

# **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, 2018**

**Comprehensive Annual  
Financial Report  
of the**

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

**Newark, New Jersey**

**For the Fiscal Year Ended June 30, 2018**

**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](http://www.RobertTreatAcademy.org)



Marcelino Trillo  
 Vice Principal

Theresa Adubato  
 Principal

Paul Parada  
 Vice Principal

February 25, 2019

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, 2018, is hereby submitted. This CAFR includes the School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards 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.

**Reporting Entity and Its Services**

The School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board. 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.



## **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.

## **Major Initiatives**

Robert Treat Academy Charter School completed its twenty-first year of operation in June 2018.

Robert Treat Academy has two campuses. Our Stephen N. Aduvato campus located at 443 Clifton Avenue has an enrollment of 450 students. Our Jackie Robinson campus located at 180 William Street has an enrollment of 223 students. Total enrollment is 673 students.

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 a Robotics Club and recreation (boys' and girls' basketball, golf, swimming, tennis), and 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, the Parent Teacher Organization, an autonomous organization, sponsors a variety of events for teachers, parents and students. 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 (NJSLA 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.

In key 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 2018, our fourteenth 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 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.

The major educational challenge continues to be maintaining the academic achievement and growth of our students measured by the Partnership for Assessment of Readiness for College and Career (PARCC) now known as the New Jersey Student Learning Assessment (NJSLA) 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. Further, 'at risk' students are identified for inclusion in Title-1 services and other support services.

The overall long term goal for Academic Achievement set by the New Jersey Department of Education ESSA Accountability Profile is 80% of students achieving levels 4 or 5 in English Language Arts (ELA) and Mathematics by 2030. Each school is given targets based on previous year's performance until the long term goal of 80% is met. The Student Growth Percentile (SGP) standard is 40%-58.5% to meet target and 60% + to exceed target for all schools annually. In the 2017-2018 school year, Robert Treat Academy's target for Academic Achievement in ELA was 76.6%. Robert Treat Academy achieved a schoolwide proficiency of 83%. Target was met schoolwide and for all subgroups. The target for Mathematics was 77.2%. Robert Treat Academy achieved schoolwide proficiency of 78.2%. Target was met schoolwide and for all subgroups. The median SGP was met at 52% for ELA and 53% for mathematics.

The long term educational goal in ELA is to ensure instructional supports are in place for students to be successful readers and writers. In 2014, we introduced STEP (Strategic Teaching and Evaluation of Progress) along with strategic guided reading instruction. This initiative has proven effective in the targeted grades of Kindergarten through third. In 2017-2018, we introduced the Dynamic Indicators Basic Early Literacy Skills (DIBELS) and the Woodcock Johnson Reading Mastery Test. The DIBELS is given mid school year to all first graders. The Woodcock Johnson Reading Mastery Test is given to students who are 'flagged' for possible reading issues on the DIBELS and new students entering the Academy beyond 3<sup>rd</sup> grade.

The educational goal in mathematics is to eventually have the majority of our 8<sup>th</sup> grade students take Algebra 1 (usually taken freshman year in high school). Toward that goal we have leveled our 7<sup>th</sup> and 8<sup>th</sup> grade students. In our middle school grades we have grade level and advanced curriculum. In the 2017-2018 school year, twenty eight 8<sup>th</sup> grade students were placed in our Algebra 1 course and took Algebra 1 PARCC. Our 8<sup>th</sup> graders achieved 96.6% proficiency.

Small group targeted instruction continues to be the cornerstone of our instructional program. This is instruction based on data from a variety of sources. This data give teachers the information to personalize student learning, monitor their growth over time, and predict student proficiency on the NJSLA.

## **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. The internal control system 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 internal control system is in place to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. The internal control system is 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 the internal control system, 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.

## **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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as committed or assigned fund balance at fiscal year end.

## **Accounting System and Reports**

The School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board. The accounting system of the School is organized on the basis of funds. These funds are explained in "Notes to Financial Statements", Note 1.

## **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.

## **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.

**Other Information**

Independent Audit - State statutes require an annual audit by independent certified public accountants. The audit 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 Uniform Guidance 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.

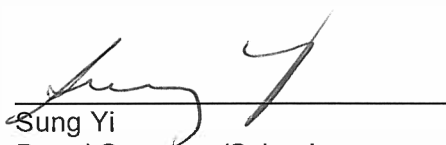
**Acknowledgements**

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,

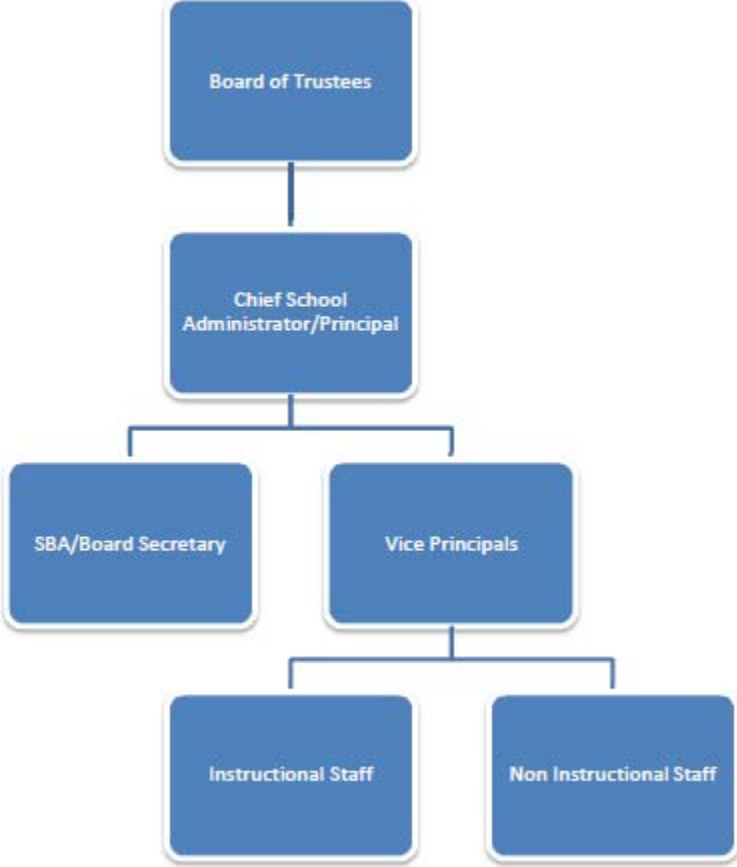


Theresa Aduvato  
Principal/Chief School  
Administrator



Sung Yi  
Board Secretary/School  
Business Administrator

**Robert Treat Academy Charter School  
2017-2018 Organizational Chart**



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
ROSTER OF OFFICIALS  
JUNE 30, 2018**

<b>Members of the Board of Trustees</b>	<b>Term Expires</b>
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 Clancy	Resigned February 15, 2018
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, 2018**

**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

**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, 2018, 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, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018, Robert Treat Academy Charter School, Inc. adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

### **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 and other postemployment benefits 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 as a whole.

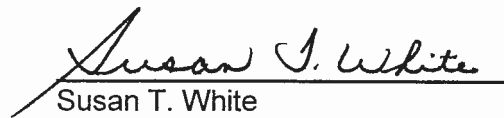
The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019 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  
February 25, 2019

**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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, 2018. 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 (2017-2018) and the prior fiscal year (2016-2017) is presented in the Management's Discussion and Analysis.

### **Financial Highlights**

Key financial highlights for 2018 are as follows:

- In total, net position of governmental activities decreased by \$496,138, which represents a 25.78% decrease from 2017. Net position of business-type activities increased by \$62,811.
- General revenues accounted for \$9,696,637 in revenue, or 67.70% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$4,625,386, or 32.30% of total revenues of \$14,322,023.
- Total assets of governmental activities increased by \$27,505, as cash decreased by \$789,855, receivables increased by \$579,055, other assets increased by \$6,625 and net capital assets increased by \$231,680.
- Among governmental funds, the General Fund had \$10,890,329 in revenues and \$11,221,998 in expenditures. The General Fund's fund balance decreased \$331,669 over 2017.
- Effective July 1, 2017, Robert Treat Academy Charter School, Inc. adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of this adoption, state source revenue and expenses for the year ended June 30, 2018, included an additional \$2,094,525 in state contributions for postemployment benefits. There was no effect on net position as of June 30, 2017.

### **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 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 look at all the School's funds. 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, 2018  
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 2018?" 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 services are provided on a charge for goods or services 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, 2018  
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.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Amount Change</b>	<b>% Change</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>		
<b>Assets:</b>								
Current and								
Other Assets	\$ 1,497,342	\$ 1,701,517	\$ 141,421	\$ 233,672	\$ 1,638,763	\$ 1,935,189	\$ (296,426)	-15.32%
Capital Assets	454,092	222,412	111,970	117,789	566,062	340,201	225,861	66.39%
<b>Total Assets</b>	<b>1,951,434</b>	<b>1,923,929</b>	<b>253,391</b>	<b>351,461</b>	<b>2,204,825</b>	<b>2,275,390</b>	<b>(70,565)</b>	<b>-3.10%</b>
<b>Deferred Outflows</b>	<b>2,264,509</b>	<b>1,785,700</b>			<b>2,264,509</b>	<b>1,785,700</b>	<b>478,809</b>	<b>26.81%</b>
<b>Liabilities:</b>								
Long-term								
Liabilities	4,365,134	4,381,566			4,365,134	4,381,566	(16,432)	-0.38%
Other Liabilities	1,084,483	938,132	26,739	187,620	1,111,222	1,125,752	(14,530)	-1.29%
<b>Total Liabilities</b>	<b>5,449,617</b>	<b>5,319,698</b>	<b>26,739</b>	<b>187,620</b>	<b>5,476,356</b>	<b>5,507,318</b>	<b>(30,962)</b>	<b>-0.56%</b>
<b>Deferred Inflows</b>	<b>885,147</b>	<b>12,614</b>			<b>885,147</b>	<b>12,614</b>	<b>872,533</b>	<b>6917.18%</b>
<b>Net Position:</b>								
Investment in								
Capital Assets	454,092	222,412	111,970	117,789	566,062	340,201	225,861	66.39%
Restricted	75,000	75,000			75,000	75,000	-	0.00%
Unrestricted								
- (deficit)	(2,647,913)	(1,920,095)	114,682	46,052	(2,533,231)	(1,874,043)	(659,188)	35.17%
<b>Total Net Position</b>	<b>\$ (2,118,821)</b>	<b>\$ (1,622,683)</b>	<b>\$ 226,652</b>	<b>\$ 163,841</b>	<b>\$ (1,892,169)</b>	<b>\$ (1,458,842)</b>	<b>\$ (433,327)</b>	<b>-29.70%</b>

The School's combined net position of \$(1,892,169) on June 30, 2018, results in a decrease of 29.70% from the prior year.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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 2018 and 2017.

<b>TABLE 2 CHANGES IN NET POSITION</b>				
	<b>2018</b>	<b>2017</b>	<b>Amount Change</b>	<b>% Change</b>
Revenues:				
Program Revenues:				
Charges for Services	\$ 388,514	\$ 321,649	\$ 66,865	20.79%
Operating Grants and Contributions	4,236,872	3,038,621	1,198,251	39.43%
General Revenues:				
Property Taxes	1,404,955	1,323,693	81,262	6.14%
Grants and Entitlements	8,286,189	8,572,049	(285,860)	-3.33%
Other	5,493	3,210	2,283	71.12%
<b>Total Revenues</b>	<b>14,322,023</b>	<b>13,259,222</b>	<b>1,062,801</b>	<b>8.02%</b>
Program Expenses:				
Instruction	7,863,199	7,199,835	663,364	9.21%
Administrative	2,087,608	2,033,720	53,888	2.65%
Support Services	3,963,836	3,536,994	426,842	12.07%
Unallocated depreciation	102,114	143,618	(41,504)	
Enterprise Fund	738,593	664,830	73,763	11.10%
<b>Total Expenses</b>	<b>14,755,350</b>	<b>13,578,997</b>	<b>1,176,353</b>	<b>8.66%</b>
<b>Decrease in Net Position</b>	<b>\$ (433,327)</b>	<b>\$ (319,775)</b>	<b>\$ (113,552)</b>	<b>-35.51%</b>

**Governmental Activities**

Local tax levy made up 10.39% of revenues for governmental activities for the School for fiscal year 2018, and 10.57% for fiscal year 2017. Local tax levy revenues increased by \$81,262, which is a 6.14% increase over the prior year. The School's total governmental activity revenues were \$13,520,619 for the year ended June 30, 2018.

**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, 2018:



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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 2016-17</u>	<u>Percent of Increase (Decrease)</u>
Tax Levy - Local Share	\$ 1,404,955	12.15 %	\$ 81,262	6.14 %
Local Levy - State Share	8,519,431	73.68	(52,618)	(0.61)
Local Sources - Miscellaneous	5,493	0.05	2,283	71.12
State Sources	960,450	8.31	65,138	7.28
Federal Sources	672,962	5.81	112,121	19.99
<b>Total</b>	<u>\$ 11,563,291</u>	<u>100.00 %</u>	<u>\$ 208,186</u>	1.83 %

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2018:

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

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2016-17</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Instruction	\$ 4,039,322	33.96 %	\$ (22,182)	(0.55) %
Undistributed Expenditures	6,848,882	57.58	259,835	3.94
Capital Outlay	333,794	2.81	304,372	1,034.50
Special Revenue	672,962	5.65	102,023	17.87
<b>Total</b>	<u>\$ 11,894,960</u>	<u>100.00 %</u>	<u>\$ 644,048</u>	5.72 %

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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 \$62,811.
- Before and After Care revenues equaled expenses.
- Charges for services represent \$388,514 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 \$412,890.

**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 \$11,563,291 and expenditures were \$11,894,960. The net decrease in fund balance for the year is \$(331,669).

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 \$644,048 over the prior year mostly due to increases in salaries, purchased professional educational services, employee benefits, and capital outlay projects. Expenditures exceeded revenues during the fiscal year, resulting in a decrease to fund balance. Federal grants increased by \$112,121.

**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 for changes within budgetary line items for changes in school-based needs for salaries, programs supplies, other purchased services and repairs and maintenance.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED (CONTINUED)**

**Capital Assets**

At the end of the fiscal year 2018, the School had \$566,062, net of depreciation, invested in equipment and improvements, which is an increase of \$231,680 in governmental activities and a decrease of \$5,819 in business-type activities from fiscal year 2017.

**Table 5  
Capital Assets (Net of Depreciation) at June 30,**

	2018	2017
Furniture and Equipment	\$ 201,282	\$ 263,139
Leasehold Improvements	364,780	77,062
Total	\$ 566,062	\$ 340,201

**Debt Administration**

At June 30, 2018, the School had a net pension liability of \$4,365,134 and no liability for compensated absences.

**For the Future**

The School is presently in good financial condition, routinely monitors the rules and regulations for federal legislation for its grants 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 Sung Yi, School Business Administrator/Board Secretary at 443 Clifton Avenue, Newark, New Jersey 07104.

## **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. Eliminations have been made to minimize the double-counting of internal 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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 466,070	\$ 80,448	\$ 546,518
Receivables, net	934,858	60,973	995,831
Other assets	21,414		21,414
Restricted assets:			
Restricted cash	75,000		75,000
Capital assets			
Being depreciated	<u>454,092</u>	<u>111,970</u>	<u>566,062</u>
Total assets	<u>1,951,434</u>	<u>253,391</u>	<u>2,204,825</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	<u>2,264,509</u>		<u>2,264,509</u>
Total deferred outflows of resources	<u>2,264,509</u>		<u>2,264,509</u>
<b>LIABILITIES</b>			
Accounts payable	480,304	26,739	507,043
Salaries and benefits payable	413,544		413,544
Payroll deductions and withholdings	67,459		67,459
Due to Robert Treat Academy Parent Council	1,407		1,407
Intergovernmental payable:			
State	102,258		102,258
Federal	19,511		19,511
Noncurrent liabilities:			
Due beyond one year:			
Net pension liability	<u>4,365,134</u>		<u>4,365,134</u>
Total liabilities	<u>5,449,617</u>	<u>26,739</u>	<u>5,476,356</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	<u>885,147</u>		<u>885,147</u>
<b>NET POSITION</b>			
Investment in capital assets	454,092	111,970	566,062
Restricted for:			
Charter school reserve	75,000		75,000
Unrestricted (deficit)	<u>(2,647,913)</u>	<u>114,682</u>	<u>(2,533,231)</u>
Total net position	<u>\$ (2,118,821)</u>	<u>\$ 226,652</u>	<u>\$ (1,892,169)</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, 2018

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
<b>Governmental activities:</b>								
Instruction	\$ 4,543,497	\$ 3,319,702	\$ -	2,703,626	\$ -	(5,159,573)	\$ -	(5,159,573)
Administrative	1,291,669	795,939		404,816		(1,682,792)		(1,682,792)
Support services	3,151,286	812,550		715,540		(3,248,296)		(3,248,296)
Unallocated depreciation	102,114					(102,114)		(102,114)
<b>Total governmental activities</b>	<b>9,088,566</b>	<b>4,928,191</b>		<b>3,823,982</b>		<b>(10,192,775)</b>		<b>(10,192,775)</b>
<b>Business-type activities:</b>								
Food services	445,070			412,890			62,811	62,811
Before and After Care	293,523							
<b>Total business-type activities</b>	<b>738,593</b>			<b>412,890</b>			<b>62,811</b>	<b>62,811</b>
<b>Total primary government</b>	<b>\$ 9,827,159</b>			<b>\$ 4,236,872</b>	<b>\$ -</b>	<b>(10,192,775)</b>	<b>62,811</b>	<b>(10,129,964)</b>
<b>General revenues:</b>								
Property taxes levied for general purposes, net						1,404,955		1,404,955
Federal and State aid not restricted						8,286,189		8,286,189
Miscellaneous income						5,493		5,493
<b>Total general revenues</b>						<b>9,696,637</b>		<b>9,696,637</b>
<b>Change in net position</b>						<b>(496,138)</b>	<b>62,811</b>	<b>(433,327)</b>
<b>Net position - beginning</b>						<b>(1,622,683)</b>	<b>163,841</b>	<b>(1,458,842)</b>
<b>Net position - ending</b>						<b>\$ (2,118,821)</b>	<b>\$ 226,652</b>	<b>\$ (1,892,169)</b>

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, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 466,070	\$ -	\$ 466,070
Restricted cash	75,000		75,000
Accounts receivable:			
State	154,300		154,300
Federal		672,962	672,962
Interfund	672,962		672,962
Other	107,596		107,596
Other Assets	21,414		21,414
<b>Total assets</b>	<b>\$ 1,497,342</b>	<b>\$ 672,962</b>	<b>\$ 2,170,304</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 282,189	\$ -	\$ 282,189
Salaries and benefits payable	413,544		413,544
Payroll deductions and withholdings	67,459		67,459
Due to Robert Treat Academy Parent Council	1,407		1,407
Intergovernmental payable:			
State	102,258		102,258
Other	19,511		19,511
Interfund payables		672,962	672,962
<b>Total liabilities</b>	<b>886,368</b>	<b>672,962</b>	<b>1,559,330</b>
Fund balances:			
Restricted for:			
Charter school reserve	75,000		75,000
Committed:			
Year-end encumbrances	36,900		36,900
Unassigned	499,074		499,074
<b>Total fund balances</b>	<b>610,974</b>		<b>610,974</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,497,342</b>	<b>\$ 672,962</b>	

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 \$1,877,132 and the accumulated depreciation is \$1,423,040.	454,092
Deferred outflows related to pensions.	2,264,509
Accounts payable related to the April 1, 2019 required PERS pension contribution that is not liquidated with current financial resources.	(198,115)
Deferred inflows related to pensions.	(885,147)
Net pension liability.	(4,365,134)
Net position of governmental activities	<b>\$ (2,118,821)</b>

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, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local sources:			
Local tax levy	\$ 1,404,955	\$ -	\$ 1,404,955
Miscellaneous	<u>5,493</u>		<u>5,493</u>
Total revenues - local sources	1,410,448		1,410,448
State sources	9,479,881		9,479,881
Federal sources		<u>672,962</u>	<u>672,962</u>
Total revenues	<u>10,890,329</u>	<u>672,962</u>	<u>11,563,291</u>
EXPENDITURES:			
Current expense:			
Instruction	4,039,322	504,175	4,543,497
Administrative	3,767,114	99,269	3,866,383
Support services	3,081,768	69,518	3,151,286
Capital outlay	<u>333,794</u>		<u>333,794</u>
Total expenditures	<u>11,221,998</u>	<u>672,962</u>	<u>11,894,960</u>
Net change in fund balances	(331,669)		(331,669)
Fund balances - July 1	<u>942,643</u>		<u>942,643</u>
Fund balances - June 30	<u>\$ 610,974</u>	<u>\$ -</u>	<u>\$ 610,974</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, 2018

Total net change in fund balances - governmental funds (from B-2) \$ (331,669)

Amounts reported for governmental activities in the Statement  
 of Activities (A-2) are different because:

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

Depreciation	\$	(102,114)	
Capital outlays		<u>333,794</u>	231,680

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.

(396,149)

Change in net position of governmental activities \$ (496,138)

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, 2018

	Business-Type Activities - Enterprise Funds		
	Food Services	Before and After Care	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 80,448	\$ -	\$ 80,448
Accounts receivable			
State	886		886
Federal	60,087		60,087
Total current assets	141,421		141,421
Noncurrent assets:			
Furniture, machinery and equipment	127,217		127,217
Less: accumulated depreciation	15,247		15,247
Total noncurrent assets	111,970		111,970
Total assets	253,391		253,391
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	26,739		26,739
Total current liabilities	26,739		26,739
<b>NET POSITION</b>			
Investment in capital assets	111,970		111,970
Unrestricted	114,682		114,682
Total net position	\$ 226,652	\$ -	\$ 226,652

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, 2018

	Business-Type Activities - Enterprise Funds		
	<u>Food Services</u>	<u>Before and After Care</u>	<u>Totals</u>
<b>OPERATING REVENUES:</b>			
Charges for services:			
Daily sales - reimbursable programs	\$ 75,438	\$ -	\$ 75,438
Daily sales - non-reimbursable programs	19,553		19,553
Service fees		<u>293,523</u>	<u>293,523</u>
Total operating revenues	<u>94,991</u>	<u>293,523</u>	<u>388,514</u>
<b>OPERATING EXPENSES:</b>			
Salaries	121,007	270,175	391,182
Payroll taxes	16,686	23,348	40,034
Employee benefits	11,751		11,751
Management and administrative fees	15,300		15,300
Supplies	3,510		3,510
Purchased professional services	3,069		3,069
Repairs	22,297		22,297
Miscellaneous	2,395		2,395
Depreciation	5,819		5,819
Cost of sales - reimbursable programs	223,743		223,743
Cost of sales - non-reimbursable programs	<u>19,493</u>		<u>19,493</u>
Total operating expenses	<u>445,070</u>	<u>293,523</u>	<u>738,593</u>
Operating loss	<u>(350,079)</u>		<u>(350,079)</u>
<b>Nonoperating revenues:</b>			
State sources:			
State School Lunch Program	5,448		5,448
Federal sources:			
School Breakfast Program	40,492		40,492
National School Lunch Program	268,540		268,540
After School Snack Program	71,829		71,829
Food Distribution Program	<u>26,581</u>		<u>26,581</u>
Total nonoperating revenues	<u>412,890</u>		<u>412,890</u>
Change in net position	62,811		62,811
Total net position - July 1	<u>163,841</u>		<u>163,841</u>
Total net position - June 30	<u>\$ 226,652</u>	<u>\$ -</u>	<u>\$ 226,652</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, 2018

	Business-type Activities - Enterprise Funds		
	<u>Food Services</u>	<u>Before and After Care</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers	\$ 94,991	\$ 293,523	\$ 388,514
Payments to employees	(121,007)	(270,175)	(391,182)
Payment for payroll taxes and employee benefits	(28,437)	(23,348)	(51,785)
Payments to suppliers	<u>(424,107)</u>	<u>                    </u>	<u>(424,107)</u>
Net cash used by operating activities	<u>(478,560)</u>	<u>                    </u>	<u>(478,560)</u>
Cash flows from noncapital financing activities:			
State sources	5,502		5,502
Federal sources	<u>390,450</u>	<u>                    </u>	<u>390,450</u>
Net cash provided by noncapital financing activities	<u>395,952</u>	<u>                    </u>	<u>395,952</u>
Net decrease in cash	(82,608)		(82,608)
Cash - July 1	<u>163,056</u>	<u>                    </u>	<u>163,056</u>
Cash - June 30	<u>\$ 80,448</u>	<u>\$ -</u>	<u>\$ 80,448</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ <u>(350,079)</u>	\$ <u>                    </u>	\$ <u>(350,079)</u>
Adjustments not affecting cash:			
Depreciation	5,819		5,819
Donated commodities received during the year	26,581		26,581
Change in assets and liabilities:			
Increase in accounts payable	<u>(160,881)</u>	<u>                    </u>	<u>(160,881)</u>
Total adjustments	<u>(128,481)</u>	<u>                    </u>	<u>(128,481)</u>
Net cash used by operating activities	<u>\$ (478,560)</u>	<u>\$ -</u>	<u>\$ (478,560)</u>

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, 2018**

**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. 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 purpose of the School is to educate students in grades K through 8.

The reporting entity is composed of the schools, component units, and other organizations that are included to ensure that the financial statements of the School are not misleading. The School consists of all funds, departments, boards and agencies that are not legally separate from the School. For Robert Treat Academy Charter School, Inc., this includes general operations, food service, before and after care, and student related activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; or (3) the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the School has no component units. Furthermore, the School is not includable in any other reporting entity as a component unit.

**B. Recent Accounting Standards:**

During fiscal year 2018, the School adopted the following GASB statements:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* - effective 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 provided by other entities.
- GASB No. 85, *Omnibus 2017* - 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.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Recent Accounting Standards (Continued):**

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

- 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.
- 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. 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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Presentation (Continued):**

**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. The fund financial statements provide information about the School's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* are presented. The New Jersey Department of Education (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, 2018, 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, 2018, 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.

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, 2018, there was no Student Activity Fund.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets/Budgetary Control (Continued):**

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.

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:**

**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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):**

**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.

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

**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.

**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.

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 - 15
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 in the Governmental Fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):**

**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 investments; (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.

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

**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.

**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, 2018, the amount earned by these employees but not disbursed was \$413,544.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):**

**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, 2018.

**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.

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.

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

**Fund Balance:** 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 Governmental Funds.

**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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued):**

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.

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, 2018**

**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.

**Proprietary Funds, Operating and Nonoperating Revenues and Expenses:** Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund and the before and after care program are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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, postemployment benefits, 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 13.

**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.

**L. Income Taxes:** The School operates as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements. The tax returns of the Organization are subject to examination by certain taxing authorities, generally for three years after they were filed.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS**

Due to differences in the measurement focus and basis of accounting used on the governmental fund statements and Charter School-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

**NOTE 3. CASH**

As of June 30, 2018, cash of the School consisted of \$546,518 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, 2018, the School's bank balances of \$585,261 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 4. 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.

**NOTE 5. RECEIVABLES**

Receivables at June 30, 2018, 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	\$ 154,300
Local	107,596
Federal	672,962
Total Governmental Activities	934,858
Business-type Activities:	
Food Services	
State	886
Federal	60,087
	60,973
Total Receivables	\$ 995,831

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The following interfund balances remained on the fund financial statements at June 30, 2018:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 672,962	\$ -
Special Revenue Fund	<u>                    </u>	<u>672,962</u>
	<u>\$ 672,962</u>	<u>\$ 672,962</u>

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, 2018.

**NOTE 7. CAPITAL ASSETS**

Capital assets' activity for the year ended June 30, 2018, was as follows:

	<u>Balance as of July 1, 2017</u>	<u>Additions</u>	<u>Reclass/ Retirements</u>	<u>Balance as of June 30, 2018</u>
Furniture and Equipment	\$ 1,269,233	\$ 8,434	\$ -	\$ 1,277,667
Leasehold Improvements	<u>274,105</u>	<u>325,360</u>	<u>                    </u>	<u>599,465</u>
Total at Historical Cost	<u>1,543,338</u>	<u>333,794</u>	<u>                    </u>	<u>1,877,132</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	1,123,884	64,472		1,188,356
Leasehold Improvements	<u>197,042</u>	<u>37,642</u>	<u>                    </u>	<u>234,684</u>
Total Accumulated Depreciation	<u>1,320,926</u>	<u>102,114</u>	<u>                    </u>	<u>1,423,040</u>
Governmental Activity Capital Assets, Net	<u>\$ 222,412</u>	<u>\$ 231,680</u>	<u>\$ -</u>	<u>\$ 454,092</u>
Business-type Activities:				
Equipment	\$ 127,217	\$ 5,819	\$ -	\$ 127,217
Less Accumulated Depreciation	<u>9,428</u>	<u>                    </u>	<u>                    </u>	<u>15,247</u>
Business-type Activities Capital Assets, Net	<u>\$ 117,789</u>	<u>\$ (5,819)</u>	<u>\$ -</u>	<u>\$ 111,970</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Unallocated	\$ 102,114
Business Type Activities:	
Food Services	<u>5,819</u>
Total	<u>\$ 107,933</u>

**NOTE 8. NET POSITION - UNRESTRICTED (DEFICIT)**

As reflected on Exhibit A-1, Statement of Net Position, a deficit in unrestricted net position of \$2,647,913 existed as of June 30, 2018 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 costs are recorded when due. 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)	\$ 499,074
Year-end encumbrances	36,900
State net pension liability and related deferred outflows and inflows	<u>(3,183,887)</u>
Unrestricted net position (deficit) (Exhibit A-1)	<u>\$ (2,647,913)</u>

**NOTE 9. FUND BALANCES**

**General Fund:** Of the \$610,974 General Fund balance in the fund financial statements at June 30, 2018, \$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; \$36,900 is reserved for encumbrances; and \$499,074 is unassigned.

**NOTE 10. PENSION PLANS**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems covering substantially all eligible School employees: The Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). TPAF 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. PERS is considered a cost-sharing multiple-employer plan.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

***Descriptions of Systems***

***Teachers' Pension and Annuity Fund*** - 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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*** - 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, charter school, 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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](http://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.

The State of New Jersey also 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, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

***Descriptions of Systems (Continued)***

***Defined Contribution Retirement Program (DCRP)*** - Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain School employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

***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.

***Funding Policy***

***Employer and Employee Pension Contributions*** - The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.34% for PERS and 7.34% for TPAF. Additional increases will be phased in over the next few years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. In the DCRP, employee contributions are 5.5% of employees' annual compensation.

***Annual Pension Costs*** - For the fiscal year ended June 30, 2018, the TPAF annual pension cost differs from the annual required contribution. For PERS, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the School. PERS employer contributions are made annually by the School to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2018, 2017, and 2016, the School was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF, respectively for normal pension costs and accrued liability contributions (including non-contributory group life insurance (NCGI) the following amounts:

Fiscal Year Ended June 30,	PERS	On-Behalf TPAF	DCRP
2018	\$ 173,716	\$ 441,118	\$ -
2017	131,428	355,273	-
2016	106,280	246,256	-

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

***Funding Policy (Continued)***

In addition, for fiscal year ended June 30, 2018, the School contributed \$5,482 for PERS and the State contributed \$1,407 for TPAF for Long-Term Disability Insurance Premium (LTDI). The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) and the Charter School-Wide financial statements (accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the School \$233,017 during the fiscal year ended June 30, 2018, for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the Charter School-Wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

During the fiscal years ended June 30, 2018, 2017 and 2016, the School had no employer or employee contributions for DCRP.

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**

At June 30, 2018, the School reported a liability of \$4,365,134 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. 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 employers, actuarially determined. At June 30, 2017, the School's proportion was .00892227%, which was an increase of .00149687% from its proportion measured as of June 30, 2016.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

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

For the year ended June 30, 2018, the School recognized full accrual pension expense of \$569,863 in the government-wide financial statements. At June 30, 2018, 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	\$ 102,784	\$ -
Changes of assumptions	879,424	876,200
Net difference between projected and actual earnings on pension plan investments	29,724	
Changes in proportion and differences between School contribution and proportionate share of contributions	1,054,462	8,947
School contributions subsequent to the measurement date	<u>198,115</u>	
Total	<u>\$ 2,264,509</u>	<u>\$ 885,147</u>

\$198,115 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:

<u>Year Ending</u> <u>June 30,</u>	
2018	\$ 1,137,884
2019	1,365,345
2020	811,009
2021	(1,084,273)
2022	<u>(850,603)</u>
Total	<u>\$ 1,379,362</u>

***Actuarial Assumptions***

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following key actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65 - 4.15%
Thereafter	Based on age 2.65 - 5.15% Based on age
Investment rate of return	7.00%



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

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

The actuarial assumptions used in the July 1, 2016 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 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).

***Long-Term Rate of Return***

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	<u>8.25%</u>	13.08%
	<u>100.00%</u>	

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

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

***Discount Rate***

The discount rate used to measure the total pension liability for PERS was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 40% 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 2040.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2017, 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
School's proportionate share of the PERS net pension liability	\$ 5,237,107	\$ 4,365,134	\$ 3,639,613

***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, 2017 are as follows:

Collective deferred outflows of resources	\$	9,501,490,051
Collective deferred inflows of resources		8,303,360,412
Collective net pension liability - local group		23,278,401,588
School's proportion		0.00892227%

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

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

The components of the net pension liability of the participating employers for PERS as of June 30, 2017, are as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total pension liability	\$ 32,535,896,852	\$ 44,852,367,051	\$ 77,388,263,903
Plan fiduciary net position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
	<u>\$ 25,645,622,797</u>	<u>\$ 23,278,401,588</u>	<u>\$ 48,924,024,385</u>
School's net pension liability (as reported on June 30, 2017)			<u>\$ 4,365,134</u>

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,679,030,145.

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 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014, respectively.

**Teachers' Pensions and Annuity Fund**

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 \$21,295,969. The School's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the State's proportionate share of the TPAF net pension liability associated with the School was .03158533%, which was an increase of .00082794% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized on-behalf pension expense and revenue in the Charter School-Wide financial statements of \$1,475,277 for contributions incurred by the State.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

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

***Actuarial Assumptions***

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

Inflation rate	2.25%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

***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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

***Long-Term Expected Rate of Return***

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017, are summarized in the following table:

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	<u>8.25%</u>	13.08%
	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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. 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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, 2017, 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 (3.25%) or 1-percentage point higher (5.25%) than the current rate:

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLANS (CONTINUED)**

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

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's proportionate share of the net pension liability associated with the School	\$ 25,300,279	\$ 21,295,969	\$ 17,997,201

***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	\$ 14,353,461,035
Collective deferred inflows of resources	11,992,821,439
Collective net pension liability, nonemployer	67,423,605,859
School's proportion	0.03158533%

Collective pension expense for the plan measurement period ended June 30, 2017 is \$4,688,207,089.

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

General Information about the OPEB Plan:

***Plan Description and Benefits Provided***

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. 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 (APB) who retired from a board of education or county college with 25 years of service.

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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

***Plan Membership***

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active plan members	223,747
Inactive plan members or beneficiaries currently receiving benefits	142,331
Inactive plan members entitled to but not yet receiving benefits	-
	366,078

***Post-Retirement Medical Benefits Contributions***

At June 30, 2018, the following employees were covered by the benefit terms:

TPAF participant retirees - As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS participant retirees - The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

***Total OPEB liability***

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The School's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB No. 75 is zero percent. Accordingly, the School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the School. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/acrhives.shtml>).

***Actuarial assumptions and other imputes***

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%		
Salary increases: Through 2026	TPAF/ABP 1.55%-4.55% based on years of service	PERS 2.15%-4.15% based on age	PFRS 2.10%-8.98% based on age
Thereafter	2.00%-5.45% based on years of service	3.15%-5.15% based on age	3.10%-9.98% based on age
Discount rate	3.58%		

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The discount rate was based on the Bond Buyer Go 20-Bond Municipal Bond Index.

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 - June 30, 2014 for TPAF and PERS, respectively.

Retirees' share of benefit related cost	1.5% of projected health insurance premiums for retirees
---	--

Changes in the Total OPEB Liability reported by the State of New Jersey:

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for the year:	
Service cost	2,391,878,884
Interest cost	1,699,441,736
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(7,086,599,129)
Contributions: members	45,748,749
Gross benefit payments	(1,242,412,566)
Balance at June 30, 2017	\$ 53,639,841,858

There were no changes of assumptions in benefit terms.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% percent in 2016 to 3.58% percent in 2017.



**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Sensitivity of the total OPEB liability to changes in the discount rate***

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

	<u>At 1% Decrease (2.58%)</u>	<u>At Current Discount Rate (3.58%)</u>	<u>At 1% Increase (4.58%)</u>
Total OBEB liability (school retirees)	<u>\$ 63,674,362,200</u>	<u>\$ 53,639,841,858</u>	<u>\$ 45,680,364,953</u>

***Sensitivity of the total OPEB liability to changes in the healthcare cost trends***

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

	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
Total OBEB liability (school retirees)	<u>\$ 44,113,584,560</u>	<u>\$ 53,639,841,858</u>	<u>\$ 66,290,599,457</u>

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

For the year ended June 30, 2018, the School recognized OPEB revenue and expense of \$1,208,077 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75 the School's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ -	\$ -
Net difference between expected and actual earnings on OPEB plan investments	-	-
Assumption changes		(6,343,769,032)
Contributions made in fiscal year ending 2018 after June 30, 2017 measurement date	<u>1,190,373,242</u>	
Total	<u>\$ 1,190,373,242</u>	<u>\$ (6,343,769,032)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Year Ending June 30,	
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	<u>(2,629,618,547)</u>
Total	<u>\$ (6,343,769,032)</u>

**NOTE 12. 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 13. 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 expired February 18, 2019, and is currently in the process of being extended. 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, 2018. Borrowings during the year ended June 30, 2018, ranged from \$-0- to \$200,000, at interest rates that ranged from 4.25% to 5.00%.

**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, 2018, was \$1,263,500.

The School also had a fiscal service agreement with The North Ward Center, Inc. for \$48,000 for the period July 1, 2017 to December 31, 2017. The School also had an agreement for a portion of the year with The North Ward Center, Inc. for \$17,500 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, 2018.

Future minimum commitment payments are as follows:

	<u>Rent</u>	<u>Legal</u>	<u>Total</u>
June 30, 2019	<u>\$ 1,298,000</u>	<u>\$ 49,000</u>	<u>\$ 1,347,000</u>

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 14. 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 15).

**NOTE 15. 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 16. 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, 2018, 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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local levy - charter school aid - local share	\$ 1,328,993	\$ 75,962	\$ 1,404,955	\$ 1,404,955	\$ -
Miscellaneous		5,493	5,493	5,493	
<b>Total - local sources</b>	<b>1,328,993</b>	<b>81,455</b>	<b>1,410,448</b>	<b>1,410,448</b>	
State sources:					
Special education categorical aid	94,731	29,104	123,835	123,835	
Adjustment aid	699,323	78,342	777,665	777,665	
Security Aid	242,027	(8,785)	233,242	233,242	
First Year Nonpublic Student Aid	42,547	(42,547)			
Equalization Aid	7,516,765	(132,076)	7,384,689	7,384,689	
On-behalf TPAF pension - normal contribution (non-budgeted)				430,667	430,667
On-behalf TPAF pension - non-contributory insurance (non-budgeted)				10,451	10,451
On-behalf TPAF - post retirement medical contributions (non-budgeted)				284,908	284,908
On-behalf TPAF - long-term disability insurance (non-budgeted)				1,407	1,407
Reimbursed TPAF social security contributions (non-budgeted)				233,017	233,017
<b>Total - state sources</b>	<b>8,595,393</b>	<b>(75,962)</b>	<b>8,519,431</b>	<b>9,479,881</b>	<b>960,450</b>
<b>Total revenues</b>	<b>9,924,386</b>	<b>5,493</b>	<b>9,929,879</b>	<b>10,890,329</b>	<b>960,450</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Instruction:					
Salaries of teachers	2,265,338	(227,892)	2,037,446	2,036,925	521
Other salaries for instruction	1,095,213	135,446	1,230,659	1,230,649	10
Other purchased services	56,000	133,000	189,000	188,688	312
General supplies	540,000	(199,800)	340,200	340,150	50
Textbooks	270,000	(27,000)	243,000	242,910	90
<b>Total - instruction</b>	<b>4,226,551</b>	<b>(186,246)</b>	<b>4,040,305</b>	<b>4,039,322</b>	<b>983</b>

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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Administrative:</b>					
Salaries - administration	\$ 430,711	\$ 52,600	\$ 483,311	\$ 483,211	\$ 100
Salaries of secretarial and clerical assistants	390,550	(42,900)	347,650	347,589	61
Unallocated benefits	1,539,266	(23,684)	1,515,582	1,514,996	586
Purchased professional and technical services	278,740	(55,040)	223,700	186,800	36,900
Other purchased services	10,000	(10,000)			
Communications and telephone	25,000	15,000	40,000	39,938	62
General supplies	162,000	69,500	231,500	231,424	76
Interest on current loans		2,706	2,706	2,706	
<b>Total administrative</b>	<b>2,836,267</b>	<b>8,182</b>	<b>2,844,449</b>	<b>2,806,664</b>	<b>37,785</b>
<b>Support services:</b>					
Salaries of other professional staff	687,893	149,200	837,093	837,035	58
Purchased professional - educational services	253,000	36,100	289,100	289,036	64
Other purchased services	225,500	125,600	351,100	349,938	1,162
Rental of land and buildings other than lease purchase agreements	1,229,000	34,500	1,263,500	1,263,500	
Insurance	40,000	3,000	43,000	42,866	134
Supplies and materials	11,000	2,850	13,850	13,754	96
Transportation - other than to/from school	6,000	5,100	11,100	11,010	90
Energy (electricity)	239,000	(25,800)	213,200	213,141	59
Other objects	50,000	11,500	61,500	61,488	12
<b>Total support services</b>	<b>2,741,393</b>	<b>342,050</b>	<b>3,083,443</b>	<b>3,081,768</b>	<b>1,675</b>
On-behalf TPAF pension - normal (non-budgeted)				430,667	(430,667)
On-behalf TPAF pension - non-contributory insurance (non-budgeted)				10,451	(10,451)
On-behalf TPAF -post retirement medical contributions (non-budgeted)				284,908	(284,908)
On-behalf TPAF - long-term disability insurance (non-budgeted)				1,407	(1,407)
Reimbursed TPAF social security contributions (non-budgeted)				233,017	(233,017)
<b>Total expenditures - current expense</b>	<b>9,804,211</b>	<b>163,986</b>	<b>9,968,197</b>	<b>10,888,204</b>	<b>(960,450)</b>

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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY:</b>					
Instruction equipment	\$ 30,000	\$ (30,000)	\$ -	\$ -	\$ -
Non instructional equipment	320,000	17,400	337,400	333,794	3,606
Total capital outlay	350,000	(12,600)	337,400	333,794	3,606
Total expenditures	10,154,211	151,386	10,305,597	11,221,998	(916,401)
Excess (deficiency) of revenues over (under) expenditures	(229,825)	(145,893)	(375,718)	(331,669)	44,049
Fund balance - July 1	942,643		942,643	942,643	
Fund balance - June 30	\$ 712,818	\$ (145,893)	\$ 566,925	\$ 610,974	\$ 44,049
Restricted fund balance:					
Charter school reserve				\$ 75,000	
Committed fund balance:					
Year-end encumbrances				36,900	
Unassigned fund balance				499,074	
Total fund balance				610,974	
Reconciliation to Governmental Funds Statements (GAAP):					
State aid payments not recognized on GAAP basis				-	
Fund balance per Governmental Funds (GAAP)				\$ 610,974	



ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Special Revenue Fund  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Federal sources	\$ 565,000	\$ 107,962	\$ 672,962	\$ 672,962	\$ -
Total revenues	565,000	107,962	672,962	672,962	
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	394,900	(137,762)	257,138	257,138	
Other salaries for instruction		246,937	246,937	246,937	
General supplies	100		100	100	
Total instruction	395,000	109,175	504,175	504,175	
Support services:					
Salaries of other professional staff	70,000	(482)	69,518	69,518	
Personal services - employee benefits	100,000	(731)	99,269	99,269	
Total support services	170,000	(1,213)	168,787	168,787	
Total expenditures/outflows	565,000	107,962	672,962	672,962	
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, 2018

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	\$ 10,890,329	\$ 672,962
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>\$ 10,890,329</u>	<u>\$ 672,962</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 11,221,998	\$ 672,962
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>\$ 11,221,998</u>	<u>\$ 672,962</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**SCHEDULES RELATED TO ACCOUNTING  
AND REPORTING FOR PENSIONS AND POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS**

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

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
School's proportion of the net pension liability (asset)	0.00599815%	0.00575001%	0.00601042%	0.00742540%	0.00892227%
School's proportionate share of the net pension liability (asset)	\$ 2,303,926	\$ 2,233,868	\$ 2,775,020	\$ 4,381,566	\$ 4,365,134
School's covered - employee payroll	\$ 803,082	\$ 849,075	\$ 925,548	\$ 1,100,895	\$ 1,369,354
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%	318.77%
Plan fiduciary net position as a percentage of the total pension liability (local)	48.72%	52.08%	47.92%	40.14%	48.10%

\* 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 Five Years

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 101,142	\$ 98,360	\$ 106,280	\$ 131,428	\$ 173,716
Contributions in relation to the contractually required contribution	(101,142)	(98,360)	(106,280)	(131,428)	(173,716)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 803,082	\$ 849,075	\$ 925,548	\$ 1,100,895	\$ 1,369,354
Contributions as a percentage of covered- employee payroll	12.59%	11.58%	11.48%	11.94%	12.69%

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 Five Years \*  
 (Unaudited)

	Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
School's proportion of the net pension liability (asset)	0.00%	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%	0.03158533%
State's proportionate share of the net pension liability (asset) associated with the School **	\$ 11,811,232	\$ 14,274,990	\$ 17,236,202	\$ 24,195,725	\$ 21,295,969
School's covered - employee payroll	\$ 2,493,375	\$ 3,079,579	\$ 3,128,921	\$ 2,901,438	\$ 3,103,502
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll **	473.70%	463.54%	550.87%	833.92%	686.19%
Plan fiduciary net position as a percentage of the total pension liability (local)	33.76%	33.64%	28.71%	22.33%	25.41%

\* 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.



ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 Required Supplementary Information  
 Schedule of Changes in the School's OPEB Liability and Related Ratios  
 For the Fiscal Year Ended June 30, 2018 \*

## Total OPEB liability:

Service cost	\$ 1,012,437
Interest	311,850
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(1,586,381)
Member contributions	8,154
Benefit payments	<u>(221,434)</u>
Net change in total OPEB liability	(475,374)
Total OPEB liability - beginning	<u>10,035,542</u>
Total OPEB - ending	<u>\$ 9,560,168</u>
Covered employee payroll	<u>\$ 4,472,856</u>
Total OPEB liability as a percentage of covered employee payroll	214%

## Notes to schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

\* The amounts presented for the 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.

**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, Schedule of  
School Contributions, and Schedule of Changes in the School's OPEB Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2018

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017 in accordance with Paragraph 44 of GASB Statement No. 67.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

## **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, 2018

	(Exhibit E-1a) E.S.E.A.	I.D.E.A. Part B - Basic	I.D.E.A. Part B - Preschool	Totals
<b>REVENUES:</b>				
Federal sources	\$ 543,133	\$ 127,428	\$ 2,401	\$ 672,962
Total revenues	<u>543,133</u>	<u>127,428</u>	<u>2,401</u>	<u>672,962</u>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of teachers	176,226	80,912		257,138
Other salaries for instruction	246,937			246,937
General supplies		100		100
Total instruction	<u>423,163</u>	<u>81,012</u>		<u>504,175</u>
Support services:				
Salaries of other professional staff	49,079	18,563	1,876	69,518
Personal services - employee benefits	70,891	27,853	525	99,269
Total support services	<u>119,970</u>	<u>46,416</u>	<u>2,401</u>	<u>168,787</u>
Total expenditures	<u>\$ 543,133</u>	<u>\$ 127,428</u>	<u>\$ 2,401</u>	<u>\$ 672,962</u>

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, 2018

	Title I Part A Current Year	Title II Part A Current Year	Totals
REVENUES:			
Federal sources	\$ 488,412	\$ 54,721	\$ 543,133
EXPENDITURES:			
Instruction:			
Salaries of teachers	176,226		176,226
Other salaries for instruction	246,937		246,937
Total instruction	423,163		423,163
Support services:			
Salaries of supervisors of instruction		49,079	49,079
Personal services - employee benefits	65,249	5,642	70,891
Total support services	65,249	54,721	119,970
Total expenditures	\$ 488,412	\$ 54,721	\$ 543,133

## **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, 2018, 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, 2018, there were no Long-Term Debt.

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

# ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.

## STATISTICAL SECTION

### (UNAUDITED)

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the School's financial performance and well being have changed over time.	67 - 72
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the School's most significant local revenue source, the property tax.	N/A
<b>Debt Capacity</b>	
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
<b>Demographic and Economic Information</b>	
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
<b>Operating Information</b>	
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.	73 - 79

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
Investment in capital assets	\$ 311,519	\$ 525,305	\$ 524,233	\$ 464,870	\$ 564,771	\$ 600,515	\$ 458,226	\$ 336,608	\$ 222,412	\$ 454,092
Restricted				75,000		75,000	75,000	75,000	75,000	75,000
Unrestricted (deficit)	215,524	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,639,838)	(1,920,095)	(2,647,913)
<b>Total governmental activities net position</b>	<b>527,043</b>	<b>929,873</b>	<b>835,917</b>	<b>897,291</b>	<b>1,078,949</b>	<b>1,099,583</b>	<b>(1,055,838)</b>	<b>(1,228,230)</b>	<b>(1,622,683)</b>	<b>(2,118,821)</b>
<b>Business-type activities:</b>										
Investment in capital assets			8,458	6,041	4,315	3,082	2,201	1,320	117,789	111,970
Unrestricted								87,843	46,052	114,682
<b>Total business-type activities net position</b>			<b>8,458</b>	<b>6,041</b>	<b>4,315</b>	<b>3,082</b>	<b>2,201</b>	<b>89,163</b>	<b>163,841</b>	<b>226,652</b>
<b>School wide:</b>										
Investment in capital assets	311,519	525,305	532,691	470,911	569,086	603,597	460,427	337,928	340,201	566,062
Restricted				75,000		75,000	75,000	75,000	75,000	75,000
Unrestricted (deficit)	215,524	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,551,995)	(1,874,043)	(2,533,231)
<b>Total School net position</b>	<b>\$ 527,043</b>	<b>\$ 929,873</b>	<b>\$ 844,375</b>	<b>\$ 903,332</b>	<b>\$ 1,083,264</b>	<b>\$ 1,102,665</b>	<b>\$ (1,053,637)</b>	<b>\$ (1,139,067)</b>	<b>\$ (1,458,842)</b>	<b>\$ (1,892,169)</b>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
Governmental activities:										
Instruction	\$ 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	\$ 7,863,199
Administrative	654,853	819,613	1,084,527	831,872	964,745	991,462	1,593,117	1,875,598	2,033,720	2,087,608
Support services	2,128,842	2,592,178	2,503,538	3,249,220	3,045,008	3,490,033	2,927,008	3,168,237	3,536,994	3,963,836
Unallocated depreciation	57,007	77,393	94,534	96,456	123,372	160,619	149,989	152,017	143,618	102,114
Total governmental activities expenses	<u>6,187,914</u>	<u>7,642,118</u>	<u>7,796,106</u>	<u>8,541,697</u>	<u>9,055,608</u>	<u>9,957,296</u>	<u>10,698,575</u>	<u>11,468,490</u>	<u>12,914,167</u>	<u>14,016,757</u>
Business-type activities:										
Food service	189,538	232,176	257,501	301,627	266,350	238,504	249,005	383,723	446,254	445,070
Before and after care	136,154	159,314	125,374	164,330	157,277	202,143	218,557	213,170	218,576	293,523
Total business-type activities expense	<u>325,692</u>	<u>391,490</u>	<u>382,875</u>	<u>465,957</u>	<u>423,627</u>	<u>440,647</u>	<u>467,562</u>	<u>596,893</u>	<u>664,830</u>	<u>738,593</u>
Total school expenses	<u>\$ 6,513,606</u>	<u>\$ 8,033,608</u>	<u>\$ 8,180,981</u>	<u>\$ 9,007,654</u>	<u>\$ 9,479,235</u>	<u>\$ 10,397,943</u>	<u>\$ 11,166,137</u>	<u>\$ 12,065,383</u>	<u>\$ 13,578,997</u>	<u>\$ 14,755,350</u>
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
Operating grants and contributions	\$ 640,488	\$ 916,617	\$ 695,490	\$ 804,915	\$ 929,396	\$ 980,304	\$ 1,559,587	\$ 1,898,605	\$ 2,620,762	\$ 3,823,982
Total governmental activities program revenues	<u>640,488</u>	<u>916,617</u>	<u>695,490</u>	<u>804,915</u>	<u>929,396</u>	<u>980,304</u>	<u>1,559,587</u>	<u>1,898,605</u>	<u>2,620,762</u>	<u>3,823,982</u>
Business-type activities:										
Charges for services:										
Food service	31,581	42,101	62,159	37,532	25,795	21,808	25,070	86,999	103,073	94,991
Operating grants and contributions	157,957	190,075	193,932	222,573	207,934	209,392	218,750	384,686	417,859	412,890
Before and after care	136,154	159,314	125,374	164,330	157,277	202,143	218,557	213,170	218,576	293,523
Total business type activities program revenues	<u>325,692</u>	<u>391,490</u>	<u>381,465</u>	<u>424,435</u>	<u>391,006</u>	<u>433,343</u>	<u>462,377</u>	<u>663,855</u>	<u>739,508</u>	<u>801,404</u>
Total school program revenues	<u>\$ 966,180</u>	<u>\$ 1,308,107</u>	<u>\$ 1,076,955</u>	<u>\$ 1,229,350</u>	<u>\$ 1,320,402</u>	<u>\$ 1,413,647</u>	<u>\$ 2,021,964</u>	<u>\$ 2,562,460</u>	<u>\$ 3,360,270</u>	<u>\$ 4,625,386</u>
<b>Net (expense)/revenue:</b>										
Governmental activities	\$ (5,547,426)	\$ (6,725,501)	\$ (7,102,616)	\$ (7,736,782)	\$ (8,126,212)	\$ (8,976,992)	\$ (9,138,988)	\$ (9,569,885)	\$ (10,293,405)	\$ (10,192,775)
Business-type activities			8,458	(41,522)	(32,621)	(7,304)	(5,185)	86,962	74,678	62,811
Total school-wide net expense	<u>\$ (5,547,426)</u>	<u>\$ (6,725,501)</u>	<u>\$ (7,094,158)</u>	<u>\$ (7,778,304)</u>	<u>\$ (8,158,833)</u>	<u>\$ (8,984,296)</u>	<u>\$ (9,144,173)</u>	<u>\$ (9,482,923)</u>	<u>\$ (10,218,727)</u>	<u>\$ (10,129,964)</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position:										
Governmental activities:										
Property taxes levied for:										
General purposes	\$ 753,578	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255	\$ 1,323,693	\$ 1,404,955
Unrestricted grants and contributions	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	8,286,189
Investment earnings	13									
Miscellaneous income	2,050	551,296	208,358	253,795	167,412	102,000	33,722	10,946	3,210	5,493
Transfers				(70,000)		(6,071)	(4,304)			
Total governmental activities	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	9,696,637
Business-type activities:										
Transfers					70,000	6,071	4,304			
Total business-type activities					70,000	6,071	4,304			
Total school-wide	\$ 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	\$ 9,696,637
Change in net position:										
Governmental activities	\$ 103,278	\$ 402,830	\$ (93,956)	\$ 100,479	\$ 142,553	\$ 20,634	\$ 148,505	\$ (172,392)	\$ (394,453)	\$ (496,138)
Business-type activities			8,458	(41,522)	37,379	(1,233)	(881)	86,962	74,678	62,811
Total school	\$ 103,278	\$ 402,830	\$ (85,498)	\$ 58,957	\$ 179,932	\$ 19,401	\$ 147,624	\$ (85,430)	\$ (319,775)	\$ (433,327)

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.

For the fiscal year ended June 30, 2018, the School adopted GASB No. 75, which required the School to record its proportionate share of the net OPEB expenses and related revenue in the government-wide financial statements. Balances prior to June 30, 2018, 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund:										
Reserved	\$ 33,500	\$ 33,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	182,024	371,068								
Restricted:										
Charter school reserve						75,000	75,000	75,000	75,000	75,000
Committed			33,500	33,500	33,500	33,500	41,900	30,380	33,740	36,900
Assigned							57,502	66,481	90,684	
Unassigned			278,184	438,026	480,678	390,568	628,231	666,589	743,219	499,074
Total general fund	\$ 215,524	\$ 404,568	\$ 311,684	\$ 471,526	\$ 514,178	\$ 499,068	\$ 802,633	\$ 838,450	\$ 942,643	\$ 610,974

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Tax levy	\$ 753,578	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255	\$ 1,323,693	\$ 1,404,955
Miscellaneous	8,263	551,296	208,358	253,795	167,412	102,000	33,722	10,946	3,210	5,493
State sources	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	9,479,881
Federal sources	337,046	569,386	358,275	366,558	390,845	442,348	559,215	551,523	560,841	672,962
<b>Total revenue</b>	<b>6,291,192</b>	<b>8,044,948</b>	<b>7,704,150</b>	<b>8,642,176</b>	<b>9,267,162</b>	<b>9,984,001</b>	<b>10,464,743</b>	<b>10,783,151</b>	<b>11,355,105</b>	<b>11,563,291</b>
<b>Expenditures:</b>										
Instruction	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	4,543,497
Administrative	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	3,866,383
Support services	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	3,151,286
Capital outlay	251,355	291,179	93,462	37,093	222,274	196,363	7,700	30,399	29,422	333,794
<b>Total expenditures</b>	<b>6,382,262</b>	<b>7,855,904</b>	<b>7,797,034</b>	<b>8,482,334</b>	<b>9,154,510</b>	<b>9,993,040</b>	<b>10,156,874</b>	<b>10,747,334</b>	<b>11,250,912</b>	<b>11,894,960</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(91,070)</b>	<b>189,044</b>	<b>(92,884)</b>	<b>159,842</b>	<b>112,652</b>	<b>(9,039)</b>	<b>307,869</b>	<b>35,817</b>	<b>104,193</b>	<b>(331,669)</b>
<b>Other financing sources (uses):</b>										
Transfers out					(70,000)	(6,071)	(4,304)			
<b>Total other financing sources (uses)</b>					<b>(70,000)</b>	<b>(6,071)</b>	<b>(4,304)</b>			
<b>Net change in fund balances</b>	<b>\$ (91,070)</b>	<b>\$ 189,044</b>	<b>\$ (92,884)</b>	<b>\$ 159,842</b>	<b>\$ 42,652</b>	<b>\$ (15,110)</b>	<b>\$ 303,565</b>	<b>\$ 35,817</b>	<b>\$ 104,193</b>	<b>\$ (331,669)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

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

Notes: Noncapital expenditures are total expenditures less capital outlay.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
 General Fund - Other Local Revenue By Source  
 Last Ten Years  
*(modified accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund:</b>										
Contributions	\$ 1,000	\$ 413,051	\$ 206,222	\$ 187,398	\$ 166,362	\$ 100,250	\$ 33,372	\$ 9,896	\$ 2,510	\$ 2,000
Rentals	1,050	1,400	1,050	700	1,050	1,750	350	1,050	710	1,400
Prior year's refunds				254						
Insurance recovery				54,854						
Parent fees				10,543						
Miscellaneous	13		86	46						2,093
<b>Total General Fund</b>	<b>\$ 2,063</b>	<b>\$ 414,451</b>	<b>\$ 207,358</b>	<b>\$ 253,795</b>	<b>\$ 167,412</b>	<b>\$ 102,000</b>	<b>\$ 33,722</b>	<b>\$ 10,946</b>	<b>\$ 3,220</b>	<b>\$ 5,493</b>

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

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Employees										
Certified	41	49	55	58	60	63	65	61	64	55
Other	31	33	35	35	37	36	36	45	45	47
<b>Total</b>	<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>	<u>102</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 <sup>a</sup>	Cost Per Pupil	Percentage Change	Average Daily Enrollment (ADE) b	Average Daily Attendance (ADA) b	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	\$ 6,130,907	\$ 13,627.27	12.75%	449.9	434	0.02%	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%
2018	11,561,166	17,049.60	3.55%	678.1	652	-0.50%	96.2%

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
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
2018	01:13.0	01:13.3	01:13.2	01:12.2	01:12.7	01:12.5	01:12.0	01:12.2	01:11.2

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
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
2018	149,435	117,278	266,713
Total School Facilities	\$ <u>1,453,667</u>	\$ <u>537,029</u>	\$ <u>1,990,696</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, 2018  
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Commercial Property and General Liability - New Jersey Schools Insurance Group:		
Personal Property/Fire Damage	\$ 1,269,098	\$ 1,000
General Liability:		
Bodily Injury and Property Damage - each occurrence	11,000,000	
Products and Completed Operations - annual aggregate	11,000,000	
Sexual Abuse - per occurrence	11,000,000	
Personal Advertising Injury - per occurrence/annual aggregate	11,000,000	
Employee Benefits Liability - each claim/annual aggregate	11,000,000	1,000
Premises Medical Payments - per accident	10,000	
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	
Privacy and Network Security Liability	2,000,000	10,000
Crime:		
Employee Dishonesty	250,000	1,000
Public Official Bond (Board Secretary)	200,000	
Money and Securities	25,000	500
Money Orders/Counterfeit	25,000	500
Forgery and Alteration	25,000	500
Computer Fraud	25,000	500
School 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

	2016 Audit	2017 Audit	2018 Audit	Source
Cash	1,586,049	1,418,981	546,518	Audit: Exhibit A-1
Current Assets	270,669	441,208	1,017,245	Audit: Exhibit A-1
Total Assets	2,269,646	2,275,390	2,204,825	Audit: Exhibit A-1
Current Liabilities	1,136,853	1,125,752	1,111,222	Audit: Exhibit A-1
Total Liabilities	1,136,853	1,125,752	1,111,222	Audit: Exhibit A-1 ***
Net Position	(1,139,067)	(1,458,842)	(1,892,169)	Audit: Exhibit A-1
Total Revenue	11,979,953	13,259,222	14,322,023	Audit: Exhibit A-2
Total Expenses	12,065,383	13,578,997	14,755,350	Audit: Exhibit A-2
Change in Net Position	(85,430)	(319,775)	(433,327)	Audit: Exhibit A-2
Depreciation Expense	152,017	143,618	102,114	Financial Statements/Audit Workpapers
Interest Expense	-	1,188	2,706	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	1,188	2,706	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	650.10	681.50	678.09	DOE Enrollment Reports
March 30th Budgeted Enrollment	650	675	675	Charter School Budget

Near Term Indicators	2016	2017	2018	Source:
1a. Current Ratio	1.63	1.65	1.41	3 YR CUM 1.56
1b. Unrestricted Days Cash	47.98	38.14	13.52	33.21
1c. Enrollment Variance	100%	101%	100%	100%
1d.* Default on Loans	No	No	No	Audit
Sustainability Indicators				
2a. Total Margin	-0.71%	-2.41%	-3.03%	Change in Net Assets/Total Revenue
2b. Debt to Asset	50.09%	49.48%	50.40%	Total Liabilities/Total Assets
2c.** Cash Flow	362,742	(167,068)	(872,463)	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  
 \*\* 2018 = 2018 Cash - 2017 Cash; Cash 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 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, 2018, 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 thereon dated February 25, 2019.

**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.

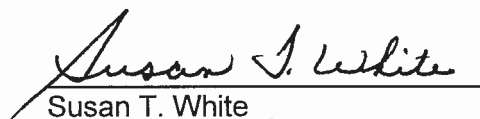
We noted certain matters that we have reported to the Board of Trustees of Robert Treat Academy Charter School, Inc. in a separate report entitled *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated February 25, 2019.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity'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  
February 25, 2019

**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, 2018. 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, 2018.

**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 compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2018

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, 2017	Carryover/ Walkover Amount	Cash Received	Total Budgetary Expenditures	Adjust- ments	Repayment of Prior Years' Balances	Accounts Receivable	June 30, 2018 Deferred Revenue	Due to Grantor
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Agriculture:</b>														
<b>Enterprise Fund:</b>														
<b>Child Nutrition Cluster:</b>														
School Breakfast Program	10.553	181NJ304N1099	18-007730	\$ 40,492	7/1/17 - 6/30/18	\$ -	\$ -	\$ 34,329	\$ (40,492)	\$ -	\$ -	\$ (6,163)	\$ -	\$ -
School Breakfast Program	10.553	171NJ304N1099	17-007730	39,023	7/1/16 - 6/30/17	(6,623)		6,623	(288,540)			(43,540)		
National School Lunch Program	10.555	181NJ304N1099	18-007730	286,540	7/1/16 - 6/30/18	(47,698)		225,000	(26,581)					
National School Lunch Program	10.555	171NJ304N1099	17-007730	270,507	7/1/16 - 6/30/17	(47,698)		47,698	(71,829)					
Non-Cash Assistance Food Distribution	10.555	181NJ304N1099	18-007730	26,581	7/1/17 - 6/30/18	(15,355)		26,581				(10,384)		
After School Snack Program	10.555	181NJ304N1099	18-007730	71,829	7/1/17 - 6/30/18	(69,676)		61,445	(407,442)			(60,087)		
After School Snack Program	10.555	171NJ304N1099	17-007730	86,021	7/1/16 - 6/30/17	(69,676)		417,031	(407,442)			(60,087)		
Total Child Nutrition Cluster														
Total Enterprise Fund														
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education:</b>														
<b>Special Revenue Fund:</b>														
<b>I.D.E.A. Part B Special Education Cluster:</b>														
I.D.E.A. Part B:														
Current Year	84-027	H027A170100	IDEA-7730-18	127,428	7/1/17 - 6/30/18				(127,428)			(127,428)		
Prior Year	84-027	H027A160100	IDEA-7730-17	123,432	7/1/16 - 6/30/17	(50,703)		50,703						
I.D.E.A. Part B - Preschool:														
Current Year	84-173	H173A170114	IDEA-7730-18	2,401	7/1/17 - 6/30/18				(2,401)			(2,401)		
Prior Year	84-173	H173A160114	IDEA-7730-17	2,360	7/1/16 - 6/30/17	(967)		967						
Total I.D.E.A. Part B Special Education Cluster														
E.S.E.A. Title I Part A, Improving Basic Programs:														
Current Year	84-010	S010A170030	ESSA-7730-18	488,412	7/1/17 - 6/30/18				(488,412)			(488,412)		
Prior Year	84-010A	S010A160030	NCLB-7730-17	421,521	7/1/16 - 6/30/17	(175,190)		175,190						
E.S.E.A. Title II Part A, Improving Teacher Quality:														
Current Year	84-367A	S367A170029	ESSA-7730-18	54,721	7/1/17 - 6/30/18				(64,721)			(64,721)		
Prior Year	84-367A	S367A160029	NCLB-7730-17	18,907	7/1/16 - 6/30/17	(13,528)		13,528						
Total Special Revenue Fund														
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, 2018

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From/To	As of June 30, 2017			GAAP Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	Balance at June 30, 2018			MEMO Cumulative Total Expenditures
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/Walkover Amount				Deferred Revenue	Due to Grantor	Budgetary Receivable	
<b>General Fund:</b>													
<b>State Department of Education</b>													
<b>State Aid - Public Cluster:</b>													
Equalization Aid - State Share	18-495-034-5120-078	7,384,689	7/1/17 - 6/30/18	\$ -	\$ -	\$ -	\$ 7,482,231	\$ -	\$ -	\$ -	\$ 97,542	\$ -	\$ 7,384,689
Equalization Aid - State Share	17-495-034-5120-078	7,509,611	7/1/16 - 6/30/17	(29,016)	56,728	-	29,016	(65,728)	-	-	1,636	-	123,835
Special Education Categorical Aid	18-495-034-5120-089	123,835	7/1/17 - 6/30/18		687		125,471	(687)					233,242
Special Education Categorical Aid	17-495-034-5120-089	92,541	7/1/16 - 6/30/17				236,322				3,080		777,665
Security Aid	18-495-034-5120-084	233,242	7/1/17 - 6/30/18	(973)	1,785		687,988	(1,785)					89,677
Security Aid	17-495-034-5120-084	240,385	7/1/16 - 6/30/17		973								89,677
Adjustment Aid	18-495-034-5120-085	777,665	7/1/17 - 6/30/18	(29,989)	56,200		8,562,001	(68,200)			102,258		8,519,431
Total State Aid - Public Cluster													
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	233,017	7/1/17 - 6/30/18				168,394						233,017
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	231,851	7/1/16 - 6/30/17	(52,991)			52,991						430,667
TPAF Pension - Normal Contribution	18-495-034-5094-002	430,667	7/1/17 - 6/30/18				430,667						10,451
TPAF Pension - Non-contributory Insurance	18-495-034-5094-004	10,451	7/1/17 - 6/30/18				10,451						284,908
TPAF - Post-Retirement Medical Contributions	18-495-034-5094-001	284,908	7/1/17 - 6/30/18				1,407						1,407
TPAF - Long-Term Disability Insurance	18-495-034-5094-004	1,407	7/1/17 - 6/30/18	(82,980)	56,200		9,510,819	(68,200)			102,258		9,478,474
Total General Fund													
<b>State Department of Agriculture:</b>													
<b>Enterprise Fund:</b>													
National School Lunch Program (State Share)	18-100-010-3350-023	5,448	7/1/17 - 6/30/18	(940)			4,562						5,448
National School Lunch Program (State Share)	17-100-010-3350-023	5,279	7/1/16 - 6/30/17				940						886
Total Enterprise Fund													
Total State Financial Assistance													
State Financial Assistance													
Not Subject to Single Audit Determination:													
General Fund:													
TPAF Pension - Normal Contribution	18-495-034-5094-002	430,667	7/1/17 - 6/30/18				(430,667)						(430,667)
TPAF Pension - Non-contributory Insurance	18-495-034-5094-004	10,451	7/1/17 - 6/30/18				(10,451)						(10,451)
TPAF - Post-Retirement Medical Contributions	18-495-034-5094-001	284,908	7/1/17 - 6/30/18				(284,908)						(284,908)
TPAF - Long-Term Disability Insurance	18-495-034-5094-004	1,407	7/1/17 - 6/30/18				(1,407)						
Total State Financial Assistance													
				\$ (83,920)	\$ 56,200	\$ -	\$ 8,788,888	\$ (8,757,896)	\$ (68,200)	\$ (155,186)	\$ 102,258	\$ -	\$ 8,757,896

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, 2018**

**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, 2018**

**NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS (continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 9,479,881	\$ 9,479,881
Special Revenue Fund	672,962		672,962
Food Service Fund	<u>407,442</u>	<u>5,448</u>	<u>412,890</u>
 Total Federal Awards and State Financial Assistance - GAAP Basis	 1,080,404	 9,485,329	 10,565,733
 Less: TPAF Pension Contributions - Normal Costs, and Post Retirement Medical Contributions, Disability Insurance and Non-Contributory Insurance		 <u>727,433</u>	 <u>727,433</u>
 Total Per Schedules of Expenditures of Federal Awards and State Financial Assistance	 <u>\$ 1,080,404</u>	 <u>\$ 8,757,896</u>	 <u>\$ 9,838,300</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, 2018. 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, 2018.

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

On-behalf state programs for TPAF Pension - Normal Costs, Post-Retirement Medical Contributions, Disability Insurance, and Non-Contributory Insurance 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 basic 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, 2018**

**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, 2018**

**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	181NJ304N1099	Child Nutrition Cluster: School Breakfast Program National School Lunch Program
10.555	181NJ304N1099	

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, 2018**

**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?

X Yes      \_\_\_ No

Internal control over major programs:

1) Material weakness(es) identified:

\_\_\_ Yes      X No

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

\_\_\_ Yes      X None Reported

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      X No

Identification of major programs:

State Grant/Project Numbers(s)

Name of State Program

18-495-034-5120-078  
18-495-034-5120-089  
18-495-034-5120-084  
18-495-034-5120-085

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, 2018**

**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, 2018**

**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, 2018**

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.