence about Robert Treat Academy Charter School, 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 opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Robert Treat Academy Charter School, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, Robert Treat Academy Charter School, Inc., in the County of Essex, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Robert Treat Academy Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Robert Treat Academy Charter School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's Circular 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 Robert Treat Academy Charter School, 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Smolin, Lupin & Co., P.A.

Smolin, Lupin & Co., P.A.
Certified Public Accountants

Susan T. White

Susan T. White
Public School Accountant
License #20CS00119300

Fairfield, New Jersey
December 1, 2017

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From/To	Balance at June 30, 2016	Carryover/ Walkover Amount	Cash Received	Total Budgetary Expenditures	Adjust- ments	Repayment of Prior Years' Balances	Accounts Receivable	June 30, 2017 Deferred Revenue	Due to Grantor
U.S. Department of Agriculture														
Passed-through State Department of Agriculture:														
Enterprise Fund:														
Child Nutrition Cluster:														
School Breakfast Program	10.553	171NJ304N1099	17-007730	\$ 39,023	7/1/16 - 6/30/17	\$ -	\$ -	\$ 32,400	\$ (39,023)	\$ -	\$ -	\$ (6,623)	\$ -	\$ -
School Breakfast Program	10.553	16161NJ304N1099	16-007730	36,409	7/1/15 - 6/30/16	(2,713)	2,713	222,809	(270,507)			(47,698)		
National School Lunch Program	10.555	171NJ304N1099	17-007730	270,507	7/1/16 - 6/30/17	(19,808)	19,808	19,808	(17,029)			(15,355)		
National School Lunch Program	10.555	16161NJ304N1099	16-007730	254,683	7/1/15 - 6/30/16	(7,157)	7,157	70,666	(86,021)			(69,676)		
Non-Cash Assistance Food Distribution	10.555	171NJ304N1099	17-007730	17,029	7/1/16 - 6/30/17	(29,678)		372,582	(412,580)			(69,676)		
After School Snack Program	10.555	171NJ304N1099	17-007730	86,021	7/1/16 - 6/30/17	(29,678)		372,582	(412,580)			(69,676)		
After School Snack Program	10.555	16161NJ304N1099	16-007730	88,449	7/1/15 - 6/30/16									
Total Child Nutrition Cluster														
Total Enterprise Fund														
U.S. Department of Education														
Passed-through State Department of Education:														
Special Revenue Fund:														
I.D.E.A. Part B Special Education Cluster:														
I.D.E.A. Part B: Current Year	84.027	H027A160100	IDEA-7730-17	123,432	7/1/16 - 6/30/17			72,729	(123,432)			(60,703)		
I.D.E.A. Part B - Preschool: Current Year	84.173	H173A160114	IDEA-7730-17	2,360	7/1/16 - 6/30/17			1,393	(2,360)			(967)		
Total I.D.E.A. Part B Special Education Cluster								74,122	(125,792)			(61,670)		
E.S.E.A. Title I Part A, Improving Basic Programs:														
Current Year	84.010	S010A160030	NCLB-7730-17	421,521	7/1/16 - 6/30/17		30,764	215,567	(421,521)			(175,190)		
Prior Year	84.010A	S010A150030	NCLB-7730-16	384,352	7/1/15 - 6/30/16		(30,764)	30,764						
Current Year	84.367A	S367A160029	NCLB-7730-17	18,907	7/1/16 - 6/30/17			320,453	(560,841)			(240,388)		
Total Special Revenue Fund								693,035	(973,421)			(310,064)		
Total Federal Awards														

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	As of June 30, 2016			Balance at June 30, 2017			MEMO																									
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/Walkover Amount	GAAP Cash Received	Budgetary Expenditures	Adjustments/Reversal of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures																					
General Fund:																																			
State Department of Education																																			
State Aid - Public Cluster:																																			
Equalization Aid - State Share	17-495-034-5120-078	7,509,611	7/1/16 - 6/30/17	\$ -	\$ -	\$ -	7,536,323	(7,509,611)	\$ -	\$ -	(29,016)	\$ 55,728	\$ 29,016	\$ 7,509,611																					
Special Education - State Share	16-495-034-5120-078	7,676,316	7/1/16 - 6/30/16	58,194			83,228	(92,541)				687		92,541																					
Special Education Categorical Aid	17-495-034-5120-089	113,569	7/1/16 - 6/30/16	861			241,397	(240,585)			(973)	1,785	973	240,585																					
Security Aid	17-495-034-5120-084	240,585	7/1/16 - 6/30/17	2,452				(2,452)																											
Security Aid	16-495-034-5120-084	323,407	7/1/16 - 6/30/16																																
Adjustment Aid	17-495-034-5120-085	729,312	7/1/16 - 6/30/17											729,312																					
Total State Aid - Public Cluster																																			
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	231,851	7/1/16 - 6/30/17				178,860	(231,851)			(52,991)		52,991	231,851																					
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	222,430	7/1/16 - 6/30/16	(25,397)			25,397	(12,422)						12,422																					
TPAF Pension - Non-contributory Insurance	17-495-034-5094-004	12,422	7/1/16 - 6/30/17				2,067	(2,067)						342,851																					
TPAF Pension - Long-Term Disability Insurance	17-495-034-5094-004	2,067	7/1/16 - 6/30/17				342,851	(342,851)						296,023																					
TPAF Pension - Normal	17-495-034-5094-002	342,851	7/1/16 - 6/30/17				296,023	(296,023)																											
TPAF Pension - Post-retirement Medical Contributions	17-495-034-5094-001	296,023	7/1/16 - 6/30/17																																
Total General Fund																																			
Special Revenue Fund:																																			
State Department of Education																																			
Passed-through University Heights Charter School:	16E 00118-7730	84,827	3/1/16 - 8/31/16	(72,227)			82,325	(10,098)						10,098																					
Future Ready NJ Competitive Grant				(72,227)			82,325	(10,098)						10,098																					
Total Special Revenue Fund																																			
State Department of Agriculture:																																			
Enterprise Fund:																																			
National School Lunch Program (State Share)	17-100-010-3350-023	5,279	7/1/16 - 6/30/17				4,339	(5,279)			(940)		940	5,279																					
National School Lunch Program (State Share)	16-100-010-3350-023	5,145	7/1/16 - 6/30/16	(399)			399	(5,279)																											
Total Enterprise Fund																																			
Total State Financial Assistance																																			
State Financial Assistance																																			
Not Subject to Single Audit Determination:																																			
General Fund:																																			
TPAF Pension - Non-contributory Insurance	17-495-034-5094-004	12,422	7/1/16 - 6/30/17				(12,422)	12,422						(12,422)																					
TPAF Pension - Long-Term Disability Insurance	17-495-034-5094-004	2,067	7/1/16 - 6/30/17				(2,067)	2,067						(342,851)																					
TPAF Pension - Normal	17-495-034-5094-002	342,851	7/1/16 - 6/30/17				(342,851)	342,851						(296,023)																					
TPAF Pension - Post-retirement Medical Contributions	17-495-034-5094-001	296,023	7/1/16 - 6/30/17				(296,023)	296,023																											
Total State Financial Assistance																																			
<table border="0" style="width:100%"> <tr> <td style="width:50%">\$ (98,023)</td> <td style="width:50%">\$ 61,507</td> <td style="width:50%">\$ -</td> <td style="width:50%">\$ 8,162,268</td> <td style="width:50%">\$ (8,819,277)</td> <td style="width:50%">\$ (61,507)</td> <td style="width:50%">\$ (83,920)</td> <td style="width:50%">\$ 58,200</td> <td style="width:50%">\$ -</td> <td style="width:50%">\$ 83,920</td> <td style="width:50%">\$ 8,819,277</td> </tr> <tr> <td colspan="11"></td> <td style="text-align:right">8,819,277</td> </tr> </table>													\$ (98,023)	\$ 61,507	\$ -	\$ 8,162,268	\$ (8,819,277)	\$ (61,507)	\$ (83,920)	\$ 58,200	\$ -	\$ 83,920	\$ 8,819,277												8,819,277
\$ (98,023)	\$ 61,507	\$ -	\$ 8,162,268	\$ (8,819,277)	\$ (61,507)	\$ (83,920)	\$ 58,200	\$ -	\$ 83,920	\$ 8,819,277																									
											8,819,277																								

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the School's financial statements. 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* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedule on the modified accrual basis. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

There are no net adjustments to reconcile from the budgetary basis to the GAAP basis for the General Fund or Special Revenue Fund. See Exhibit C-3, Notes to Required Supplementary Information - Part II, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General Fund and Special Revenue Fund. Federal awards and state financial assistance revenues are reported in the School's financial statements on a GAAP basis as follows:

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS (continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 9,457,263	\$ 9,457,263
Special Revenue Fund	560,841	10,098	570,939
Food Service Fund	412,580	5,279	417,859
	<u> </u>	<u> </u>	<u> </u>
Total Federal Awards and State Financial Assistance - GAAP Basis	973,421	9,472,640	10,446,061
Less: TPAF Pension Contributions - Normal Costs, and Post Retirement Medical Contributions, Disability Insurance and Non-Contributory Insurance	<u>-</u>	<u>653,363</u>	<u>653,363</u>
Total Per Schedules of Expenditures of Federal Awards and State Financial Assistance	<u>\$ 973,421</u>	<u>\$ 8,819,277</u>	<u>\$ 9,792,698</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the School's fiscal year and grant program years.

NOTE 5. OTHER

The amount reported as TPAF Pension - Normal Costs, Post-Retirement Medical Contributions, Disability Insurance, and Non-Contributory Insurance, represents the amount paid by the state on behalf of the School for the year ended June 30, 2017. Reimbursed TPAF social security contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

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

On-behalf state programs for TPAF Pension Non-Contributory Insurance, Post-Retirement Medical Contributions, Disability Insurance, and Normal Costs are not subject to a state single audit and, therefore, are excluded from major program determination. The schedule of expenditures of state financial assistance provides a reconciliation of state financial assistance reported in the School's financial statements and the amount subject to state single audit and major program determination.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2017**

NOTE 7. DE MINIMIS INDIRECT COST RATE

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? Yes No
- 2) Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to basic financial statements noted? Yes No

Federal Awards Section

Internal control over major programs:

- 1) Material weakness(es) identified: Yes No
- 2) Significant deficiencies identified that are not considered to be material weaknesses: Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	171NJ304N1099	Child Nutrition Cluster: School Breakfast Program National School Lunch Program
10.555	171NJ304N1099	

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

Auditee qualified as low-risk auditee? Yes No

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION I - SUMMARY OF AUDITOR'S RESULTS: (continued)

State Financial Assistance

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

Internal control over major programs:

1) Material weakness(es) identified:

Yes No

2) Significant deficiencies identified that are
not considered to be material weaknesses:

Yes None Reported

Type of Auditor's report issued on compliance
for major programs

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with New Jersey
OMB's Circular 15-08?

Yes No

Identification of major programs:

State Grant/Project Numbers(s)

Name of State Program

17-495-034-5120-078
17-495-034-5120-089
17-495-034-5120-084
17-495-034-5120-085

State Aid Public Cluster:
Equalization Aid
Special Education Categorical Aid
Security Aid
Adjustment Aid

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION II - FINANCIAL STATEMENT FINDINGS:

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

There are none.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SECTION III - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS
AND QUESTIONED COSTS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal awards and state financial assistance programs, 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 New Jersey OMB's Circular 15-08.

Current Year Federal Awards

There are none.

Current Year State Financial Assistance

There are none.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior-year findings related to the basic financial statements and federal awards and state financial assistance that are required to be reported in accordance with Chapter 6.12 of *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 New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were no prior-year audit findings.