

UNITY CHARTER SCHOOL
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

UNITY CHARTER SCHOOL

***Unity Charter School
Board of Trustees
Morris Township, New Jersey***

***Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Prepared By

***Unity Charter School
Finance Department***

And

Barre & Company LLC, CPA's

STATE BOARD OF EDUCATION

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INTRODUCTORY SECTION



TEACHING CAPABLE, CONFIDENT KIDS FOR A HEALTH PLANET

ONE EVERGREEN PLACE, MORRIS TOWNSHIP, NEW JERSEY 07960
TEL. (973) 292-1808; FAX (973) 267-9288

February 27, 2019

Honorable President and
Members of the Board of Trustees
Unity Charter School
One Evergreen Place,
Morris Township, New Jersey 07960

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Unity Charter School (Charter School) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (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 basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

The Executive Director of the Charter School is responsible to the Board for total educational and support operations. The Business Administrator/Board Secretary is the Chief Financial Officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES:

Unity Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14 and GASB 34. All funds and account groups of the school are included in this report. Unity Charter School, Board of Trustees, constitutes the Charter School’s reporting entity.

The Unity Charter School was chartered by the New Jersey Department of Education in January 1997 as the only charter school that had included a planning year prior to opening. The Charter School opened its doors to the first 60 students in grades K-7 in September 1998, in accordance with its charter. It maintained that enrollment level throughout the first school year. The Unity Charter School now operates a K-8 program, in which students thrive in a multi-age learning environment that stresses the importance of social and environmental responsibility. While encouraging each child to grow academically, Unity Charter School integrates parents and the community to participate in classroom support as well as the governance of the school.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment-ADE</u>	<u>Percent Change-ADE</u>
2017-2018	239.9	2.94%
2016-2017	233.0	6.39%
2015-2016	219	7.88%
2014-2015	203.0	N/A

2. ECONOMIC CONDITION AND OUTLOOK:

Unity Charter School has completed its eighteenth year of operation as a kindergarten through eighth grade public school of choice. Students are admitted to Unity Charter School using a lottery method, as required by the State of New Jersey. Informational gatherings are held for interested parents in the fall and early winter, prior to the lottery process. After lottery selection, families are notified, and waiting lists are maintained. Enrollment information is maintained and reported as per Department of Education regulations. Unity ended the school year with 235 students, graduating twenty-five students in June 2018.

3. MAJOR ACCOMPLISHMENTS:

In accordance with the school's mission, the Assembly, consisting of parents, trustees, staff and students, met three times this past year, and discussing such topics as the school charter, fundraising, development of a strategic plan, educational program and facilities issues. From these meetings came proposals and activities for the school community and the Board of Trustees. Weekly school meetings, peer mediation and class meetings continued the mission of collaborative teaching and governance.

Throughout the year, in accordance with the school's mission, sustainability was taught through the investigation of effects of human endeavor on our ecosystem, using learning activities such as field trips, class curriculum and individual and individual research projects. Charter School's lunch program continued its partially organic, whole food and vegetarian program, harvesting from the garden for the school lunches. The curriculum integrated sustainability and diversity themes with a robust curriculum that integrated the State Core Curriculum Standards. Students took the state required PAARC tests, scoring well, in comparison to the stage average.

The NJ Department of Education granted Unity Charter School another renewal in the 2016-2017 school year for five (5) years as it continues to make significant strides in improving academic outcomes and providing a positive school environment for sustainability and growth for the scholars of Unity Charter School.

4. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The primary control is that the Board President and one other Board member sign all general account checks, that all Purchase Orders are reviewed and that the Board President signs all payroll checks. In addition, the Treasurer verifies the payees on the checks and confirms the check register.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2018.

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. FINANCIAL INFORMATION AT FISCAL YEAR END:

Unity Charter School has continued its positive financial position as compared to last year. Detailed information can be found in the Management Discussion and Analysis. The Charter School has been aggressive in collecting tuition owed for sending districts, and insuring that the sending districts update the enrollment records in the D.O.E. Charter School Enrollment System. However, even with these efforts tuition payments from the sending districts are historically slow. Unity Charter School ended the 2017-2018 year meeting all of its obligations.

8. CASH MANAGEMENT:

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

9. RISK MANAGEMENT:

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

10. OTHER INFORMATION:

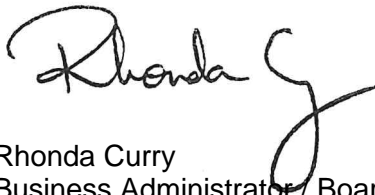
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, LLC Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of 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's Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal*

Grants, State Grants, and State Aid. The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

11. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Unity Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff and other administrators in the school.

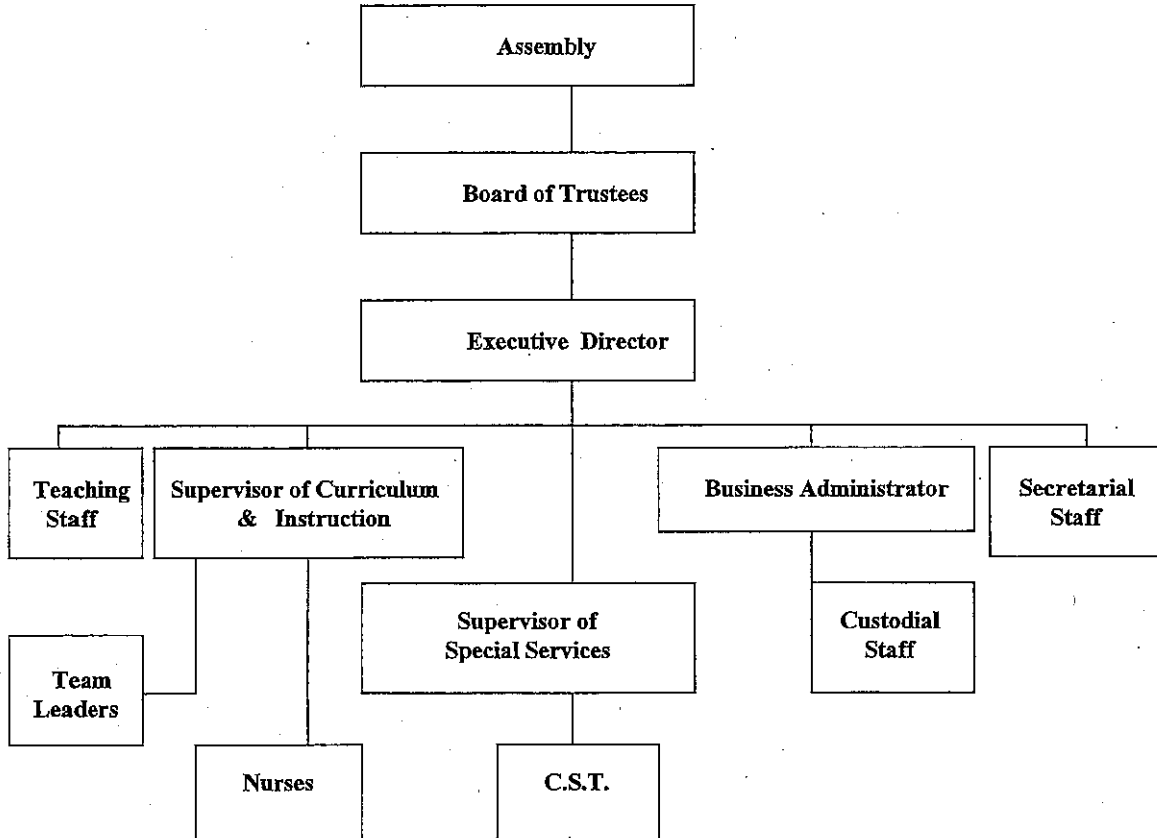
Respectfully submitted,

A handwritten signature in black ink that reads "Rhonda Curry". The signature is written in a cursive style with a large, looping "C" at the end.

Rhonda Curry
Business Administrator / Board Secretary
Unity Charter School

**BOARD OF EDUCATION
UNITY CHARTER SCHOOL
Organizational Chart**

as of June 30, 2017



**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

MEMBERS OF THE BOARD OF TRUSTEES

TERM EXPIRES

Stacy Havens
President

June 2019

Paul Denninger
Vice President

June 2020

Members:

John Coyle
Suzanne Dell'Orto
Carrie Gastelu
Robert Ghelli
Owen Lipnick
Gayle Moran
Kristin Sechler
Thomas Sheffield
Kristin Wedderburn

June 2019
June 2019
June 2020
June 2021
June 2019
June 2020
June 2020
June 2021
June 2021

Executive Director

Connie Sanchez

Business Administrator / Board Secretary

Charlene Jones (August 2017-June 2018)
Rhonda Curry (July 2018 to present)

Treasurer

Christopher Lessard

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company LLC
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, New Jersey 07083

Attorney

Johnston Law Firm, LLC
75 Midland Avenue
Montclair, New Jersey 07042

Official Depository

Bank of America
South Street
Morristown, New Jersey 07960

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206
Union, New Jersey 07083
(908) 686-3484
FAX – (908) 686-6055
www.cpa-bc.com ♦ info@cpa-bc.com

Independent Auditor’s Report

Honorable President
Members of the Board of Trustees
Unity Charter School

Morris Township, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Unity Charter School (Charter School), in the , State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

The Charter School’s 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 and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the Unity Charter School, in the , State of New Jersey, as of June 30, 2018, and the respective changes in the 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 5 to the basic financial statements, the Charter School implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. 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, following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, and M-1, and the related notes be presented to supplement the basic financial statements and the budgetary comparison information in Exhibits C-1 through C-3. 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 response 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and other

information, such as the introductory and statistical sections 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 and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use 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 and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 it.

Other Reporting Required by Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated October 24, 2017 on our consideration of the Unity Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
February 27, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The discussion and analysis of Unity Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- ❖ General revenues accounted for \$4,582,172 or 99% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$61,679 or 1% of total revenues of \$4,643,851.
- ❖ The Charter School had \$4,595,448 in expenses; only \$61,679 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,582,172 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$4,117,463 in revenues and \$4,051,334 in expenditures. The General Fund's fund balance increased \$66,129 over 2017. This increase was anticipated by the Board of Trustees.

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 Unity Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the Charter 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 Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

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

most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

The Charter School as a Whole

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

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

The Charter School's combined Net Position were \$46,436 for 2018 and (\$1,968) for 2017.

Governmental Activities

The Charter School's total revenues were \$4,523,882 for 2018 and \$4,452,157 for 2017, this includes \$98,013 for 2018 and \$102,431 for 2017 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$4,442,548 for 2018 and \$4,463,975 for 2017. Instruction comprises 49% for 2018 and 55% for 2017 of Charter School expenses.

Business-Type Activities

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

FOOD SERVICE

- ❖ Food service expenses exceeded revenues by \$(31,889) for 2018 while revenues exceed expenses by \$1,231 for 2017.
- ❖ Charges for services represent \$40,527 for 2018 and \$92,654 for 2017 of revenue. This represents amounts paid by patrons for daily food.

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(CONTINUED)**

Business-Type Activities (Continued)

FOOD SERVICE

- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$20,959 for 2018 and \$0 for 2017.

AFTER CARE

- ❖ Expenses exceeded revenues by -\$1,042 for 2018 and by -\$12,389 for 2017.
- ❖ Charges for services represent \$58,483 for 2018 and \$52,396 for 2017 of revenue. This represents amounts paid by patrons for daily food

Governmental Activities

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

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

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

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

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$4,523,882 for 2018 and \$4,452,157 for 2017 and expenditures were \$4,127,179 for 2018 and \$4,463,975 for 2017. The net change in fund balance was most significant in the general fund, an increase of \$66,129 in 2018 and a decrease of -\$11,818 in 2017.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

The Charter School's Funds (Continued)

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Local Sources	\$ 527,632	12.58%	\$ (528,851)	-50.06%
State Sources	3,590,594	85.63%	220,226	6.53%
Federal Sources	75,082	1.79%	49,776	196.70%
Total	\$ 4,193,308	100.00%	\$ (258,849)	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2018, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Instruction	\$ 1,529,344	37.06%	\$ (917,382)	-37.49%
Administration	1,266,523	30.69%	474,105	59.83%
Support Services	1,294,254	31.35%	69,423	5.67%
Capital Outlay	37,058	0.90%	37,058	100.00%
Total	\$ 4,127,179	100.00%	\$ (336,796)	

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

The Charter School had \$141,391 for 2018 and \$157,868 for 2017 invested in building improvements and equipment.

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

For the Future

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

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Connie Sanchez, Executive Director at Unity Charter School, One Evergreen Place, Morris Township, New Jersey 07960.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

UNITY CHARTER SCHOOL
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 91,331	\$ -	\$ 91,331
Interfunds Receivable	19,013		19,013
Other Receivables	323,722	1,742	325,464
Capital Assets, Net	141,391		141,391
Total Assets	575,457	1,742	577,199
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions Deferred Outflows	62,616		62,616
Total Deferred Outflows of Resources	62,616	-	62,616
LIABILITIES:			
Interfund Payable		18,122	18,122
Accounts Payable	24,151		24,151
Deferred Revenue	7,479		7,479
Other Current Liabilities	82,997		82,997
Net Pension Liability	274,297		274,297
Total Liabilities	388,924	18,122	407,046
DEFERRED INFLOWS OF RESOURCES:			
Pensions Deferred Inflows	186,333		186,333
Total Deferred Inflows of Resources	186,333	-	186,333
NET POSITION:			
Net Investment in Capital Assets	141,391		141,391
Unrestricted/Unassigned	(78,575)	(16,380)	(94,955)
Total Net Position	\$ 62,816	\$ (16,380)	\$ 46,436

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

UNITY CHARTER SCHOOL
Statement of Activities
For The Fiscal Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes In Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	1,504,229	\$ 657,693	\$ -	\$ -	\$ -	(2,161,922)	\$ -	(2,161,922)
Administration	622,718	165,609				(788,327)		(788,327)
Support Services	1,294,254	144,509				(1,438,763)		(1,438,763)
Capital Outlay	37,058					(37,058)		(37,058)
Unallocated Depreciation	16,478					(16,478)		(16,478)
Total Governmental Activities	3,474,737	\$ 967,811	\$ -	\$ -	\$ -	(4,442,548)	\$ -	(4,442,548)
BUSINESS-TYPE ACTIVITIES:								
Food Service	152,900		99,010	20,959			(32,931)	(32,931)
Total Business-Type Activities	152,900		99,010	20,959	-	-	(32,931)	(32,931)
Total Primary Government	\$ 3,627,637		\$ 99,010	\$ 20,959	\$ -	(4,442,548)	\$ -	(4,475,479)
GENERAL REVENUES								
General Purposes			\$ -				\$ -	\$ -
Federal and State Aid Not Restricted						4,382,217		4,382,217
Miscellaneous Income						141,665		141,665
Total General Revenues						4,523,882	-	4,523,882
Change in Net Position						81,334	(32,931)	48,403
Net Position - Beginning of Year						(18,518)	16,551	(1,967)
Net Position - Ending						\$ 62,816	\$ (16,380)	\$ 46,436

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

UNITY CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2018

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 85,156	\$ 6,175	\$ 91,331
Receivables:			
Interfund Receivables	19,013		19,013
Receivables From Other Governments	322,418	1,304	323,722
Total Current Assets	426,587	7,479	434,066
Total Assets	\$ 426,587	\$ 7,479	\$ 434,066
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Accounts Payable	24,151		24,151
Deferred Revenue		7,479	7,479
Payable to Other Local Units	82,997		82,997
Total Current Liabilities	107,148	7,479	114,627
Total Liabilities	107,148	7,479	114,627
Fund Balances:			
Unassigned:			
General Fund	319,439		319,439
Total Fund Balances	319,439	-	319,439
Total Liabilities and Fund Balances	\$ 426,587	\$ 7,479	

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 governmental funds. The cost of the assets is \$289,379 and the accumulated depreciation is \$147,988.	141,391
Net pension liability of \$274,297, deferred inflows of resources of \$186,333 less deferred outflows of resources of \$62,616 related to pensions are not reported in the governmental funds	(398,014)
Net Position of Governmental Activities	\$ 62,816

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

UNITY CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 385,967	\$ -	\$ 385,967
Transportation Fees	140,694		140,694
Interest on Investments	193		193
Revenue from Community Services Activities		763	763
Miscellaneous	15		15
Total Local Sources	526,869	763	527,632
Intermediate Sources			
State Sources	3,590,594		3,590,594
Federal Sources		75,082	75,082
Total Revenues	4,117,463	75,845	4,193,308
EXPENDITURES:			
Current:			
Instruction	1,504,229	25,115	1,529,344
Administration	1,266,523		1,266,523
Support Services	1,248,524	45,730	1,294,254
Capital Outlay	32,058	5,000	37,058
Total Expenditures	4,051,334	75,845	4,127,179
NET CHANGE IN FUND BALANCES	66,129	-	66,129
FUND BALANCES, JULY 1	253,310	-	253,310
FUND BALANCES, JUNE 30	\$ 319,439	\$ -	\$ 319,439

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

UNITY CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental fund (from B-2)	\$	66,129
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (16,478)	
Capital Outlay	-	(16,478)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p>		
		31,683
Change in net position of governmental activities	\$	81,334

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

PROPRIETARY FUNDS

UNITY CHARTER SCHOOL
 Proprietary Fund
 Statement of Net Position
 June 30, 2018

	Business-Type Activities Enterprise Fund		
	Food Service	After School	Totals
ASSETS:			
Current Assets:			
Receivables From Other Governments	\$ 1,742	-	\$ 1,742
Total Current Assets	1,742	-	1,742
Total Assets	\$ 1,742	\$ -	\$ 1,742
LIABILITIES:			
Current Liabilities:			
Interfund Accounts Payable	\$ 18,122	-	\$ 18,122
Total Current Liabilities	18,122	-	18,122
Total Liabilities	18,122	-	18,122
NET ASSETS:			
Unrestricted	(16,380)	-	(16,380)
Total Net Assets	(16,380)	-	(16,380)
Total Liabilities and Net Assets	\$ 1,742	\$ -	\$ 1,742

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

UNITY CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	Business-Type Activities Enterprise Fund		Totals
	Food Service	After School	
OPERATING REVENUES:			
Charges for Services:			
Daily Sales Reimbursable Program	\$ 40,527	58,483	99,010
Daily Sales Non-reimbursable Program	-		-
Total Operating Revenues	40,527	58,483	99,010
OPERATING EXPENSES:			
Salaries	55,654	58,120	113,774
Supplies and Materials	1,090		1,090
Cost of Sales- Reimburseable Programs	32,508		32,508
Miscellaneous Expenses	4,123	1,405	5,528
Total Operating Expenses	93,375	59,525	152,900
OPERATING LOSS	(52,848)	(1,042)	(53,890)
NONOPERATING REVENUES:			
State Lunch Program	395		395
Federal Source:			
Federal Breakfast Program	1,445		1,445
Federal Lunch Program	19,119		19,119
Total Nonoperating Revenues	20,959	-	20,959
CHANGE IN NET POSITION BEFORE OTHER FINANCING SOURCES	(31,889)	(1,042)	(32,931)
CHANGE IN NET ASSETS	(31,889)	(1,042)	(32,931)
TOTAL NET ASSET, JULY 1	-	16,551	16,551
TOTAL NET ASSET, JUNE 30	\$ (31,889)	\$ 15,509	\$ (16,380)

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

UNITY CHARTER SCHOOL
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018

	Business-Type Activities		Total
	Food Service	After School	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	40,527	58,483	99,010
Cash Payments to Suppliers and Employees	<u>(80,106)</u>	<u>(59,525)</u>	<u>(139,631)</u>
Net Cash Used by Operating Activities	<u>(39,579)</u>	<u>(1,042)</u>	<u>(40,621)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash Received from State and Federal Reimbursements	<u>20,959</u>		<u>20,959</u>
Net Cash Provided by Noncapital Financing Activities	<u>20,959</u>	-	<u>20,959</u>
Net Decrease in Cash and Cash Equivalents	(18,620)	(1,042)	(19,662)
Cash and Cash Equivalents, July 1	<u>3,111</u>		<u>3,111</u>
Cash and Cash Equivalents, June 30	<u>\$ (15,509)</u>	<u>\$ (1,042)</u>	<u>\$ (16,551)</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss Used for Operating Activities	\$ (31,889)	(1,042)	(32,931)
Increase in Intergovernmental Accounts Receivable	(1,742)		(1,742)
Increase in Interfund Accounts Payable	18,122		18,122
Net Cash Used by Operating Activities	<u>\$ (18,620)</u>	<u>\$ (1,042)</u>	<u>\$ (19,662)</u>

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

FIDUCIARY FUNDS

UNITY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2018

	Trusts	Total Agency Funds
	Unemployment Compensation Trust	
ASSETS:		
Cash and Cash Equivalents	\$ 10	\$ 6,807
Total Assets	\$ 10	\$ 6,807
LIABILITIES:		
Liabilities:		
Interfund Payable	\$ -	\$ 891
Due to Student Groups		5,916
Total Liabilities	-	\$ 6,807
NET POSITION:		
Held in Trust for Unemployment	10	
Total Net Position	10	
Total Liabilities and Net Position	\$ 10	

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

UNITY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Year Ended June 30, 2018

	Trusts	
	Unemployment Compensation Trust	District Activities Account
ADDITIONS:		
Contributions:		
Employees	\$ 4,559	
Employer	5,004	
Other	160	\$ 74,497
Total Additions	<u>9,723</u>	<u>74,497</u>
DEDUCTIONS:		
Payments	<u>9,723</u>	<u>42,482</u>
Total Deductions	<u>9,723</u>	<u>42,482</u>
CHANGE IN NET POSITION	-	32,015
NET POSITION, JULY 1	<u>10</u>	<u>-</u>
NET POSITION, JUNE 30	<u>\$ 10</u>	<u>\$ 32,015</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Board of Education (“Board”) of the Unity Charter School (“Charter School”) is an instrumentality of the State of New Jersey, established to function as an educational institution. The Charter School is located in the County of Morris, State of New Jersey. The Board consists of elected officials and is responsible for the fiscal control of the Charter School. The purpose of the district is to education students in grades K-8. An Executive Director is appointed by the Board and is responsible for the administrative control of the Charter School.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. The operations of the Charter School include an elementary and middle school located in Morristown, NJ. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Unity Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

A. Basis of Presentation

The Board’s basic financial statements consist of District-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the overall Charter School, except for the fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities and for the business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the good or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented to general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent of which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

FUND FINANCIAL STATEMENTS

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statement provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category – *government*, *proprietary*, and *fiduciary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Board are grouped into the categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Board are financed. Governmental fund reporting on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's governmental funds:

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The following fund types are used by the Charter School:

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, charter school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

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

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Board's Enterprise is comprised of the Food Service and Fund and After School Program

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fiduciary Fund Types - Fiduciary Funds reporting focuses on net position and changes in net position. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organization, other governments and/or other funds. Fiduciary Funds include the Unemployment Compensation Insurance Fund, Student Activities Fund and Payroll Agency Fund.

B. Measurement Focus

District-wide Financial Statement

The District-wide statements (i.e., the statement of net position and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Board are included on the statement of net position, except for fiduciary funds.

Fund Financial Statements

All governmental funds are accounted for using allow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the District-wide statements, all proprietary fund types are accounted for on a flow economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under GAAP, in accordance with GASB No. 33, Accounting and Financial Reporting for Non-exchange Transactions, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: ad valorem property taxes, tuition, unrestricted grants and interest.

Expenses / Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Expenses / Expenditures (Continued)

The measurement of focus of governmental fund accounting is a on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets / Budgetary Control

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as

expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

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

Total Revenues & Expenditures (Budgetary Basis)	\$	75,845
Adjustments:		
Less Encumbrances at June 30, 2018		-
Plus Encumbrances at June 30, 2017		-
Total Revenues and Expenditures (GAAP Basis)		75,845

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets / Budgetary Control (Continued)

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

E. Encumbrances

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

Open encumbrances in the special revenue fund, for which the Board 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 year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Cash, Cash Equivalents and Investments

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

New Jersey school districts 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 School Districts.

Additionally, the Board has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit.

Protection At ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds in deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institution, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other depositories, is available to pay the full amount of their deposits to the Governmental Units.

G. Tuition Revenues / Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final cost have been confirmed.

H. Tuition Payable

Tuition charges were established by the receiving district. The charges are subject to adjustment when the final costs have been determined.

I. Inventories

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expenses when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expenses when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Short-Term Interfund Receivables / Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund" receivables/payables. These amounts are eliminated in the governmental and business-type activities, which are presented as internal balances.

L. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Charter School has included all infrastructure assets in the current fiscal year.

M. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Board and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Board and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For the District-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentation.

N. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2€ regarding the special fund.

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental fund payables and accrued liabilities, once incurred, are paid in timely manner and in full, from current resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations (Continued)

governmental funds are reported liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

P. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the Charter School implemented GASB 68. This statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entries. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27 and 50 remain applicable for pensions that are not covered by the scope of this statement.

The Charter School has also implemented GASB Statement 71, Pension Transition for Contributions made subsequent to the Measurement Date – an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement 68, Accounting Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as a date (measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflow of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pension be reported at transition only if it is practical to determine all such amounts.

Q. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial 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 outflows of resources (expense / expenditure) until then. Currently, the Charter School has only one item that qualifies for reporting in this category, which is deferred amounts related to pensions.

In addition to liabilities, the statement of financial 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 Charter School has one item that qualifies in this category, deferred amounts related to pension.

R. Fund Balances

Fund balance is divided into five classifications based, primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

Nonspendable fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

Restricted fund balance includes amounts that can be spend only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraints originally.

Assigned fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

S. 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 balances 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 Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposed for which both restricted and unrestricted net position are available.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Allocation of Indirect Expenses

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, medical and dental benefits and TPAF on-behalf contributions were allocated based on salaries of that program. Changes in compensating absences have not been allocated and have been reported as unallocated benefits on the statement of Activities. 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 its reported separately on the Statement of Activities as unallocated depreciation. Interest on a long-term debt is considered an indirect expenses expense and is reported separately on the Statement of Activities.

W. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual result could differ from those estimates.

X. Recent Accounting Pronouncements

During fiscal year 2017, the District adopted the following GASB statements as required:

GASB No. 73, Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB No.77, Tax Abatement Disclosures. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

GASB No. 80, Blending Requirements for Certain Component Units- An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. The Financial Reporting Entity, as amended.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

GASB No. 82, *Pension Issues -An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pension, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

GASB No. 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 established criteria for identifying fiduciary activities of all state and local governments.

GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other postemployment benefits (OPEB)).

GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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.

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$140,432 and the bank balance was \$203,324. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA. The Charter School had no investments at June 30, 2018.

	General Fund	Special Revenue	Fiduciary Funds	Total
Operating Account	\$ 85,156	\$ 6,175	\$ 49,101	\$ 140,432

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2018, none of the cash and cash equivalents for Unity Charter School were exposed to custodial credit risk.

The Charter School does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA.

Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
 - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
 - (6) Local government investment pools;
 - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
 - (8) Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

(9) repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2018.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2018.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2018.

Receivables

Receivables at June 30, 2018, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 20,611	\$ 20,611
Federal Aid	(1,964)	(222)
Other	305,072	305,072
Gross Receivables	323,719	325,461
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 323,719	\$ 325,461

A. Interfund Receivables and Payables

Transfers between funds are used to repay expenses paid by another fund.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 19,013	\$ -
Proprietary Fund		18,122
Fiduciary Fund		891
Total	\$ 19,013	\$ 19,013

B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 175,266	\$ -	\$ -	\$ 175,266
Machinery and Equipment	114,113	-	-	114,113
Total Capital Assets Being Depreciated	289,379	-	-	289,379
Less Accumulated Depreciation For:				
Building and Building Improvements	37,411	8,763	-	46,174
Machinery and Equipment	94,099	7,715	-	101,814
Total Accumulated Depreciation	131,510	16,478	-	147,988
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	157,869	(16,478)	-	141,391
Government Activity Capital Assets, Net	\$ 157,869	\$ (16,478)	\$ -	\$ 141,391

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

Depreciation expense was charged to functions as follows:

Unallocated	16,478
Total	\$ 16,478

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

C. Rental Lease

The original Lease Agreement between The Evergreen Cemetery, Landlord, and Unity Charter School, Tenant, for the premises located at One Evergreen Place, Morris Township, New Jersey, was for a two-year term, beginning July 1, 2010, through June 30, 2012. The Lease Agreement provided for two subsequent five-year Renewal Terms. Unity is currently operating under the Second Renewal Term, which expires June 30, 2022. By way of a Fourth Amendment to the original lease, an additional five-year term was agreed upon, extending the Unity Charter School tenancy at this location to June 30, 2027. Future rental payments are as follows:

Year Ended	Amount
June 30, 2019	255,344
June 30, 2020	255,344
June 30, 2021	255,344
June 30, 2022	255,344
Total future rental payments	\$ 1,021,376

NOTE 4: PENSION PLANS

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2015 through June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The state's pension contributions is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$ 10,916 for fiscal year 2017.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

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

At June 30, 2018, the Charter School reported a liability of \$ 274,297 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 which was rolled forward to June 30, 2017. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Charter School's proportion was 0.00117833%, which was an increase of 0.00133816% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2017, the Charter School recognized pension expense of \$ 121,929 . At June 30, 2017, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 55,261	\$ 55,059
Difference Between Expected and Actual Experience	\$ 6,459	
Changes in Proportion	\$ 10,916	131,274
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 1,868	55,059
	<u>\$ 74,504</u>	<u>\$ 241,392</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

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

Amounts reported as deferred outflows of resources and deferred inflows resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ 6,457
2019	9,744
2020	5,904
2021	(7,853)
2022	(5,724)
	\$ 8,529

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. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuations as of July 1, 2016. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combines Healthy male and Female Mortality Tables (set back 3 years for males and set forward 1 year for females).

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is like that 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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.66% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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 estate	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	8.25%	13.08%

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.65% and a municipal bond rate of 2.85% 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 rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through 2034 and the municipal bond rate was applied to projected benefit payments after the date in determining the total pension liability.

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the Charter 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 or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2017			
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School proportionate share of the Net Pension Liability	\$ 340,284	\$ 274,297	\$ 219,322

Fiscal Year Ended June 30, 2016			
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School proportionate share of the Net Pension Liability	\$ 427,645	\$ 348,989	\$ 284,051

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefit Provided

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Benefit Provided (continued)

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective Tier. Deferred retirements is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contributions policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

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, such as the Charter School. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contribution was less than the actuarial determined amount.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

The \$ 14,353,461,035 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 11,992,821,439 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

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

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

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

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.65% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension 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-estimate 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 weighing 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' target asset allocation as of June 30, 2017 is summarized in the following table:

Long Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>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 estate	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	8.25%	13.08%

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 30% of the 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after the date in determining the total pension liability.

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	1%	Current	1%
	Decrease (3.25%)	Discount Rate (4.25%)	Increase (5.25%)
Charter School's proportionate share of the Net Pension Liability	\$ 8,719,113	\$ 7,339,127	\$ 6,202,289

	Fiscal Year Ended June 30, 2016		
	1%	Current	1%
	Decrease (2.22%)	Discount Rate (3.22%)	Increase (4.22%)
Charter School's proportionate share of the Net Pension Liability	\$ 10,235,722	\$ 8,531,708	\$ 7,211,589

Pension Plan Fiduciary Net Position – TPAF

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

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: PENSION PLANS (CONTINUED)

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2018. There were no employee contributions to DCRP for the fiscal year ended June 30, 2018.

NOTE 5: POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

The school is in a "special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial*

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011 , future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Employees covered by benefit terms:

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

TPAF participant retirees:

As of June 30, 2018, 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 Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%			
		<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases				
Through 2026		1.55% to 4.55% based on years of service	2.15% to 4.15% based on age	2.10% to 8.98% based on age
Rate thereafter		2.00% to 5.45% based on years of service	3.15% to 5.15% based on age	3.15% to 9.98% based on age

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. Postretirement 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, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively

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.

Discount rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is 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.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Service cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Effect of Changes of Assumptions	(7,086,599,129)
Contributions - Employee	45,748,749
Gross Benefits Paid by the State	(1,242,412,566)
Net Changes	(4,191,942,326)
Balance at June 30, 2017	53,639,841,858

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	At 1% Decrease (2.58%)	At current discount rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability	\$ 63,674,362,200	\$ 53,639,841,858

	Fiscal Year Ended June 30, 2016		
	At 1% Decrease (1.58%)	At current discount rate (2.58%)	At 1% Increase (3.58%)
	Total OPEB Liability	\$ 69,383,705,084	\$ 57,831,784,184

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

	Fiscal Year Ended June 30, 2017		
	At 1% decrease	Trend Rate	At 1% Increase
Total OPEB Liability	\$ 44,113,584,560	\$ 53,639,841,858	\$ 66,290,599,457

	Fiscal Year Ended June 30, 2016		
	At 1% decrease	Trend Rate	At 1% Increase
Total OPEB Liability	\$ 47,452,589,164	\$ 57,831,784,184	\$ 71,707,778,970

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

For the fiscal year ended June 30, 2018 the Charter School recognized OPEB expense of \$330,574 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	\$ -	\$ -
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	-	(6,343,769,032)
Sub Total	-	(6,343,769,032)
Contributions Made in Fiscal Year 2018 after June 30, 2017 Measurement Date	1,190,373,242	N/A
Total	1,190,373,242	(6,343,769,032)

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB will be recognized in OPEB expense as follows:

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

NOTE 6: RISK MANAGEMENT

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

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The Charter School pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**UNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 5,164	\$ 4,559	\$ 9,723	\$ 10
2016-2017	1,385	12,072	13,457	10
2015-2016	9,999	11,121	21,120	10

NOTE 7: CONTINGENT LIABILITIES

The Board’s attorney is unaware of any potential claims against the Charter School that would materially affect the financial condition of the Charter School.

NOTE 8: SUBSEQUENT EVENTS

The Unity Charter School’s management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

UNITY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Equalization Aid-Local	\$ 385,967	\$ -	\$ 385,967	\$ 385,967	-
Other Local				140,694	140,694
Total Local Sources	385,967	-	385,967	526,661	140,694
Categorical Aid:					
Equalization Aid-State	3,184,524		3,184,524	2,861,264	(323,260)
Special Education	154,278		154,278	171,000	16,722
Security Aid	16,400		16,400	14,074	(2,326)
Non-Public Student Aid	12,000		12,000	116,741	104,741
Adjustment Aid	15,360		15,360	5,472	(9,888)
Total Categorical Aid	3,382,562	-	3,382,562	3,168,551	(214,011)
Revenues From Other Sources:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				196,377	196,377
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				126,835	126,835
On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted)				818	818
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				98,013	98,013
Interest Income				193	193
Miscellaneous Revenue				15	15
Total Revenues From Other Sources	-	-	-	422,251	422,251
Total Revenues	3,768,529	-	3,768,529	4,117,463	348,934
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,221,141	91,292	1,312,433	1,312,432	1
Other Salaries for Instruction	53,108	(23,592)	29,516	29,516	-
Purchased Prof/Tech Services	83,103	(31,964)	51,139	51,079	60
General Supplies	54,052	23,036	77,088	75,688	1,400
Textbooks	2,000	474	2,474	2,474	-
Miscellaneous	13,100	19,940	33,040	33,040	-
Total Instruction	1,426,504	79,186	1,505,690	1,504,229	1,461
Administration:					
Salaries - General Administration	245,723	2,328	248,051	246,746	1,305
Salaries - Technical	57,157		57,157	56,435	722
Salaries of Secretarial/Clerical Assistants	84,835	7,527	92,362	91,249	1,113
Total Benefits Cost	629,217	44,300	673,517	673,517	-
Purchases Prof/Tech Services	126,713	13,422	140,135	127,697	12,438
Other Purchased Services	6,923	(595)	6,328	5,340	988
Communications/Telephone	11,128	20	11,148	10,204	944
Insurance	10,869	(3,190)	7,679	7,679	-
Supplies and Materials	19,296	2,495	21,791	21,538	253
Miscellaneous Expenses	22,695	7,480	30,175	26,118	4,057
Total Administration	1,214,556	73,787	1,288,343	1,266,523	21,820

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

UNITY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	108,587	(16,126)	92,461	89,051	3,410
Salaries - Improvement of Instruction	247,599	(61,071)	186,528	149,448	37,080
Purchased Prof/Tech Services	50,426	31,194	81,620	81,491	129
Cleaning, Repair, and Maintenance Services	57,201	(7,368)	49,833	48,024	1,809
Rental of Land and Buildings	395,314	(43,457)	351,857	351,856	1
Transportation-Other Than To/From School	23,855	13,169	37,024	35,956	1,068
Insurance for Property, Liability and Fidelity	23,760	(4,039)	19,721	19,721	-
Supplies and Materials	25,794	(1,611)	24,183	20,813	3,370
Energy Costs (Heat and Electricity)	42,054	(8,745)	33,309	30,070	3,239
Miscellaneous Expenses	700	(487)	213	51	162
Total Support Services	975,290	(98,541)	876,749	826,481	50,268
Capital Outlay:					
Building Purchases Other Than Lease Purchases	55,000	(22,942)	32,058	32,058	-
Total Capital Outlay	55,000	(22,942)	32,058	32,058	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)				196,377	(196,377)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				126,835	(126,835)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				98,013	(98,013)
On Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				818	(818)
Total Expenditures	3,671,350	31,490	3,702,840	4,051,334	(220,841)
Excess (Deficiency) of Revenues Over (Under) Expenditures	97,179	(31,490)	65,689	66,129	440
Other Financing Sources (Uses)					
Food Service	700		700		700
Total Other Financing Sources (Uses)	700	-	700	-	700
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	96,479	(31,490)	64,989	66,129	1,140
FUND BALANCE, JULY 1	204,280	49,030	253,310	253,310	-
FUND BALANCE, JUNE 30	\$ 300,759	\$ 17,540	\$ 318,299	\$ 319,439	\$ 1,140
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 300,759	\$ 17,540	318,299	\$ 319,439	\$ 1,140
Total	\$ 300,759	\$ 17,540	\$ 318,299	\$ 319,439	\$ 1,140

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

UNITY CHARTER SCHOOL
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Federal Sources	\$ 75,082	\$ -	\$ 75,082	\$ 75,082	\$ -
State Sources			-		-
Local Sources	763		763	763	-
Total Revenues	75,845	-	75,845	75,845	-
EXPENDITURES:					
Instruction:					
Salaries of Teachers	15,000		15,000	15,000	-
Purchased Prof/Tech Services	7,602		7,602	7,602	-
General Supplies	2,513		2,513	2,513	-
Total Instruction	25,115	-	25,115	25,115	-
Support Services:					
Other Purchased Professional Services	41,168		41,168	41,168	-
Other Purchased Professional Services	4,562		4,562	4,562	-
Total Support Services	45,730	-	45,730	45,730	-
Capital Outlay:					
Instructional Equipment	5,000		5,000	5,000	-
Non-Instructional Equipment			-		-
Total Capital Outlay	5,000	-	5,000	5,000	-
Total Expenditures	75,845	-	75,845	75,845	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

UNITY CHARTER SCHOOL
 Budgetary Comparison Schedule
 Budget-To-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2018

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

		General Fund		Special Revenue Fund
Sources/Inflows of Resources				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1]	\$ 4,117,463	[C-2]	75,845
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2]	\$ 4,117,463	[B-2]	\$ 75,845
 Uses/Outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 4,051,334	[C-2]	75,845
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ 4,051,334	[B-2]	\$ 75,845

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

UNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2016	2017	2018
Charter School's proportion of the net pension liability	0.00171623%	0.001338158%	0.001178333%
Charter School's proportionate share of the net pension liability	\$ 385,260	\$ 396,324	\$ 274,297
Charter School's covered employees payroll	\$ 106,432	\$ 133,471	\$ 660,006
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	362%	297%	42%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	45.37%	36.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

UNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2016	2017	2018
Contractually required contribution	\$ 14,755	\$ 11,888	10,916
Contributions in relation to the contractually required contribution	(14,755)	(11,888)	(10,916)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 106,432	\$ 133,471	\$ 660,006
Contributions as a percentage of covered employee payroll	13.86%	8.91%	1.65%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

UNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2016	2017	2018
State's proportion of the net pension liability attributable of the Charter School	0.01130112%	0.01086631%	0.01084543%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 7,142,792	\$ 8,548,132	\$ 7,312,382
Charter School's covered employees payroll	\$ 1,202,738	\$ 1,337,635	\$ 1,351,235
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	593.88%	639.05%	541.16%
Plan fiduciary net position as a p ercentage of the total pension liability	28.71%	22.33%	25.41%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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

Unity Charter School
Required Supplementary Information Schedules
Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios
Last Two Fiscal Years
(Unaudited)

	Fiscal Years Ending	
	June 30, 2017	June 30, 2018
OPEB Liability at Beginning of Measurement Period		\$ 2,638,802
Service cost		274,182
Interest on Total OPEB Liability		82,213
Effect on Changes of Benefit Terms	NOT AVAILABLE	-
Effect of Changes of Assumptions		(382,283)
Contributions - Employee		2,180
Gross Benefits Paid by the State		(59,200)
		(82,908)
Net Change in Total OPEB Liability	NOT AVAILABLE	(82,908)
OPEB Liability at Beginning of Measurement Period		2,638,802
	2,638,802	2,555,894
The Charter School's Proportionate Share of the Total OPEB Liability	0.00%	0.00%
Charter School's Covered-Employee Payroll	\$ 1,471,106	\$ 2,011,241
Total Charter School's OPEB liability as a percentage of covered-employee payroll	179.375%	127.080%
Charter School's Contribution	None	None

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III

UNITY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2018

A. Benefit Changes

There were none.

B. Changes in 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.

UNITY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2018

A. Benefit Changes

There were none.

B. Changes in 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.

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

**UNITY
CHARTER SCHOOL**
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	Title I	Title IV	Title II Part A	IDEA Part B	Local Grants	Idea Pre School	Total
Revenues:							
Federal Sources	\$ 19,352	\$ 10,000	4,562	\$ 38,243	\$ -	\$ 2,925	\$ 75,082
Local Sources					763		763
Total Revenues	\$ 19,352	\$ 10,000	\$ 4,562	\$ 38,243	\$ 763	\$ 2,925	\$ 75,845
Expenditures:							
Instruction:							
Salaries of Teachers	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Purchased Prof/Tech Services	2,352	5,000			250		7,602
General Supplies	2,000				513		2,513
Total Instruction	19,352	5,000	-	-	763	-	25,115
Support Services:							
Purchased Prof/Ed Services				38,243			38,243
Other Purchased Professional Services						2,925	2,925
Other Purchased Services			4,562				4,562
Total Support Services	-	-	4,562	38,243	-	2,925	45,730
Facilities Acquisition and Construction Services:							
Instructional Equipment		5,000					5,000
Total Facilities Acquisition and Construction Services	-	5,000	-	-	-	-	5,000
Total Expenditures	19,352	10,000	4,562	38,243	763	2,925	75,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

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

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

UNITY CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2018

	Trusts		Agency			Total Agency Funds
	Unemployment Compensation Insurance	Flexible Spending Account	Payroll Agency	Payroll Account	Student Activity	
ASSETS:						
Cash and Cash Equivalents	\$ 10	\$ 42,284	\$ -	\$ 891	\$ 5,916	\$ 6,807
Total Assets	<u>\$ 10</u>	<u>\$ 42,284</u>	<u>\$ -</u>	<u>\$ 891</u>	<u>\$ 5,916</u>	<u>\$ 6,807</u>
LIABILITIES:						
Liabilities:						
Interfund Payable	\$ -	\$ -	\$ -	\$ 891	\$ -	\$ 891
Due to Student Groups					5,916	5,916
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 891</u>	<u>\$ 5,916</u>	<u>\$ 6,807</u>
NET POSITION						
Reserved	<u>-</u>	<u>42,284</u>				
Total Net Position	<u>10</u>	<u>42,284</u>				
Total Liabilities and Net Position	<u>\$ 10</u>	<u>\$ 42,284</u>				

UNITY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Trust Funds
 For the Fiscal Year Ended June 30, 2018

	Unemployment Compensation Trust	Flexible Spending Account
	<u> </u>	<u> </u>
ADDITIONS:		
Contributions:		
Employees	\$ 4,559	\$ 74,497
Employer	5,164	
Donations		
	<u> </u>	<u> </u>
Total Additions	<u> 9,723</u>	<u> 74,497</u>
DEDUCTIONS:		
Payments	<u> 9,723</u>	<u> 42,482</u>
Total Deductions	<u> 9,723</u>	<u> 42,482</u>
CHANGE IN NET POSITION	-	32,015
NET POSITION, JULY 1	<u> 10</u>	<u> 10,269</u>
NET POSITION (DEFICIT), JUNE 30	<u><u> 10</u></u>	<u><u> 42,284</u></u>

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

UNITY CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Student Groups	<u>\$ 7,931</u>	<u>\$ 57,872</u>	<u>\$ 59,887</u>	<u>\$ 5,916</u>
Total	<u><u>\$ 7,931</u></u>	<u><u>\$ 57,872</u></u>	<u><u>\$ 59,887</u></u>	<u><u>\$ 5,916</u></u>

UNITY CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
ASSETS:				
Cash and Cash Equivalents	\$ -	\$ 945,414	\$ 945,414	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 945,414</u>	<u>\$ 945,414</u>	<u>\$ -</u>
LIABILITIES:				
Interfund Accounts Payable	\$ -	\$ 945,414	\$ 945,414	\$ -
Totals	<u>\$ -</u>	<u>\$ 945,414</u>	<u>\$ 945,414</u>	<u>\$ -</u>

**STATISTICAL SECTION
(UNAUDITED)**

Unity Charter School has been in operation for ten (10) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, statistical data for ten (10) years is available and has been presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

UNITY CHARTER SCHOOL
 Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 141,391	\$ 157,868	\$ 168,990	\$ 175,132	\$ 119,325	\$ 103,262	\$ 88,743	\$ 66,802	\$ 57,155	\$ 63,492
Restricted	-	45,000	40,752	46,626	40,266	-	4,887	1,104	890	852
Unrestricted	(78,575)	(221,387)	(216,441)	(240,621)	(254,234)	241,306	329,755	166,539	105,674	89,435
Total Governmental Activities Net Assets/ Position	\$ 62,816	\$ (18,519)	\$ (6,698)	\$ (18,863)	\$ (94,643)	\$ 344,568	\$ 423,385	\$ 234,445	\$ 163,719	\$ 153,778
Business-Type Activities										
Unrestricted	\$ (16,380)	\$ 16,551	\$ 27,708	\$ 27,510	\$ 24,676	\$ 18,198	\$ 5,557	-	2,325	1,223
Total Business-Type Activities Net Assets/Position	\$ (16,380)	\$ 16,551	\$ 27,708	\$ 27,510	\$ 24,676	\$ 18,198	\$ 5,557	\$ -	\$ 2,325	\$ 1,223
Charter School-Wide										
Net Investment in Capital Assets/										
Invested in capital assets, net of related debt	\$ 141,391	\$ 157,868	\$ 168,990	\$ 175,132	\$ 119,325	\$ 103,262	\$ 88,743	\$ 66,802	\$ 57,155	\$ 63,492
Restricted	-	45,000	40,752	46,626	40,266	-	4,887	1,104	890	852
Unrestricted	(94,955)	(204,836)	(188,733)	(213,111)	(229,558)	259,504	335,313	166,539	107,999	90,657
Total Charter School Net Position	\$ 46,436	\$ (1,967)	\$ 21,010	\$ 8,647	\$ (69,967)	\$ 362,766	\$ 428,943	\$ 234,445	\$ 166,044	\$ 155,001

Source: Comprehensive Annual Financial Report

UNITY CHARTER SCHOOL
 Changes in Net Position
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities:										
Instruction	2,161,922	\$ 2,446,726	\$ 1,879,182	\$ 2,624,767	\$ 1,518,652	\$ 1,480,970	\$ 1,326,641	\$ 975,350	\$ 871,765	\$ 876,486
Administration	788,327	-	-	-	(1)	(1)	-	-	-	-
Support Services	1,438,763	2,017,249	1,696,949	1,942,088	1,399,705	1,231,429	1,065,960	889,320	731,961	709,241
Capital Outlay	37,058	-	-	-	-	-	-	-	-	-
Unallocated	16,478	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	4,442,548	4,463,975	3,576,131	4,566,855	2,918,356	2,712,398	2,392,601	1,864,670	1,603,726	1,585,728
Business-Type Activities:										
Food Service	93,375	247,631	38,579	25,485	22,108	31,437	14,710	51,553	50,843	47,826
After School	59,525	64,784	63,018	57,013	35,822	33,441	34,513	34,816	22,580	30,221
Total Business-Type Activities Expenses	152,900	312,415	101,597	82,498	57,930	64,878	49,223	86,369	73,423	78,047
Total Charter School Expenses	\$ 4,595,448	\$ 4,776,390	\$ 3,677,727	\$ 4,649,352	\$ 2,976,287	\$ 2,777,276	\$ 2,441,824	\$ 1,951,039	\$ 1,677,149	\$ 1,663,775
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ -	\$ 1,056,483	\$ 839,833	\$ 2,191,474	\$ 638,300	\$ 595,322	\$ 556,706	379,522	405,586	547,824
Capital Grants and Contributions	193	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	193	1,056,483	839,833	2,191,474	638,300	595,322	556,706	379,522	405,586	547,824
Business-Type Activities:										
Charges for Services	40,527	237,704	101,794	85,332	64,406	77,519	54,780	54,192	47,547	55,730
Operating Grants and Contributions	79,442	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	119,969	237,704	101,794	85,332	64,406	77,519	54,780	54,192	47,547	55,730
Total Charter School Program Revenue	\$ 120,162	\$ 1,294,187	\$ 941,628	\$ 2,276,806	\$ 702,706	\$ 672,841	\$ 611,486	\$ 433,714	\$ 453,133	\$ 603,555
Net (Expense)/Revenue										
Governmental Activities	\$ (4,442,355)	\$ (3,407,492)	\$ (2,736,298)	\$ (2,375,381)	\$ (2,280,056)	\$ (2,117,076)	\$ (1,835,895)	\$ (1,485,148)	\$ (1,198,140)	\$ (1,037,903)
Business-Type Activities	(32,931)	(74,711)	198	2,834	6,476	12,641	5,557	(32,178)	(25,876)	(22,317)
Total Charter School Net Expense	\$ (4,475,286)	\$ (3,482,203)	\$ (2,736,100)	\$ (2,372,546)	\$ (2,273,580)	\$ (2,104,435)	\$ (1,830,338)	\$ (1,517,326)	\$ (1,224,016)	\$ (1,060,220)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
General Purposes	\$ -	\$ 3,370,369	\$ 2,735,424	\$ 2,446,841	\$ 2,283,175	\$ 2,070,346	\$ 1,950,276	\$ 1,554,574	\$ 1,125,621	\$ 1,009,657
Federal and State Aid Not Restricted	4,382,217	-	-	-	-	-	-	-	-	-
Investment Earnings	-	1	2	4	3	13	9	14	-	1,404
Miscellaneous Income	141,472	25,305	13,037	4,316	4,869	11,256	74,551	31,120	109,399	36,574
Special Item - Disposal of Assets	-	-	-	-	-	(43,355)	-	-	-	-
Transfers	-	-	-	-	-	-	-	(29,833)	(26,939)	(20,190)
Total Governmental Activities	4,523,689	3,395,675	2,748,463	2,451,161	2,288,046	2,038,260	2,024,835	1,555,874	1,208,081	1,027,446
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	20	-	-
Transfers	-	-	-	-	-	-	-	29,833	26,978	20,190
Total Business-Type Activities Expenses	-	-	-	-	-	-	-	29,853	26,978	20,190
Total Charter School Wide	\$ 4,523,882	\$ 3,395,675	\$ 2,748,463	\$ 2,451,161	\$ 2,288,046	\$ 2,038,260	\$ 2,024,835	\$ 1,585,727	\$ 1,235,059	\$ 1,047,636
Change in Net Position										
Governmental Activities	\$ 81,334	\$ (11,817)	\$ 12,165	\$ 75,780	\$ 7,990	\$ (78,816)	\$ 188,940	\$ 70,726	\$ 9,941	\$ (10,458)
Business-Type Activities	(32,931)	(74,711)	198	2,834	6,476	12,641	5,557	(2,325)	1,102	(2,127)
Total Charter School	\$ 48,403	\$ (86,528)	\$ 12,363	\$ 78,614	\$ 14,466	\$ (66,175)	\$ 194,498	\$ 68,402	\$ 11,042	\$ (12,584)

Source: Comprehensive Annual Financial Report

UNITY CHARTER SCHOOL
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted	\$ -	\$ 45,000	\$ 40,752	\$ 46,626	\$ 40,266	\$ -	\$ 4,887	\$ 1,104	\$ 890	\$ 852
Unassigned	319,439	208,310	222,468	193,772	192,965	241,306	329,755	166,539	105,674	89,435
Total General Fund	\$ 319,439	\$ 253,310	\$ 263,221	\$ 240,398	\$ 233,231	\$ 241,306	\$ 334,642	\$ 167,643	\$ 106,564	\$ 90,287

Source: Comprehensive Annual Financial Report

UNITY CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local Sources:										
Interest Earnings	\$ 526,869	\$ 3,370,368	2,735,424	2,446,841	2,283,175	2,070,346	1,950,276	1,554,574	1,125,621	1,009,657
Miscellaneous		25,305	13,037	4,316	871	11,256	74,551	31,120	109,399	36,574
State Sources	3,590,594	481,259	806,593	791,696	607,528	562,566	529,022	354,560	366,562	527,106
Federal Sources	75,082	54,940	37,756	34,768	30,772	32,756	27,684	24,962	39,024	20,718
Total Revenues	4,192,545	3,931,872	3,592,812	3,277,625	2,922,348	2,676,937	2,581,541	1,965,229	1,640,606	1,595,460
Expenditures:										
Instruction	1,529,344	1,536,373	1,369,635	1,223,071	1,109,928	1,101,726	1,056,623	784,882	689,639	716,489
Administration	1,266,523	-	-	-	-	-	-	-	-	-
Support Services	1,294,254	2,400,053	2,190,156	1,975,775	1,796,764	1,601,466	1,325,938	1,072,016	907,750	862,482
Capital Outlay	37,058	5,357	10,198	71,611	27,729	67,082	31,981	17,419	-	-
Total Expenditures	4,127,179	3,941,783	3,569,989	3,270,458	2,934,421	2,770,273	2,414,542	1,874,317	1,597,389	1,578,971
Excess (Deficiency) of Revenues Over (Under) Expenditures	65,366	(9,911)	22,822	7,167	(12,073)	(93,336)	166,999	90,912	43,216	16,489
Other Financing Uses:										
Transfers Out	-	-	-	-	-	-	-	(29,833)	(26,939)	(20,190)
Total Other Financing Uses	-	-	-	-	-	-	-	(29,833)	(26,939)	(20,190)
Net Change in Fund Balance	\$ 65,366	\$ (9,911)	\$ 22,822	\$ 7,167	\$ (12,073)	\$ (93,336)	\$ 166,999	\$ 61,079	\$ 16,277	\$ (3,701)

Source: Comprehensive Annual Financial Report

UNITY CHARTER SCHOOL
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Fiscal Year Ending June 30,	Interest	Prior Year Refunds	Miscellaneous Revenue	Total
2018	\$ 193	\$ -	\$ 15	\$ 208
2017	1	7,442	-	7,443
2016	2	5,033	455	5,490
2015	4	-	14	18
2014	3	3,998	-	4,001
2013	13	1,274		1,287
2012	9	2,798		2,807
2011	14	-	33	47
2010		170	-	170
2009	1,404	1,549	2,307	5,261

Source: Charter School records

OPERATING INFORMATION

UNITY CHARTER SCHOOL
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2018	239	\$ 4,090,121	\$ 17,113	-10.68%	0	N/A	239.9	231.0	2.94%	96.31%
2017	233	4,463,975	19,159	17.33%	0	N/A	233.0	N/A	6.39%	0.00%
2016	219	3,576,131	16,329	-27.41%	0	N/A	219.0	N/A	7.88%	0.00%
2015	203	4,566,855	22,497	0.00%	0	N/A	203.0	N/A	N/A	0.00%
2014		2,918,356	-	0.00%	0	N/A	N/A	N/A	0.00%	0.01%
2013		2,712,398	-	0.00%	0	N/A	N/A	N/A	0.00%	0.00%
2012		2,392,601	-	0.00%	0	N/A	N/A	N/A	0.00%	0.00%
2011		1,864,670	-	0.00%	0	N/A	N/A	N/A	0.00%	0.00%
2010		1,603,726	-	0.00%	0	N/A	N/A	N/A	0.00%	0.00%
2009		1,585,728								

Source: Charter School's Records

UNITY CHARTER SCHOOL
 School Building Information
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Charter School Building</u>										
<u>Primary/Intermediate/Middle</u>										
Square Feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (students)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Enrollment	238	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Number of Schools at June 30, 2018
 Primary/Intermediate/Middle = 1
 High = 1

Source: Charter School Facilities Office

UNITY CHARTER SCHOOL
Insurance Schedule
June 30, 2018

	Coverage	Deductible
COMMERCIAL PACKAGE POLICY - NJ SCHOOLS INSURANCE GROUP (NJSIAIG)		
Property Section		
Blanket Building and Contents (fund limit)	\$ 450,000,000	\$ 1,000
Accounts Receivable	250,000	1,000
Automobile Physical Damage	In Blanket Limit	1,000
Electronic Data Processing Equipment	310,000	1,000
Liability Section		
Comprehensive General Liability	\$ 16,000,000	
Automobile Liability	16,000,000	
Employee Benefit Liability	16,000,000	1,000
Crime		
Blanket Employee Dishonesty	\$ 50,000	500
Theft/Disappearance/Destruction:		
Inside	50,000	500
Outside	50,000	500
School Board Legal Liability - NJSIG	16,000,000	5,000
Environmental Impairment Liability		
Limit of Liability		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	
WORKERS COMPENSATION (NJSIG)		
(a) Statutory Benefits	Included	
(a) Employer's Liability	5,000,000	
Supplemental Coverage (optional)	Included	
PUBLIC EMPLOYEE'S FAITHFUL PERFORMANCE BLANKET POSITION BOND		
Board Secretary - Rhonda Curry	\$ 131,000	1000
Treasurer - J Reinhardt	\$ 131,000	1000

UNITY CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2016	2017	2018	Source
	Audit	Audit	Audit	
Cash	320,772	155,248	91,331	Audit: Exhibit A-1
Current Assets (includes CASH)	487,981	347,272	435,808	Audit: Exhibit A-1
Total Assets	656,971	670,743	577,199	Audit: Exhibit A-1
Current Liabilities	197,051	237,927	132,749	Audit: Exhibit A-1
Total Liabilities	582,311	634,251	407,046	Audit: Exhibit A-1
Net Assets	21,010	(1,967)	46,436	Audit: Exhibit A-1
Total Revenue	3,690,090	4,742,256	4,643,851	Audit: Exhibit A-2
Total Expenses	3,677,727	4,776,390	4,595,448	Audit: Exhibit A-2
Change in Net Assets	12,363	(34,133)	48,403	Audit: Exhibit A-2
Depreciation Expense	16,339	16,478	16,478	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	219,000	233,000	239,000	DOE Enrollment Reports
March, 30th Budgeted Enrollment	220	233	239	Charter School Budget

Near Term Indicators	RATIOS ANALYSIS...			Changes
	2016	2017	2018	
1a. Current Ratio	2.48	1.46	3.28	3 YR CUM Current Assets/Current Liabilities Source: > 1.1
1b. Unrestricted Days Cash	31.84	11.86	7.25	Cash/(Total Expenses/365) 15.87
1c. Enrollment Variance	100%	100%	100%	Average Daily Enrollment/Budgeted Enrollment 99.86%
1d.* Default	N/A	N/A	N/A	Audit not in default
Sustainability Indicators				
2a. Total Margin	0.34%	-0.72%	1.04%	Change in Net Assets/Total Revenue 0.20%
2b. Debt to Asset	0.89	0.95	0.71	Total Liabilities/Total Assets 0.85
2c.** Cash Flow	320,772	(165,524)	(63,917)	Net change in cash flow from prior years 91,331
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments) >1.10

* is school in default of loan covenant(s) and/or is delinquent with debt service paym No

** 2018 = 2018 Cash - 2017 Cash; 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

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**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**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Unity Charter School

Morris Township, New Jersey

We have audited, in accordance with the 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 in compliance with 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 Unity Charter School (Charter School), in the , State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated February 27, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter 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.

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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants



Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
February 27, 2019

BARRE & COMPANY LLC
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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM
GUIDANCE AND NEW JERSEY CIRCULAR 15-08 OMB**

The Honorable President and
Members of the Board of Trustees
Unity Charter School

Morris Township, New Jersey

Report on Compliance for Each Major State Program

We have audited the Unity Charter School’s (Charter School) compliance with the types of compliance requirements described in the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2018. The Charter School’s major state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

The Charter School’s management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Circular 15-08-OMB require that we plan and perform the audit to obtain reasonable

assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Unity Charter School, in the County of Morris, 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 state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Unity Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School'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 Uniform Guidance and New Jersey Circular 15-08-OMB, 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 the Charter School's internal control over compliance.


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

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

Purpose of this Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
February 27, 2019

UNITY CHARTER SCHOOL
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	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2018	
												Accounts Receivable	Due to Grantor
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind:													
84-010A		S010A150030	NCLB - - 18	\$ 19,352	7/1/17	6/30/18	-	19,352	(19,352)	-	-	\$	\$
84-010A			NCLB - - 17	13,927	7/1/16	6/30/17	(9,517)	9,517					
84-367A		S367A150029	NCLB - - 18	4,562	7/1/17	6/30/18		4,562	(4,562)				
84-367A			NCLB - - 17	-	7/1/16	6/30/17	(9,517)	43,431	(33,914)				
Total No Child Left Behind													
Special Education Cluster (IDEA):													
84-027		H027A150100	IDEA - - 18	40,334	7/1/17	6/30/18		38,243	(38,243)				
84-027			IDEA - - 17	38,734	7/1/16	6/30/17	(20,467)	20,467				(1,304)	
Total Individuals with Disabilities Cluster													
Other Special Revenue Funds:													
84-282		U282A120015	N/A	-	9/1/17	8/31/18		-	-	-	-	-	-
84-282			N/A	-	9/1/16	8/31/17		-	-	-	-	-	-
Charter School Expansion Grant													
Public Charter Schools (CSP Grant)													
Total Other Special Revenue Funds													
Total Special Revenue Fund								106,041	(75,082)			(1,304)	
U.S. Department of Agriculture													
Passed-through State Department of Agriculture													
Enterprise Fund:													
10-555		16161NJ004N1099	N/A	19,120	7/1/17	6/30/18		17,528	(19,120)			(1,592)	
10-558			N/A	1,445	7/1/17	6/30/18		1,295	(1,445)			(150)	
Child Care Food Program													
Child Nutrition Cluster													
Total Child Nutrition Cluster								17,823	(20,565)			(1,592)	
Total Enterprise Fund								17,528	(20,565)			(1,592)	
Total Federal Financial Awards								123,569	(95,647)			(2,896)	

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

UNITY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2018

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017			Balance at June 30, 2018			MEMO				
			From	To	Unearned Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance	(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Fund:															
State Aid-Public Cluster															
Equalization Aid- State Share	18-495-034-5120-078	\$ 2,861,264	7/1/17	6/30/18	\$ -	\$ -	\$ -	\$ 2,861,264	\$ (2,861,264)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,861,264
Special Education Categorical Aid	18-495-034-5120-089	171,000	7/1/17	6/30/18			171,000	171,000	(171,000)						171,000
Security Aid	18-495-034-5120-084	14,074	7/1/17	6/30/18			14,074	14,074	(14,074)						14,074
Total State Aid-Public Cluster		116,741	7/1/17	6/30/18	(41,671)		3,093,497	3,093,497	(3,057,810)		(17,723)			17,723	3,097,810
Nonpublic Aid	18-100-034-5085-042		7/1/17	6/30/18			99,018	99,018	(116,741)						116,741
Reimbursed TPAF - Social Security	18-495-034-5095-002	98,013	7/1/17	6/30/18				98,013	(98,013)						98,013
Reimbursed TPAF - Social Security	17-495-034-5095-002	-	7/1/16	6/30/17	(17,891)			96,013	(96,013)						96,013
Total Reimbursed TPAF - Social Security Cluster															
[OTHER GRANT]	18-XXX-XXX-XXX-XXX	-	7/1/17	6/30/18											
[OTHER GRANT CARRYOVER]	17-XXX-XXX-XXX-XXX	-	7/1/16	6/30/17	(59,562)			3,290,512	(3,295,564)		(17,723)			(23,948)	3,148,823
Total General Fund								3,385	(3,385)						3,385
Enterprise Fund:															
National School Lunch Program (State Share)	18-100-010-3350-023	385	7/1/17	6/30/18				385	(385)						385
Total Enterprise Fund								385	(385)						385
Total State Financial Assistance Subject to Major Program Determination for State Single Audit								3,385	(3,385)						3,385
State Financial Assistance Not Subject to Major Program Determination:															
General Funds (Non-Cash Assistance)															
TPAF Post-Retirement Medical Contributions	18-495-034-5095-001	126,835	7/1/17	6/30/18				126,835	(126,835)						126,835
On-Behalf TPAF Pension Contributions	18-495-034-5095-006	196,377	7/1/17	6/30/18				196,377	(196,377)						196,377
TPAF Long Term Disability Insurance Premium	18-495-034-5094-004	818	7/1/17	6/30/18				818	(818)						818
Total General Funds (Non-Cash Assistance)								324,030	(324,030)						324,030
Total State Financial Assistance								3,614,937	(3,590,989)		(17,723)			(23,948)	3,474,248

UNITY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and 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 the Board of Trustees, Unity Charter School. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented 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 board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. 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. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

UNITY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ -	\$ 3,590,594	\$ 3,590,594
Special Revenue Fund	75,082	-	75,082
Food Service Fund	20,564	395	20,959
Total Awards & Financial Assistance	<u>\$ 95,646</u>	<u>\$ 3,590,989</u>	<u>\$ 3,686,635</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Unity Charter School has no loan balances outstanding at June 30, 2018.

NOTE 6. OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2018. 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.

UNITY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 19,351
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	4,562
Title IV, Part A: <i>Safe and Drug-Free Schools and Communities</i>	<u>10,000</u>
Total	<u><u>\$ 33,913</u></u>

UNITY CHARTER SCHOOL
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 auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported __X__
Noncompliance material to basic financial statements noted?	_____ Yes	__X__ No

State Awards

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	None Reported __X__
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08-OMB, as applicable?	_____ Yes	__X__ No

Identification of major state programs:

GMIS Number(s)	Name of State Program
	STATE AID – PUBLIC CLUSTER
_____ 18-495-034-5120-071 _____	_____ Equalization Aid _____
_____ 18-495-034-5120-089 _____	_____ Special Education Aid _____
_____ 18-495-034-5120-084 _____	_____ Security Aid _____
_____ 18-495-034-5120-084 _____	_____ Non Public Aid _____

UNITY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section II – Schedule of Financial Statement Findings

The section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

Part III – Schedule of Federal and State Award 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 and state programs, as required by U.S Uniform Guidance and New Jersey OMB's Circular Letter 15-08.

CURRENT YEAR FEDERAL AWARDS

No Current Year Findings

CURRENT YEAR STATE AWARDS

No Current Year Findings

UNITY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2018

STATUS OF PRIOR-YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

No Prior Year Findings