

**LINK COMMUNITY
CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2019

**PREPARED BY
Link Community Charter School**

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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December 9, 2019

Dr. Lamont Repollet
Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN – 500
Trenton, New Jersey 08625-0500

Dear Dr. Repollet:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Link Community Charter School (Charter School) for the fiscal year ended June 30, 2019. This CAFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. 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 (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of the Link Community Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

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 Auditor's 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 New Jersey OMB's Letter Circular 15-08, *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

The Board of Trustees (the “Board”) is comprised of nine voting members. The voting members are elected to oversee that the Charter School operates in compliance with statute and administrative code. Voting members of the Board serve as the official governing body of the school charged with policy making, fiscal oversight, and accountability for student academic achievement results of the Charter School. Voting members adopt the annual budget and directly approve all expenditures which serve as the basis for control for the authorization of all expenditures of Charter School tax money which in turn support the Charter School’s business to promote academic achievement. Non-voting members include the Charter School’s Principal and Vice-Principal, School Business Administrator/Board Secretary, and Board Attorney.

The Principal and Head of School of the Charter School is responsible to the Board for the implementation and administration of all educational and support operations. The School Business Administrator/Board Secretary is the chief financial officer of the Charter School and is 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:** The Link Community 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. All funds and account groups of the Charter School are included in this report. The Charter School’s Board of Trustees, constitutes the Charter School’s reporting entity.

The Link Community Charter School (Charter School) provides a full range of educational services appropriate to Grades 5, 6, 7 and 8. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2018-2019 school year with an enrollment of 287 students. Next year we will reach our maximum capacity. By every indicator, the Charter School is a successful young charter school with great promise for the future. With a focus on leadership, civics, community service and academics, The Charter School maintains a large waiting list for entrance and is armed with a strong Board, experienced staff, significant seed funding, a well-developed mission and accompanying core values.

2. **MAJOR INITIATIVES:** With a 44-year independent school legacy, Link Community Charter School was approved for conversion to a public charter school on July 15, 2014, only the second approved conversion in the state of New Jersey. Given its longstanding history, LCCS is uniquely positioned with a strong tradition of academic excellence, immersion in the arts, exposure to eye-opening experiences, placement in competitive high schools, and service to the community. Converting to a public charter school provided an opportunity to grow the school and thus increase student enrollment with the addition of 5th and 6th grades. In the 2018-2019 school year, in addition to undertaking all regular operations and programming, LCCS worked on the following major initiatives:
 - a. Continue implementation of math initiative with Year II of the Plan.
 - b. Examine best practices and develop comprehensive teacher recruitment plan.
 - c. Strengthen school culture through improved leadership staffing/roles, communication, student discipline systems, and support for classified students.
 - d. Secure outdoor space for recreation and/or physical education.

3. **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.

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.

4. **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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2019.

5. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to Financial Statements" Notes 1 and 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.

6. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

7. **OTHER INFORMATION:**

Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Robinson CPAs, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the New Jersey OMB Circular Letter 15-08.

The auditor's report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's reports' related specifically to the single audit are included in the single audit section of this report.

8. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Link Community 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 financial, accounting and administrative staff.

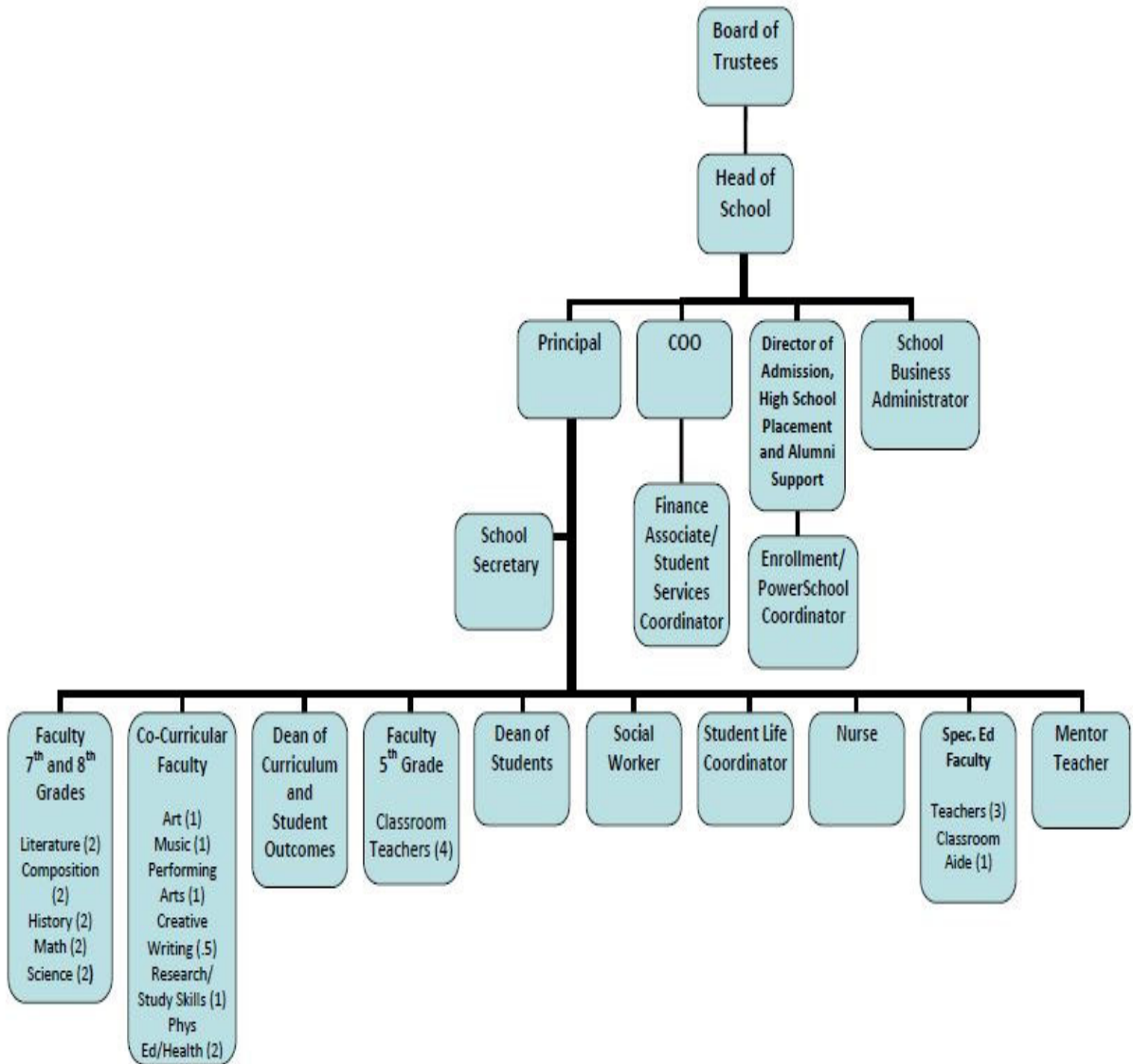
Respectfully submitted,



Bima Baje
School Business Administrator

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ORGANIZATIONAL CHART



**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2019

MEMBERS OF THE BOARD OF TRUSTEES	TERM
Brenda Daughtry, Chairperson	6/30/19
Denise O'Donaghue-Smith, Vice Chairperson	6/30/20
Robert Goger, Member	6/30/19
Annette Riffle, Member	6/30/19
Susan Holguin-Veras	6/30/20
Regina Covington, Member	6/30/20
Richard Mashall, Member	6/30/21
Frances Purefoy, Member	6/30/19

OTHER OFFICIALS (non-voting)

Maria Pilar Paradiso, Head of School
Bima Baje, School Business Administrator
Isabel Machado, Esq., Board Attorney
Sharon F. Machrone, Board Recording Secretary

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Robinson CPAs, LLP
115 Davis Station Rd
Cream Ridge, NJ 08514

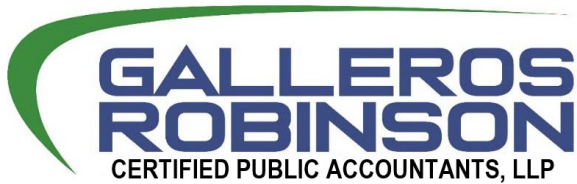
Attorneys

Machado Law Group, LLC
Attorneys at Law
136 Central Avenue 2nd Floor
Clark, New Jersey 07066

Official Depositories

TD Bank
105-109 Mulberry Street
Newark, New Jersey 07102

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Link Community Charter School
County of Essex
Newark, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Link Community Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2019, 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

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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 Link Community Charter School, in the County of Essex, State of New Jersey as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 16, Budgetary Comparison Information on pages 62 through 65, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) and OPEB (GASB 75) on pages 66 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT - CONTINUED


The accompanying combining and individual fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements.

The combining and individual fund financial statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.


Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400


Galleros Robinson CPAs, LLP
Certified Public Accountants

December 9, 2019
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Management’s Discussion and Analysis (MD&A) provides an analysis of the Charter School’s overall financial position and results of operations.

Introduction

This section of the Link Community Charter School’s (the “Charter School”) annual financial report presents our discussion and analysis of the Charter School’s financial performance and provides an overview of the Charter School’s financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School’s financial statements, which follow this section.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting Model adopted by the Governmental Accounting Standards Board (GASB).

Financial Highlights

Key Financial highlights for the fiscal year 2019 are as follows:

- General revenues accounted for \$4.82 million or 75% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1.35 million or 25% of total revenues of \$6.39 million.
- The Charter School had \$7.06 million in expenses; only \$1.35 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4.82 million were not adequate to provide for these programs.
- Among governmental funds, the General Fund had \$5.44 million in revenues and \$5.55 million in expenditures.

Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Link Community Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School’s finances and a long-term view of those finances.

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School’s operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School’s most significant funds with all other non-major funds presented in total in a single column. For the Link Community Charter School, the General Fund is the most significant fund.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities; the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of other, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Statement of Net Position and Statements of Activities

While this report contains the 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 asks the question, “how did we do financially during fiscal year 2019?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School’s assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year’s revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School’s net assets and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2019. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School’s programs and services are reported here including instructional, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's major funds, not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. 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 statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are sufficient 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 the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2019.

The total net position of the Charter School decreased by \$680,113 during the current fiscal year.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The table that follows reflects the net position for fiscal year 2019.

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets	\$ 1,239,501	\$ 115,917	\$ 1,355,418
Capital Assets, net	7,202	6,101	13,303
Total Assets	<u>1,246,703</u>	<u>122,018</u>	<u>1,368,721</u>
Deferred outflow of resources	<u>2,557,281</u>	<u>-</u>	<u>2,557,281</u>
Liabilities			
Current Liabilities	395,684	32,072	427,756
Noncurrent Liabilities	<u>2,772,648</u>	<u>-</u>	<u>2,772,648</u>
Total Liabilities	<u>3,168,332</u>	<u>32,072</u>	<u>3,200,404</u>
Deferred inflow of resources	<u>926,850</u>	<u>-</u>	<u>926,850</u>
Net Position			
Invested in Capital Assets (net of related debt)	7,202	6,101	13,303
Unrestricted	<u>(298,400)</u>	<u>83,845</u>	<u>(214,555)</u>
Total Net Position	<u>\$ (291,198)</u>	<u>\$ 89,946</u>	<u>\$ (201,252)</u>

The Charter School's combined net position was \$(201,252) at June 30, 2019.

The table that follows reflects the change in net position for fiscal year 2019 and 2018.

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 40,990	\$ 32,505	\$ 40,990	\$ 32,505
Operating Grants and Contributions	<u>1,351,418</u>	<u>1,340,222</u>	<u>175,713</u>	<u>163,755</u>	<u>1,527,131</u>	<u>1,503,977</u>
Total Program Revenues	<u>1,351,418</u>	<u>1,340,222</u>	<u>216,703</u>	<u>196,260</u>	<u>1,568,121</u>	<u>1,536,482</u>
General Revenues:						
Local Aid	667,728	705,300	-	-	667,728	705,300
Federal and State Aid	4,141,234	4,122,971	-	-	4,141,234	4,122,971
Miscellaneous	<u>14,405</u>	<u>220,096</u>	<u>-</u>	<u>-</u>	<u>14,405</u>	<u>220,096</u>
Total General Revenues	<u>4,823,367</u>	<u>5,048,367</u>	<u>-</u>	<u>-</u>	<u>4,823,367</u>	<u>5,048,367</u>
Total Revenues	<u>6,174,785</u>	<u>6,388,589</u>	<u>216,703</u>	<u>196,260</u>	<u>6,391,488</u>	<u>6,584,849</u>
Expenditures:						
Instructions	4,201,676	4,120,545	-	-	4,201,676	4,120,545
Administrative	1,338,623	1,286,521	-	-	1,338,623	1,286,521
Support services	1,291,070	1,265,358	-	-	1,291,070	1,265,358
Capital outlay	24,682	39,301	-	-	24,682	39,301
Depreciation	2,881	2,881	-	-	2,881	2,881
Food Service	<u>-</u>	<u>-</u>	<u>212,669</u>	<u>164,400</u>	<u>212,669</u>	<u>164,400</u>
Total Expenditures	<u>6,858,932</u>	<u>6,714,606</u>	<u>212,669</u>	<u>164,400</u>	<u>7,071,601</u>	<u>6,879,006</u>
Change in Net Position	<u>\$ (684,147)</u>	<u>\$ (326,017)</u>	<u>\$ 4,034</u>	<u>\$ 31,860</u>	<u>\$ (680,113)</u>	<u>\$ (294,157)</u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2019.

	<u>Total Cost of Services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 4,201,676	\$ 950,086	\$ (3,251,590)
Administrative	1,338,623	229,651	(1,108,972)
Support services	1,291,070	171,681	(1,119,389)
Unallocated:			
Capital outlay	24,682	-	(24,682)
Depreciation	2,881	-	(2,881)
Total Expenses	<u>\$ 6,858,932</u>	<u>\$ 1,351,418</u>	<u>\$ (5,507,514)</u>

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$216,703 and operating expenses of \$212,669 for fiscal year 2019.

The Charter School’s Funds

The Charter School’s governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$5.79 million and expenditures of \$5.89 million.

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.

During the course of fiscal year 2019, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the General Fund, final budgeted revenues were \$4.98 million which included a local tax levy of \$0.66 million. Expenditures were budgeted at \$5.40 million.

In its fiscal year 2018-2019, actual revenues were \$5.44 million and expenditures were \$5.55 million.

The Charter School reimbursement for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019 amounted to \$0.17 million. On-behalf TPAF payments for post-retirement medical benefits for the fiscal year ended June 30, 2019 amounted to 0.44 million.

Capital Assets

At the end of fiscal year 2019, the Charter School had \$13,303 invested in capital assets.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2018-2019. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

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 reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Link Community Charter School, Business Office, 23 Pennsylvania Avenue, Newark, New Jersey 07102.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 469,859	\$ 48,458	\$ 518,317
Accounts receivable	767,282	31,356	798,638
Interfund receivables - Fiduciary	29,984	1,500	31,484
Other receivables	-	2,429	2,429
Security deposit	4,550	-	4,550
Interfund receivables (internal)	(32,174)	32,174	-
Total current assets	<u>1,239,501</u>	<u>115,917</u>	<u>1,355,418</u>
Capital assets:			
Machinery and equipment	14,404	10,720	25,124
Less: Accumulated depreciation	<u>7,202</u>	<u>4,619</u>	<u>11,821</u>
Net capital assets	<u>7,202</u>	<u>6,101</u>	<u>13,303</u>
Total assets	<u>1,246,703</u>	<u>122,018</u>	<u>1,368,721</u>
Deferred outflow of resources	<u>2,557,281</u>	<u>-</u>	<u>2,557,281</u>
Liabilities			
Current Liabilities:			
Accounts payable	378,548	32,072	410,620
Intergovernmental payable			
State	16,577	-	16,577
Deferred revenue	<u>563</u>	<u>-</u>	<u>563</u>
Total current liabilities	<u>395,688</u>	<u>32,072</u>	<u>427,760</u>
Long-term Liabilities:			
Net pension liability			
Due within one year	156,427	-	156,427
Due in more than one year	<u>2,616,221</u>	<u>-</u>	<u>2,616,221</u>
Total long-term liabilities	<u>2,772,648</u>	<u>-</u>	<u>2,772,648</u>
Total liabilities	<u>3,168,336</u>	<u>32,072</u>	<u>3,200,408</u>
Deferred inflow of resources	<u>926,850</u>	<u>-</u>	<u>926,850</u>
Net position			
Invested in capital assets, net of related debt	7,202	6,101	13,303
Unrestricted	<u>(298,404)</u>	<u>83,845</u>	<u>(214,559)</u>
Total net position	<u>\$ (291,202)</u>	<u>\$ 89,946</u>	<u>\$ (201,256)</u>

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 4,201,679	\$ -	\$ 950,086	\$ (3,251,593)	\$ -	\$ (3,251,593)
Administrative cost	1,338,624	-	229,651	(1,108,973)	-	(1,108,973)
Support services	1,291,070	-	171,681	(1,119,389)	-	(1,119,389)
Capital outlay	24,682	-	-	(24,682)	-	(24,682)
Depreciation	2,881	-	-	(2,881)	-	(2,881)
Total governmental activities	6,858,936	-	1,351,418	(5,507,518)	-	(5,507,518)
Business-type activities:						
Food Service	212,669	40,990	175,713	-	4,034	4,034
Total primary government	\$ 7,071,605	\$ 40,990	\$ 1,527,131	(5,507,518)	4,034	(5,503,484)
General revenues, transfers and special items:						
Local sources				\$ 667,728	-	\$ 667,728
State sources				4,141,234	-	4,141,234
Miscellaneous				14,405	-	14,405
Total general revenues, transfers and special items				4,823,367	-	4,823,367
Changes in net position				(684,151)	4,034	(680,117)
Net position - beginning				392,949	85,912	478,861
Net position - ending (A-1)				\$ (291,202)	\$ 89,946	\$ (201,256)

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 469,859	\$ -	\$ 469,859
Accounts receivable:			
Local	-	60,000	60,000
State	572,271	-	572,271
Federal	-	135,011	135,011
Interfund receivables	183,772	-	183,772
Other receivables	-	-	-
Security deposit	4,550	-	4,550
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,230,452</u>	<u>\$ 195,011</u>	<u>\$ 1,425,463</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 370,062	\$ 8,486	\$ 378,548
Intergovernmental payables:			
State	16,577	-	16,577
Federal	-	-	-
Interfund payables	-	185,962	185,962
Deferred revenue	-	563	563
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>386,639</u>	<u>195,011</u>	<u>581,650</u>
Fund balances:			
Assigned	109,633		109,633
Unassigned	734,180	-	734,180
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>843,813</u>	<u>-</u>	<u>843,813</u>
Total liabilities and fund balances	<u>\$ 1,230,452</u>	<u>\$ 195,011</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 14,404
Accumulated depreciation	<u>(7,202)</u>
	<u>7,202</u>

Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.

Deferred amounts on net pension liability	<u>1,630,431</u>
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Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net pension liability	<u>(2,772,648)</u>
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Net position of governmental activities - A-1

<u>\$ (291,202)</u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues			
Local Sources:			
Local tax levy	\$ 667,728	\$ -	\$ 667,728
Miscellaneous	14,405	60,000	74,405
Total revenues - local sources	<u>682,133</u>	<u>60,000</u>	<u>742,133</u>
State sources	4,141,234	-	4,141,234
Federal sources	-	280,803	280,803
Reimbursed TPAF - Social Security (non-budgeted)	173,132	-	173,132
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	308,294	-	308,294
On-behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	139,842	-	139,842
On-behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>1,081</u>	<u>-</u>	<u>1,081</u>
Total revenues	<u>5,445,716</u>	<u>340,803</u>	<u>5,786,519</u>
Expenditures			
Current expense:			
Instruction	2,415,569	271,465	2,687,034
Administrative cost	1,483,344	-	1,483,344
Support services	1,006,592	69,338	1,075,930
Capital outlay	24,682	-	24,682
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	173,132	-	173,132
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	308,294	-	308,294
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	139,842	-	139,842
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>1,081</u>	<u>-</u>	<u>1,081</u>
Total expenditures	<u>5,552,536</u>	<u>340,803</u>	<u>5,893,339</u>
Excess expenditures over revenues	(106,820)	-	(106,820)
Fund balances at beginning of the year	<u>950,633</u>	<u>-</u>	<u>950,633</u>
Fund balances at end of year	<u>\$ 843,813</u>	<u>\$ -</u>	<u>\$ 843,813</u>

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Total net change in fund balances - governmental funds (B-2) \$ (106,820)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Capital outlay	-
Depreciation expense	(2,881)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Pension costs	<u>(574,450)</u>
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Change in net position of governmental activities (A-2)	<u>\$ (684,151)</u>
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PROPRIETARY FUNDS

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2019

Assets

Current assets

Cash and cash equivalents	\$ 48,458
Accounts receivables	
Federal	30,997
State	359
Other	2,429
Interfund receivable	<u>33,674</u>
	<u>67,459</u>

Capital assets

Machinery and equipment	10,720
Less: Accumulated depreciation	<u>4,619</u>
Net capital assets	<u>6,101</u>

Total assets	<u>\$ 122,018</u>
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Liabilities

Current liabilities

Accounts payable	\$ 32,072
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Net position

Unrestricted	<u>89,946</u>
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Total liabilities and net position	<u>\$ 122,018</u>
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**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2019

Operating revenues:

Charges for services:

Daily sales - reimbursable programs	\$ 18,767
After School fees	2,462
Miscellaneous revenue	<u>19,761</u>
Total operating revenues	<u>40,990</u>

Operating expenses:

Equipment	5,289
Supplies and materials - reimbursable programs	192,034
Stipends	14,253
Depreciation	<u>1,093</u>
Total operating expenses	<u>212,669</u>

Operating loss (171,679)

Nonoperating revenues:

State sources:

State School Breakfast Program	-
State School Lunch Program	2,057

Federal sources:

National School Lunch Program	118,201
National School Breakfast Program	<u>55,455</u>

Total nonoperating revenues 175,713

Change in net position 4,034

Total net position at beginning of year 85,912

Total net position at end of year \$ 89,946

See accompanying notes to financial statements.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities

Operating loss	\$ (171,679)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation expense	1,093
Changes in assets and liabilities:	
Accounts receivable	14,542
Accounts payable	17,215
Interfund receivable	<u>(37,793)</u>
Net cash from operating activities	(176,622)

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	<u>175,713</u>
Net decrease in cash and cash equivalents	(909)
Cash and cash equivalents at beginning of the year	<u>49,367</u>
Cash and cash equivalents at end of year	<u><u>\$ 48,458</u></u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

Assets

Cash and cash equivalents	\$ <u>75,574</u>
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Liabilities and Net Position

Liabilities:

Payroll withholdings payable	\$ 36,327
Due to student groups	7,763
Interfund payables	<u>31,484</u>

Total liabilities	75,574
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Net Assets

Restricted

Unemployment compensation	<u>-</u>
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Total liabilities and net position	<u>\$ 75,574</u>
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**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

Revenues:		
General fund appropriation	\$	47,182
Employees' contributions		<u>14,218</u>
Total revenues		<u>61,400</u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u>61,400</u>
Total expenditures		<u>61,400</u>
Excess of revenues over expenditures		-
Fund balance at beginning of the year		<u>-</u>
Fund balance at end of year	\$	<u><u>-</u></u>

See accompanying notes to financial statements.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Link Community Charter School (the "Charter School") is presented to assist in understanding the Charter School's financial statements and notes are representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity:

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Charter School is governed by an independent Board of Trustees (the "Board"), which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School.

B. Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

C. Basis of Presentation

The financial statements of the Charter School have been prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Continued

In June 1999, the Governmental Accounting Standards Boards (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Charter School’s overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School’s activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

D. Basic Financial Statements

The Charter School’s basic financial statements consist of Charter School or government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

E. Governmental Funds

General Fund - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

- 1) As required by the New Jersey Department of Education, the Charter School included 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.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, 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.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2019, there was no Capital Projects Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2019, there was no debt service fund.

F. Proprietary Funds

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

Enterprise Funds:

The Enterprise Fund 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 cost (i.e. expenses including depreciation and indirect costs) of providing goods and services to the students on a continuing basis be financed or recovered primarily through user charges; or where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

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

Internal Service (Self-Insurance) Fund:

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

G. Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Expendable Trust Funds - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

Nonexpendable Trust Funds - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

Agency Funds - Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations. Agency funds include payroll and student activities funds.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting

Measurement Focus - Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or noncurrent, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

Basis of Accounting - In the government-wide statement of net position and statements of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i.e. the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the 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 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 recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

J. Deposits, Investments and Risk Disclosure

Cash and cash equivalents include amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**LINK COMMUNITY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Investments

New Jersey statutes permit the Charter School to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.
- d. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2019, the Charter School did not hold any investments.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. Although GASB Statement No. 40 eliminated Categories 1 and 2 as previously established by GASB Statement No. 3, it maintained, with modification, the level-of-disclosure requirements of GASB Statement No. 3.

As of June 30, 2019, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

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

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Prepaid Expenses

Prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

There was no prepayment as of June 30, 2019.

L. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Position.

M. Fixed Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building if owned	50 years
Building Improvement	20 years
Electrical/Plumbing	30 years
Office and Computer Equipment	5-10 years

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. 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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

O. Compensated Absences

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB No. 16, "Accounting for Compensated Absences." A liability for compensated absences that are attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted sick and vacation days in varying based under the Charter School's personnel policies and according to negotiated contracts. Vacation days not used during the year may only be carried forward with approval from the Head of School.

In the Charter School-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2019, there are no liabilities for compensated absences.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

P. Net Pension Liability (Asset)

The net pension liability (asset) represents the Charter School's proportionate share of the net pension liability (asset) of the New Jersey State Pension Employees' Retirement System and the New Jersey State Teachers' Pension and Annuity Fund System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Q. Deferred Revenue

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

R. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

S. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. Fund Balance and Equity - Continued

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

T. Net Position

Net Position on the *Statement of Net Position* include the following:

Investments in Capital Assets, net of Related Debt - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

Restricted for Specific Purposes – the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

Restricted for Debt Service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Position Restricted for Specific Purposes or Net Position Restricted for Debt Services.

U. Contributed Capital

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

V. Interfund Transactions

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

W. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**LINK COMMUNITY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

X. Accounting for Uncertainty in Income Taxes

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2016.

Y. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the State of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund, and for post-retirement medical benefits of members. The amounts are not required to be included in the Charter School's annual budget.

Z. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 9, 2019.

NOTE 2 ACCOUNTING PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED

GASB Statement No. 87, Leases. 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 CUMMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - CONTINUED

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Charter School is currently evaluating the impact of GASB Statement No. 87 on its charter school-wide financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk.

As of June 30, 2019, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 469,859	\$ 48,458	\$ 75,574	\$ 593,891
Interest-bearing Account	-	-	-	-
Total	<u>\$ 469,859</u>	<u>\$ 48,458</u>	<u>\$ 75,574</u>	<u>\$ 593,891</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2019, the Charter School's carrying amount of deposits was \$593,891 and the bank balance was \$643,328. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2019 were secured by federal deposit insurance and \$393,328 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which is fully funded at June 30, 2019. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur."

**LINK COMMUNITY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 CAPITAL ASSETS

At June 30, 2019, capital assets are as follow:

Governmental Activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets being depreciated:			
Office and computer equipment	\$ 14,404	\$ -	\$ 14,404
Less: Accumulated depreciation	<u>(4,321)</u>	<u>(2,881)</u>	<u>(7,202)</u>
Capital assets, net	<u>\$ 10,083</u>	<u>\$ 11,523</u>	<u>\$ 7,202</u>
<u>Business-Type Activities</u>			
Office and computer equipment	\$ 10,720	\$ -	\$ 10,720
Less Accumulated depreciation	<u>(3,526)</u>	<u>(1,093)</u>	<u>(4,619)</u>
Capital assets, net	<u>\$ 7,194</u>	<u>\$ (1,093)</u>	<u>\$ 6,101</u>

NOTE 5 LONG-TERM DEBT

Long-term debt at June 30, 2019 is as follow:

Long-Term Debt	Balance June 30,2018	Additions	Retired	Balance June 30,2019	Due within One Year
Net pension liability	<u>\$ 2,793,579</u>	<u>\$ -</u>	<u>\$ 20,931</u>	<u>\$ 2,772,648</u>	<u>\$ 156,427</u>

NOTE 6 NET DEFICIT

As of June 30, 2019, governmental activities net position consisted of the following components:

INVESTMENT IN CAPITAL ASSETS, <u>NET OF RELATED DEBT</u>	
Capital assets,net	\$ 7,202
Less:Long-Term obligations	<u>-</u>
(All long-term debt relates to capital assets)	7,202
<u>UNRESTRICTED</u>	
Net position not restricted above	<u>(298,400)</u>
NET DEFICIT	<u>\$ (291,198)</u>

**LINK COMMUNITY CHARTER SCHOOL
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS

A. Description of Plans

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System (PERS) or the Teacher's Pension and Annuity Fund (TPAF) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS and the TPAF. These reports may be obtained by writing to the nju88ujn Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

i. Public Employees' Retirement System (PERS)

The Public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

ii. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full-time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

C. Significant Legislation - Continued

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 4.5% and 3%, respectively of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF

In accordance with N.J.S.A 18A:66-66 the State of New Jersey is to reimburse the Charter School during the year ended June 30, 2019 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the basic financial statements. There was no reimbursement claimed during the fiscal year.

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS)

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

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS)

At June 30, 2019, the Charter School reported in the charter school-wide statement of net position a net pension liability of \$2,772,648 for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2018 as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Charter School's proportionate share of the net pension liability was based on the ratio of contributions as an individual employer to the total contributions to the PERS with measurement dates June 30, 2018 and 2017. At June 30, 2019, the Charter School's proportionate share was 0.0140818589% which is an increase from the proportionate share of 0% at June 30, 2018.

For the year ended June 30, 2019, the Charter School recognized pension expense of \$574,450. At June 30, 2019, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 52,875	\$ 14,297
Changes of assumptions	456,886	886,545
Net difference between projected and actual earnings on pension plan investments	-	26,008
Change in proportion and differences between Charter School contributions and proportionate share contributions	<u>2,047,520</u>	<u>-</u>
	<u>\$ 2,557,281</u>	<u>\$ 926,850</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

	Year Ended June 30,
2020	\$ 466,194
2021	466,194
2022	466,194
2023	227,018
2024	4,830

Actuarial assumptions. The total pension liability for the June 30, 2018 was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2017 measurement date. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	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 RP-2000 Employee Preretirement Mortality Table for male and female active participants. For Local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that 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 the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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 PERS' target asset allocation as of June 30, 2018 measurement date, are summarized in the following table:

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

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

Discount rate. The discount rate used to measure the total pension liability was 5.66% at June 30, 2018 measurement date. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018, 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 contribution from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District'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 net pension liability calculated using the discount rate as disclosed above, as well as what the 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:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Charter School's proportionate share of the net pension liability	<u>\$ 4,066,621</u>	<u>\$ 2,772,648</u>	<u>\$ 2,621,039</u>

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

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF)

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

At June 30, 2019, the State's proportionate share of the net pension liability attributable to the Charter School amounted to \$10,639,434. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018.

For the year ended June 30, 2019, the Charter School recognized pension expense and related revenue of \$620,242 in the Charter school-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the years ended June 30, 2018 and 2017. At June 30, 2019 and 2018, the State's proportion of the net pension liability attributable to the Charter School was 0% and 0.0167239749%.

Actuarial Assumptions. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018 measurement date. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) – continued

Inflation	2.25 percent
Salary increases	
2011-2026	1.55% – 4.55%
Thereafter	2.00% - 5.45%
Investment rate of return	7.00%

Pre-retirement mortality were based on RP-2006 Employee White Collar Mortality Tables, setback 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Health Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a based year of 2006 using a 60-year average of improvements based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disability mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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's target asset allocation as of June 30, 2017, are summarized in the following table:

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) – continued

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

Discount rate. The discount rate used to measure the total pension liability was 4.86% June 30, 2018. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018, 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 contribution from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 50% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) – continued

Sensitivity of Net Pension Liability. The following presents the Charter School’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the 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:

	TPAF Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(3.86%)	(4.86%)	(5.86%)
State’s proportionate share of the net pension liability attributable to the Charter School	<u>\$ 12,612,870</u>	<u>\$ 10,639,434</u>	<u>\$ 9,061,161</u>

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

NOTE 8 POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan description and benefits provided The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

The State funds post-retirement medical benefits on a “pay-as-you-go” basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State’s pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion as the State’s contribution to fund pay-as-you-go PRM costs.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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:

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from central year using the MP-2017 scale. Postretirement mortality rate were based on the RP-2006 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-2006 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, 2017 valuation were based on the results of actuarial studies for periods July 1, 2012 – June 30, 2015, July 1, 2011 – June 30, 2014, and July 1, 2010 – June 30, 2013 for TPAF, PERS and PFRS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

(a) Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend is initially is 5.8% and decreases to a 5.0% long-term rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 18.0% decreasing to a 5% long-term trend rate after seven 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.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

(b) Discount rate

The discount rate for used for June 30, 2018 and 2017 measurement dates were 3.87% and 3.58% 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.

Changes in the State's Proportionate Share of the Total OPEB liability attributable to the Charter School retirees:

Total OPEB Liability

Balance at 6/30/17 measurement date	\$	1,951,172
Changes for the year		
Service cost		395,196
Interest		83,358
Changes in assumptions and other inputs		(160,744)
Difference between expected and actual experience		(832,067)
Benefit payments		(37,456)
Contributions from the member		<u>1,295</u>
Net Change		<u>(550,418)</u>
Balance at 6/30/18 measurement date	\$	<u><u>1,400,754</u></u>

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

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
State's proportionate share of the Total OPEB liability attributable to the Charter School retirees	\$ <u>1,655,976</u>	\$ <u>1,400,754</u>	\$ <u>1,197,878</u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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

	<u>1% Decrease</u>	<u>Current Health Cost Trend Rate</u>	<u>1% Increase</u>
State's proportionate share of the Total OPEB liability attributable to the Charter School retirees	\$ 1,157,805	\$ 1,400,754	\$ 1,722,064

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

For the year ended June 30, 2019, the Charter School recognize OPEB revenue and expense of \$388,226 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

In accordance with GASB No. 75, the Charter School's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 313,986
Differences between expected and actual experience	-	135,974
Changes in proportions	<u>199,456</u>	<u>321,920</u>
	<u>\$ 199,456</u>	<u>\$ 771,880</u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB of retired Charter School employees will be recognized in OPEB expense as follows:

	Year Ended
	<u>June 30</u>
2020	\$ (67,329)
2021	(67,329)
2022	(67,329)
2023	(67,329)
2024	(67,329)
Thereafter	(235,779)

NOTE 9 DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan is administered by AXA Equity, Inc. permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

NOTE 10 RISK MANAGEMENT

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

A. Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Comprehensive Annual Financial Report (Schedule J-20).

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 RISK MANAGEMENT - CONTINUED

B. New Jersey Unemployment Compensation

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.

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

At June 30, 2019, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>			
	General Fund	Special Revenue Fund	Enterprise Fund	Fiduciary Fund
General fund	\$ 183,772	\$ (185,962)	\$ 33,674	\$ (31,484)
GASB No 34 mandated eliminations within governmental activities	<u>(185,962)</u>	<u>185,962</u>	<u>-</u>	<u>-</u>
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ (2,190)</u>	<u>\$ -</u>	<u>\$ 33,674</u>	
External (Due from Trust and Agency Funds)				<u>\$ (31,484)</u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 12 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2019, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2019.

NOTE 13 RENTAL LEASE

The Charter School is currently sub-leasing its facilities at 23 Pennsylvania Avenue, Newark, New Jersey for a period of four (4) years from Link Education Partners commencing July 1, 2014 and expiring on June 30, 2019 subsequent to June 30, 2019, the lease was extended for another four years. Rent for the year ended June 30, 2019 amounted to \$200,000.

NOTE 14 RELATED PARTY TRANSACTIONS

The Link Education Partners ("LEP") is an affiliate organization related to the Charter School. It is a non-profit organization dedicated to supporting Link Community Charter School in its mission to provide an outstanding middle school education for learners of all academic abilities through development of the mind, body and spirit through a strong curriculum, experiential learning, immersion in the arts, and an enduring commitment to Core Values; this will allow them to be successful in competitive high schools and become responsible and resourceful citizens who give back to others.

LEP also subleased the property at 23 Pennsylvania Avenue to the Charter School for a period of 4 years expiring June 30, 2019. Subsequent to June 30, 2019, the lease was extended for another 4 years. The Charter School also used all of LEP capital assets in the property with no additional fee. In addition, LEP also share some administrative employees with the Charter School throughout the year. LEP also has sponsored a summer school program where it utilizes the Charter School's teachers.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 666,229	\$ 1,499	\$ 667,728	\$ 667,728	\$ -
Miscellaneous	-	-	-	14,405	14,405
Total revenues - local sources	666,229	1,499	667,728	682,133	14,405
State sources					
Reimbursed TPAF - Social Security (non-budgeted)	4,308,262	(167,028)	4,141,234	4,141,234	-
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	175,928	-	175,928	173,132	(2,796)
On-behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	308,294	308,294
On-behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	-	-	-	139,842	139,842
	-	-	-	1,081	1,081
Total revenues	<u>5,150,419</u>	<u>(165,529)</u>	<u>4,984,890</u>	<u>5,445,716</u>	<u>460,826</u>
Expenditures					
Current expense:					
Instruction:					
Salaries	2,177,065	(33,505)	2,143,560	2,108,342	35,218
Professional/technical service	157,600	92,905	250,505	246,405	4,100
General supplies	70,000	(15,000)	55,000	26,248	28,752
Textbooks	21,200	-	21,200	21,096	104
Miscellaneous	2,400	12,000	14,400	13,478	922
Total current expense	<u>2,428,265</u>	<u>56,400</u>	<u>2,484,665</u>	<u>2,415,569</u>	<u>69,096</u>
Administrative cost:					
Salaries	827,590	(79,516)	748,074	740,195	7,879
Total benefit costs	821,286	38,559	859,845	590,480	269,365
Professional/technical service	59,750	1,250	61,000	29,418	31,582
Other purchased services	99,200	(14,007)	85,193	82,247	2,946
Communications and telephones	34,585	-	34,585	23,905	10,680
Supplies and materials	7,000	2,757	9,757	9,757	-
Miscellaneous	11,000	-	11,000	7,342	3,658
Total administrative cost	<u>1,860,411</u>	<u>(50,957)</u>	<u>1,809,454</u>	<u>1,483,344</u>	<u>326,110</u>
Support services:					
Salaries	318,728	20,554	339,282	329,866	9,416
Purchased professional/technical service	50,000	-	50,000	27,820	22,180
Other purchased services	210,640	(6,997)	203,643	175,838	27,805
Rent on land and buildings	328,001	-	328,001	328,001	-
Insurance-fidelity, liability, property	63,413	1,000	64,413	57,853	6,560
Supplies and materials	18,000	(10,000)	8,000	3,629	4,371
Energy costs	76,500	-	76,500	73,212	3,288
Miscellaneous	25,000	(10,000)	15,000	10,373	4,627
Total support services	<u>1,090,282</u>	<u>(5,443)</u>	<u>1,084,839</u>	<u>1,006,592</u>	<u>78,247</u>

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital outlay:					
Instructional equipment	20,000	(5,500)	14,500	12,470	2,030
Non-instructional equipment	<u>10,000</u>	<u>5,500</u>	<u>15,500</u>	<u>12,212</u>	<u>3,288</u>
Total capital outlay	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>24,682</u>	<u>5,318</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	173,132	(173,132)
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	308,294	(308,294)
On-behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	139,842	(139,842)
On-behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,081</u>	<u>(1,081)</u>
Total expenditures	<u>5,408,958</u>	<u>-</u>	<u>5,408,958</u>	<u>5,552,536</u>	<u>(143,578)</u>
Excess revenues over expenditures	(258,539)	(165,529)	(424,068)	(106,820)	317,248
Transfers -					
Transfer out to Enterprise Fund - Food Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues over expenditures and other financing uses	(258,539)	(165,529)	(424,068)	(106,820)	317,248
Fund balances at beginning of the year	<u>950,633</u>	<u>-</u>	<u>950,633</u>	<u>950,633</u>	<u>-</u>
Prior period adjustments	-	-	-	-	-
Fund balances, beginning as restated	950,633	-	950,633	950,633	-
Fund balances at ending of the year	<u>\$ 692,094</u>	<u>\$ (165,529)</u>	<u>\$ 526,565</u>	<u>\$ 843,813</u>	<u>\$ 317,248</u>

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
Revenues					
Local	\$ 60,000	\$ -	\$ 60,000	\$ 60,000	\$ -
Federal	<u>280,803</u>	<u>-</u>	<u>280,803</u>	<u>280,803</u>	<u>-</u>
Total revenues - all sources	<u>340,803</u>	<u>-</u>	<u>340,803</u>	<u>340,803</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	214,000	-	214,000	214,000	-
Employee benefits	36,999	-	36,999	36,999	-
Supplies and materials	17,866	-	17,866	17,866	-
Purchased professional and technical service	500	-	500	500	-
Miscellaneous	<u>2,100</u>	<u>-</u>	<u>2,100</u>	<u>2,100</u>	<u>-</u>
Total instruction	<u>271,465</u>	<u>-</u>	<u>271,465</u>	<u>271,465</u>	<u>-</u>
Support services:					
Purchased services	69,298	-	69,298	69,298	-
Miscellaneous	<u>40</u>	<u>-</u>	<u>40</u>	<u>40</u>	<u>-</u>
Total support services	<u>69,338</u>	<u>-</u>	<u>69,338</u>	<u>69,338</u>	<u>-</u>
Total Expenses	<u>340,803</u>	<u>-</u>	<u>340,803</u>	<u>340,803</u>	<u>-</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART II

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 5,445,716	[C-2]	340,803
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-		-
Last State aid payment recognized for budgetary purposes only.		-		-
General Fund contribution to Early Childhood Program Aid.		-		-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	<u>5,445,716</u>	[B-2]	<u>340,803</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	5,552,536	[C-2]	340,803
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 reporting purposes.		-		-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.				
Net transfer (outflows) to general fund		-		-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>\$ 5,552,536</u>	[B-2]	<u>\$ 340,803</u>

Note A -The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

REQUIRED SUPPLEMENTARY INFORMATION

PART III

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - PERS

Last Ten Fiscal Years (1)

	2019	2018	2017	2016	2015
Charter School's proportion of the net pension liability (asset)	0.0140818589%	0.008828485%	0.00%	0.00%	0.00%
Charter School's proportionate share of the net pension liability (asset)	\$ 2,772,648	\$ 2,793,579	\$ -	\$ -	\$ -
Charter School's covered-employee payroll	\$999,568	\$ 1,026,612	\$ -	\$ -	\$ -
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	277.38%	272.12%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.92%	52.06%

The Charter School has no proportionate share in the net pension liability (asset).

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2014. No data is available prior to fiscal year 2015.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

Last Ten Fiscal Year (1)

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 140,069	\$ 111,174	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(140,069)</u>	<u>(111,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 999,568	\$ 1,026,612	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	14.01%	10.83%	0.00%	0.00%	0.00%

The Charter School has no proportionate share in the net pension liability (asset).

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2014. No data is available prior to fiscal year 2015.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - TPAF

Last Ten Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0167239749%	0.00%	0.00%	0.00%	0.00%
Charter School's proportionate share of the net pension liability (asset)	\$ 10,639,434	\$ -	\$ -	\$ -	\$ -
Charter School's covered-employee payroll	\$ 1,881,066	\$ -	\$ -	\$ -	\$ -
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	26.49%	25.41%	22.33%	28.71%	33.64%

The Charter School has no proportionate share in the net pension liability (asset).

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2014. No data is available prior to fiscal year 2015.

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR OPEB (GASB 75)**

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

LAST TEN FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School Retirees		
Service cost	\$ 395,196	\$ 476,080
Interest	83,358	64,758
Difference between expected and actual experience	(832,067)	-
Changes in assumptions and other inputs	(160,744)	(363,896)
Contributions from the member	1,295	1,664
Benefit payments	<u>(37,456)</u>	<u>(45,193)</u>
Net Change in Total State OPEB Liability Attributable to	(550,418)	133,413
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School Retirees		
At beginning of year	<u>\$ 1,951,172</u>	<u>\$ 1,817,759</u>
At end of year	<u>\$ 1,400,754</u>	<u>\$ 1,951,172</u>
Charter School's proportionate share of the Total OPEB Liability	0%	0%
Charter School Covered-employee payroll ⁽²⁾	\$2,880,634	\$ 1,026,612
Total State OPEB liability as a percentage of Charter School covered-employee payroll	48.63%	190.06%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. No data is available prior to fiscal year 2018.

(2) Covered payroll was based on the Charter School's payroll for the year ended June 30.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART III

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III
YEAR ENDED JUNE 30, 2019**

Public Employees Retirement System (PERS)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 5.00% to 5.66%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

The single blended discount rate of 5.66% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.00% in prior measurement date) and a municipal bond rate of 3.87% (3.58% in prior measurement date) 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.

Teachers Pension and Annuity Fund (TPAF)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 4.86% to 4.25% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 4.86% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.00% in prior measurement date) and a municipal bond rate of 3.87% (3.58% in prior measurement date) 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.

Other Post-employment Benefits (OPEB)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total nonemployer OPEB liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 3.85% to 3.87% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75. 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.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS**

YEAR ENDED JUNE 30, 2019

	<u>Title I</u>	<u>IDEA</u>	<u>Link Education Partners</u>	<u>Total</u>
Revenues				
Local	\$ -	\$ -	\$ 60,000	\$ 60,000
Federal	<u>214,005</u>	<u>66,798</u>	-	<u>280,803</u>
Total revenues - all sources	<u>\$ 214,005</u>	<u>\$ 66,798</u>	<u>\$ 60,000</u>	<u>\$ 340,803</u>
Expenditures				
Current Expenditures:				
Instruction:				
Salaries of teachers	\$ 154,000	\$ -	\$ 60,000	\$ 214,000
Employee benefits	36,999	-	-	36,999
Supplies and materials	17,866	-	-	17,866
Purchased professional and technical services	500	-	-	500
Miscellaneous	<u>2,100</u>	-	-	<u>2,100</u>
Total instruction	<u>211,465</u>	-	<u>60,000</u>	<u>271,465</u>
Support services:				
Purchased professional service	2,500	66,798	-	69,298
Miscellaneous	<u>40</u>	-	-	<u>40</u>
Total support services	<u>2,540</u>	<u>66,798</u>	-	<u>69,338</u>
Total expenditures	<u>\$ 214,005</u>	<u>\$ 66,798</u>	<u>\$ 60,000</u>	<u>\$ 340,803</u>

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2019, there was no capital project fund.

ENTERPRISE FUNDS

Enterprise 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 is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

EXHIBIT G-1

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$	48,458
Accounts receivable:		
Federal		30,997
State		359
Other		2,429
Interfund receivables		<u>33,674</u>
		<u>67,459</u>

Capital assets

Equipment		10,720
Less: Accumulated depreciation		<u>4,619</u>
Net capital assets		<u>6,101</u>

Total Assets \$ 122,018

Liabilities

Current liabilities

Accounts Payable	\$	32,072
Deferred revenue		-

Intergovernmental payable - State -

Total current liabilities 32,072

Net assets

Unrestricted 89,946

Total Liabilities and Net Position \$ 122,018

EXHIBIT G-2

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2019

Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 18,767
After School fees	2,462
Miscellaneous revenue	<u>19,761</u>
Total Operating revenues	<u>40,990</u>
Operating expenses:	
Equipment	5,289
Supplies and materials - reimbursable programs	192,034
Stipends	14,253
Depreciation	<u>1,093</u>
Total operating expenses	<u>212,669</u>
Operating loss	<u>(171,679)</u>
Nonoperating revenues:	
State sources:	
State School Lunch	2,057
Federal sources:	
National School Lunch	118,201
National School Breakfast	<u>55,455</u>
Total nonoperating revenues	<u>175,713</u>
Income before transfers	4,034
Transfers in - General fund	<u>-</u>
Changes in net position	4,034
Total net position at beginning of year	<u>85,912</u>
Total net position at end of year	<u><u>\$ 89,946</u></u>

See independent auditor's report.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	FOOD SERVICE
	<u> </u>
Cash flows from operating activities	
Operating loss	\$ (171,679)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation expense	1,093
Changes in assets and liabilities:	
Accounts receivable	14,542
Accounts payable	17,215
Interfund receivable	<u>(37,793)</u>
Net cash from operating activities	(176,622)
 Cash flows from noncapital financing activities	
Cash received from state and federal reimbursements	<u>175,713</u>
 Net decrease in cash and cash equivalents	(909)
Cash and cash equivalents at beginning of the year	<u>49,367</u>
 Cash and cash equivalents at end of year	<u><u>\$ 48,458</u></u>

FIDUCIARY FUNDS

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2019 there was no non-expandable trust fund utilized by the Charter School.

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

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

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2019

	New Jersey Unemployment Benefits	Agency		Total	
		Student Activities	Net Payroll		Payroll Agency
Assets					
Cash and cash equivalents	\$ -	\$ 9,263	\$ 3,792	\$ 62,519	\$ 75,574
Liabilities and fund balances					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ 302	\$ 36,025	\$ 36,327
Due to student groups	-	7,763	-	-	7,763
Interfund payable	-	1,500	3,490	26,494	31,484
Deferred revenue	-	-	-	-	-
Total liabilities	-	9,263	3,792	62,519	75,574
Net Position					
Restricted					
Unemployment compensation	-	-	-	-	-
Total liabilities and net position	\$ -	\$ 9,263	\$ 3,792	\$ 62,519	\$ 75,574

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
(TRUST FUND)**

YEAR ENDED JUNE 30, 2019

	New Jersey Unemployment Benefits
	<u> </u>
Revenues:	
General fund appropriation	\$ 47,182
Employees' contributions	<u>14,218</u>
Total revenues	<u>61,400</u>
 Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>61,400</u>
Total expenditures	<u>61,400</u>
 Excess (deficiency) of revenue over expenditures	-
 Net position at beginning of the year	<u>-</u>
 Net position at end of year	<u><u>\$ -</u></u>

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2019

	<u>Balance June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2019</u>
Assets				
Cash and cash equivalents	\$ 4,424	\$ 15,447	\$ 10,608	\$ 9,263
Interfund receivables	<u>3,025</u>	<u>-</u>	<u>3,025</u>	<u>-</u>
	<u>\$ 7,449</u>	<u>\$ 15,447</u>	<u>\$ 13,633</u>	<u>\$ 9,263</u>
Liabilities				
Interfund payable	\$ -	\$ 15,133	\$ 13,633	\$ 1,500
Due to Student Groups	<u>7,449</u>	<u>314</u>	<u>-</u>	<u>7,763</u>
	<u>\$ 7,449</u>	<u>\$ 15,447</u>	<u>\$ 13,633</u>	<u>\$ 9,263</u>

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2019

	<u>Balance June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2019</u>
Assets				
Cash and cash equivalents	\$ 11,615	\$ 546,666	\$ 495,762	\$ 62,519
Interfund receivable	<u>26,494</u>	<u>-</u>	<u>26,494</u>	<u>-</u>
Total Assets	<u>\$ 38,109</u>	<u>\$ 546,666</u>	<u>\$ 522,256</u>	<u>\$ 62,519</u>
Liabilities				
Payroll deductions and withholdings	\$ 11,615	\$ 36,025	\$ 11,615	\$ 36,025
Interfund payable	<u>26,494</u>	<u>510,641</u>	<u>510,641</u>	<u>26,494</u>
Total Liabilities	<u>\$ 38,109</u>	<u>\$ 546,666</u>	<u>\$ 522,256</u>	<u>\$ 62,519</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

**STATISTICAL SECTION
(UNAUDITED)**

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

INTRODUCTION TO THE STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	79
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	84
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	88
Notes	
1 Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year.	
2 GASB requires presentation of certain statistical information for the last ten fiscal years. However, fiscal year ended June 30, 2015 is the first operating year of the Charter School. Therefore, schedules presenting charter-wide information include information beginning in that year.	

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT J-1

NET POSITION BY COMPONENT
Last Ten Fiscal Years (2)

(Accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Governmental activities					
Invested in capital assets, net of related debt	\$ 7,202	\$ 10,083	\$ 12,964	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	<u>(298,404)</u>	<u>382,866</u>	<u>706,002</u>	<u>780,524</u>	<u>730,608</u>
Total governmental activities net position	<u>\$ (291,202)</u>	<u>\$ 392,949</u>	<u>\$ 718,966</u>	<u>\$ 780,524</u>	<u>\$ 730,608</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 6,101	\$ 7,194	\$ 3,556	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	<u>83,845</u>	<u>78,718</u>	<u>50,493</u>	<u>14,853</u>	<u>3,134</u>
Total business-type activities net position	<u>\$ 89,946</u>	<u>\$ 85,912</u>	<u>\$ 54,049</u>	<u>\$ 14,853</u>	<u>\$ 3,134</u>
Charter School-wide					
Invested in capital assets, net of related debt	\$ 7,202	\$ 10,083	\$ 12,964	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	<u>(208,458)</u>	<u>468,778</u>	<u>760,051</u>	<u>795,377</u>	<u>733,742</u>
Total Charter School net position	<u>\$ (201,256)</u>	<u>\$ 478,861</u>	<u>\$ 773,015</u>	<u>\$ 795,377</u>	<u>\$ 733,742</u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

CHANGES IN NET POSITION

Last Ten Fiscal Years (2)

(Accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Expenses					
Governmental activities					
Instruction	\$ 4,201,679	\$ 4,124,891	\$ 2,759,841	\$ 2,924,449	\$ 1,951,048
Administrative	1,338,624	1,283,729	962,975	911,391	918,674
Support Services	1,291,070	1,263,804	907,761	808,363	563,363
Unallocated					
Capital Outlay	24,682	39,301	3,557	10,000	-
Depreciation	2,881	2,881	1,440	-	-
Total governmental activities expenses	<u>6,858,936</u>	<u>6,714,606</u>	<u>4,635,574</u>	<u>4,654,203</u>	<u>3,433,085</u>
Business-type activities:					
Food service	<u>212,669</u>	<u>164,400</u>	<u>152,746</u>	<u>141,607</u>	<u>112,970</u>
Total business-type activities expense	<u>212,669</u>	<u>164,400</u>	<u>152,746</u>	<u>141,607</u>	<u>112,970</u>
Total charter school expenses	<u><u>7,071,605</u></u>	<u><u>6,879,006</u></u>	<u><u>4,788,320</u></u>	<u><u>4,795,810</u></u>	<u><u>3,546,055</u></u>
Program Revenues					
Governmental activities:					
Charges for services	-	-	-	-	-
Operating grants and contributions	1,351,418	1,340,222	320,358	482,507	901,105
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>1,351,418</u>	<u>1,340,222</u>	<u>320,358</u>	<u>482,507</u>	<u>901,105</u>
Business-type activities:					
Charges for services					
Food service	40,990	32,505	32,257	22,328	18,848
Operating grants and contributions	175,713	163,755	154,221	136,462	97,256
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>216,703</u>	<u>196,260</u>	<u>186,478</u>	<u>158,790</u>	<u>116,104</u>
Total charter school program revenues	<u><u>1,568,121</u></u>	<u><u>1,536,482</u></u>	<u><u>506,836</u></u>	<u><u>641,297</u></u>	<u><u>1,017,209</u></u>
Net (Expense)/Revenue					
Governmental activities	(5,507,518)	(5,374,384)	(4,315,216)	(4,171,696)	(2,531,980)
Business-type activities	<u>4,034</u>	<u>31,860</u>	<u>33,732</u>	<u>17,183</u>	<u>3,134</u>
Total charter school-wide net expense	<u><u>(5,503,484)</u></u>	<u><u>(5,342,524)</u></u>	<u><u>(4,281,484)</u></u>	<u><u>(4,154,513)</u></u>	<u><u>(2,528,846)</u></u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

CHANGES IN NET POSITION
Last Ten Fiscal Years (2)
(Accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes, net	667,728	705,300	673,020	691,410	316,023
Grants and contributions	4,141,234	4,122,971	3,574,223	3,527,853	2,946,315
Miscellaneous income	14,405	220,096	6,415	2,349	250
Transfers	-	-	-	-	-
Total governmental activities	<u>4,823,367</u>	<u>5,048,367</u>	<u>4,253,658</u>	<u>4,221,612</u>	<u>3,262,588</u>
Business-type activities:					
Investment earnings	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charter school-wide	<u>4,823,367</u>	<u>5,048,367</u>	<u>4,253,658</u>	<u>4,221,612</u>	<u>3,262,588</u>
Changes in Net Position					
Governmental activities	(684,151)	(326,017)	(61,558)	49,916	730,608
Business-type activities	4,034	31,860	33,732	17,183	3,134
Total charter school	<u>\$ (680,117)</u>	<u>\$ (294,157)</u>	<u>\$ (27,826)</u>	<u>\$ 67,099</u>	<u>\$ 733,742</u>

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUND

Last Ten Fiscal Years (2)

(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
General Fund					
Assigned	\$ 109,633	\$ 109,633	\$ 2,455	\$ -	\$ -
Unassigned	734,180	841,000	703,547	780,524	730,608
Total general fund	<u>843,813</u>	<u>950,633</u>	<u>706,002</u>	<u>780,524</u>	<u>730,608</u>
All Other Governmental Funds					
Assigned	-	-	-	-	-
Unassigned, reported in:					
Special revenue fund	-	-	-	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total all other governmental funds	<u>\$ 843,813</u>	<u>\$ 950,633</u>	<u>\$ 706,002</u>	<u>\$ 780,524</u>	<u>\$ 730,608</u>

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

CHANGES IN FUND BALANCES - GOVERNMENTAL FUND

Last Ten Fiscal Years (2)

(Unaudited)

Function	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Revenues					
Local Sources:					
Local tax levy	\$ 667,728	\$ 705,300	\$ 673,020	\$ 691,409	\$ 316,023
Miscellaneous	74,405	220,096	6,415	93,052	681,870
State sources	4,314,366	4,273,950	3,710,953	3,695,362	3,024,482
Federal sources	280,803	235,239	183,628	224,296	141,318
Total Revenues	<u>5,337,302</u>	<u>5,434,585</u>	<u>4,574,016</u>	<u>4,704,119</u>	<u>4,163,693</u>
Current expense					
Instruction	2,687,034	2,564,779	2,357,527	2,504,326	1,694,740
Administrative cost	1,483,344	1,427,179	1,279,513	1,206,494	1,123,524
Support services	1,075,930	1,007,716	856,807	765,874	536,654
Capital outlay	24,682	39,301	17,961	10,000	-
TPAF - FICA Reimbursement	173,132	150,979	136,730	167,509	78,167
TPAF - On-behalf payments	1,081	1,482	-	-	-
Total Expenditures	<u>5,445,203</u>	<u>5,191,436</u>	<u>4,648,538</u>	<u>4,654,203</u>	<u>3,433,085</u>
Net change in fund balances	<u>\$ (107,901)</u>	<u>\$ 243,149</u>	<u>\$ (74,522)</u>	<u>\$ 49,916</u>	<u>\$ 730,608</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Charter School's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (2)**

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2019	**	**	**	**
2018	282,090	**	**	7.00%
2017	281,014	\$ 17,859,563,756	\$ 63,554	7.50%
2016	280,628	17,198,848,236	61,287	7.90%
2015	279,629	16,814,371,399	60,131	8.80%

** Data not available

Source:

^a U.S. Census Bureau, Population Division

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

^c Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in thousands of current dollars (not adjusted for inflation). Estimates for 2010-2017 reflect county population estimates available as of March 6, 2019.

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

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**PRINCIPAL EMPLOYERS
Current Year and Four Years Ago**

Employer	2019		2015	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
St. Barnabas Health Care System	23,000	**	23,000	**
Verizon	17,100	**	17,100	**
Prudential Ins. Co. of America	16,850	**	16,850	**
Rutgers University - Newark Campus	15,500	**	15,500	**
Continental Airlines	11,000	**	11,000	**
Newark Board of Education	7,050	**	7,050	**
Automatic Data Processing	5,649	**	5,649	**
New Jersey Transit	4,000	**	4,000	**
City of Newark	4,000	**	4,000	**
Essex County	3,500	**	3,500	**
	<u>107,649</u>		<u>107,649</u>	

Note - Principal employers are that of Essex County

** - Information not available

Source: Essex County Economic Development Corporation

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years (2)

(Unaudited)

<u>Function/Program</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	38	33	33	29	29
Administrative	8	8	8	9	9
Support Services	<u>5</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>
Total	<u>51</u>	<u>45</u>	<u>45</u>	<u>41</u>	<u>41</u>

Source: Charter School's personnel records

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years (2)
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u> ^a	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u> ^b	<u>Pupil/Teacher Ratio</u> <u>Middle School</u>	<u>Average Daily Enrollment (ADE)</u> ^c	<u>Average Daily Attendance (ADA)</u> ^c	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2019	288	\$ 5,893,339	\$ 20,463	28.15%	29	9.8 : 1	285.10	274.80	78.41%	96.39%
2018	288	5,606,628	19,467	21.92%	29	9.8 : 1	285.10	274.80	78.41%	96.39%
2017	287	4,648,538	16,197	1.44%	29	9.8 : 1	285.10	274.80	78.41%	96.39%
2016	286	4,654,203	16,273	1.91%	29	9.8 : 1	286.37	274.80	79.21%	95.96%
2015	215	3,433,085	15,968	N/A	29	7.4 : 1	159.8	156.60	N/A	98.00%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

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

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

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

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years (2)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Charter School Building</u>					
23 Pennsylvania Avenue					
Square Feet	55,000	55,000	55,000	55,000	55,000
Capacity (students)	475	475	475	475	475
Enrollment	288	288	287	286	215

Source: Charter School's records

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2019
(Unaudited)**

	Coverage	Deductible
Commercial property and general liability:		
Property (*):		
Building	\$ 10,000,000	\$ 5,000
Business Personal Property - All Risk	1,000,000	\$ 5,000
Coinsurance	90%	
Business Income	3,500,000	
General Liability (*):		
Aggregate	3,000,000	
Products/Completed Operations Aggregate	3,000,000	
Personal and Advertising Injury	1,000,000	
Each Occurrence	1,000,000	
Damage to rented premises	100,000	
Medical expense	5,000	
Employee Benefits Liability (*):		
Aggregate	3,000,000	
Each claim	1,000,000	1,000
Abuse and Molestation (*):		
Aggregate	3,000,000	
Each claim	1,000,000	
Professional Liability (*):		
Aggregate	3,000,000	
Each claim	1,000,000	
Workers Compensation (*):		
Bodily injury by accident	500,000	
Bodily injury by disease - each employee	500,000	
Bodily injury by disease	500,000	
Directors and Officers (*):		
Limit of liability	1,000,000	25,000
Employment Practices (*):		
Limit of liability	1,000,000	25,000
Crime (*):		
Employee theft	250,000	55,000

(*) William H. Connolly & Co., LLC

Source: Charter School's Records

LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2017 Audit	2018 Audit	2019 Audit	Source
Cash	\$ 656,115	\$ 898,608	\$ 518,317	Audit: Exhibit A-1
Current Assets	1,520,375	1,421,847	1,355,418	Audit: Exhibit A-1
Total Assets	1,536,895	1,439,124	1,368,721	Audit: Exhibit A-1
Current Liabilities	763,880	392,496	427,760	Audit: Exhibit A-1
Total Liabilities	763,880	3,186,075	3,200,408	Audit: Exhibit A-1
Net Assets	773,015	478,861	(201,256)	Audit: Exhibit A-1
Total Revenue	4,760,494	6,584,849	6,391,488	Audit: Exhibit A-2
Total Expenses	4,788,320	6,879,006	7,071,605	Audit: Exhibit A-2
Change in Net Assets	(27,826)	(294,157)	(680,117)	Audit: Exhibit A-2
Depreciation Expense	1,440	2,881	2,881	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	287	288	288	DOE Enrollment Reports
March 30th Budgeted Enrollment	288	288	288	Charter School Budget

RATIO ANALYSIS							Source:	Target
Near Term Indicators	2017	2018	2019	3 YR CUM				
1a. Current Ratio	2.01	0.45	0.43	0.61	0.61	Current Assets/Current Liabilities	> 1.1	
1b. Unrestricted Days Cash	50.01	47.68	26.75	40.38	40.38	Cash/(Total Expenses/365)	30-60	
1c. Enrollment Variance	100%	100%	100%	100%	100%	Average Daily Enrollment/Budgeted Enrollment	>95%	
1d. Default	No	No	No	No	No	Audit	not in default	
Sustainability Indicators								
2a. Total Margin	-1%	-4%	-11%	-6%	-6%	Change in Net Assets/Total Revenue	positive	
2b. Debt to Asset	0.50	2.21	2.34	1.65	1.65	Total Liabilities/Total Assets	<.9	
2c. Cash Flow	\$ 260,736	\$ 242,493	\$ (137,798)	\$ 365,431	\$ 365,431	Net change in cash flow from prior years (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	3 yr cum positive	
2d. Debt Service Coverage Ratio	-	-	-	-	-		>1.10	

SINGLE AUDIT SECTION

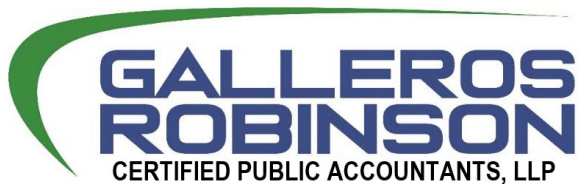


EXHIBIT K-1

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

The Honorable President and
Members of the Board of Trustees
Link Community Charter School
Essex County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Link Community Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2019, 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 December 9, 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of 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 an instance of noncompliance or other matters as described as Finding 2019-001 in the Schedule of Findings and Questioned Costs that is 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.

However, we noted certain matters that we have reported to the Board of Trustees of the Link Community Charter School in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated December 9, 2019.

Purpose of this Report

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



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Galleros Robinson CPAs, LLP
Certified Public Accountants

December 9, 2019
Cream Ridge, New Jersey

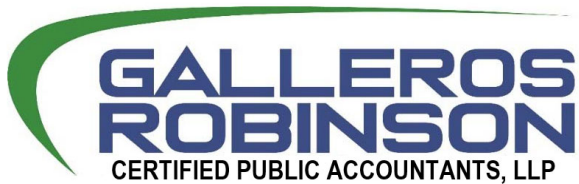


EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08**

The Honorable President and
Members of the Board of Trustees
Link Community Charter School
Essex County, New Jersey

Report on Compliance for Each Major State Program

We have audited the Link Community Charter School's (the Charter School) in the County of Essex, State of New Jersey compliance with the types of compliance requirements described in the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state program for the fiscal year ended June 30, 2019. The Charter School's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state program 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 as prescribed by the Office of School Finance Department of Education, State of New Jersey; and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and New Jersey OMB Circular Letter 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state programs. 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 Link Community Charter School, in the County of Essex, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state program for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the 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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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


INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

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 NJ OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

December 9, 2019
Cream Ridge, New Jersey

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2018	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2019			
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education:															
Passed-through New Jersey State Department Education															
Special Revenue Fund:															
Title I Part A Grants to Local Educational Agencies	84.010	S010A180030	NCLB - 6099 - 19	\$ 214,005	7/1/2018	6/30/2019	\$ -	\$ -	\$ 123,860	(214,005)	\$ -	\$ (90,145)	\$ -	\$ -	
Title I Part A Grants to Local Educational Agencies Individuals with Disabilities	84.010	S010A170030	NCLB - 6099 - 18	172,249	7/1/2017	6/30/2018	(59,869)	-	59,869	-	-	-	-	-	
- States Grant	84.027	H027A180100	IDEA - 6099 - 19	66,798	7/1/2018	6/30/2019	-	-	21,932	(66,798)	-	(44,866)	-	-	
Individuals with Disabilities - States Grant	84.027	H027A170100	IDEA - 6099 - 18	62,990	7/1/2017	6/30/2018	(49,622)	-	49,622	-	-	-	-	-	
Total U.S. Department of Education							<u>(109,491)</u>	<u>-</u>	<u>255,283</u>	<u>(280,803)</u>	<u>-</u>	<u>(135,011)</u>	<u>-</u>	<u>-</u>	
U.S. Department of Agriculture:															
Passed-through New Jersey State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program	10.555	191NJ304N1099	N/A	118,201	7/1/2018	6/30/2019	-	-	97,204	(118,201)	-	(20,997)	-	-	
National School Lunch Program	10.555	181NJ304N1099	N/A	117,069	7/1/2017	6/30/2018	(34,405)	-	34,405	-	-	-	-	-	
National School Breakfast Program	10.553	191NJ304N1099	N/A	55,455	7/1/2018	6/30/2019	-	-	45,455	(55,455)	-	(10,000)	-	-	
National School Breakfast Program	10.553	181NJ304N1099	N/A	44,664	7/1/2017	6/30/2018	(13,334)	-	13,334	-	-	-	-	-	
Total U.S. Department of Agriculture							<u>(47,739)</u>	<u>-</u>	<u>190,398</u>	<u>(173,656)</u>	<u>-</u>	<u>(30,997)</u>	<u>-</u>	<u>-</u>	
Total Expenditures of Federal Awards							\$ (157,230)	\$ -	\$ 445,681	\$ (454,459)	\$ -	\$ (166,008)	\$ -	\$ -	

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018			Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2019			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				Intergovernmental (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
New Jersey State Department of Education														
General Fund:														
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	\$ 3,065,088	\$ -	\$ -	\$ -	\$ 2,627,050	\$ (3,065,088)	\$ -	\$ (438,520)	\$ -	\$ 482	\$ 438,520	\$ 3,065,088
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	3,150,177	(313,881)	89,504	-	135,182	-	-	(89,195)	-	-	89,195	-
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	3,081,699	-	18,495	-	-	-	(2,400)	-	16,095	-	-	-
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	173,140	-	-	-	173,140	(173,140)	-	-	-	-	-	173,140
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	133,702	-	-	-	133,702	(133,702)	-	-	-	-	-	133,702
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	74,693	(13,048)	-	-	13,048	-	-	-	-	-	-	-
Reimbursed Social Security Tax	19-495-034-5094-003	7/1/18-6/30/19	173,132	-	-	-	128,576	(173,132)	-	(44,556)	-	-	-	173,132
Reimbursed Social Security Tax	18-495-034-5094-003	7/1/17-6/30/18	150,979	(10,687)	-	-	10,687	-	-	-	-	-	-	-
On-Behalf Teachers' Pension and Annuity Fund	19-495-034-5094-002	7/1/18-6/30/19	308,294	-	-	-	308,294	(308,294)	-	-	-	-	-	308,294
On-Behalf Teachers' Pension and Annuity Fund – Post Retirement Medical	19-495-034-5094-001	7/1/18-6/30/19	139,842	-	-	-	139,842	(139,842)	-	-	-	-	-	139,842
On-Behalf Teachers' Pension & Annuity Fund – Non-contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	1,081	-	-	-	1,081	(1,081)	-	-	-	-	-	1,081
Total General Fund				<u>(337,616)</u>	<u>107,999</u>	<u>-</u>	<u>3,670,602</u>	<u>(3,994,279)</u>	<u>(2,400)</u>	<u>(572,271)</u>	<u>-</u>	<u>16,577</u>	<u>527,715</u>	<u>3,994,279</u>
New Jersey State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	2,057	-	-	-	1,698	(2,057)	-	(359)	-	-	-	-
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	2,022	(588)	-	-	588	-	-	-	-	-	-	-
Total Enterprise Fund				<u>(588)</u>	<u>-</u>	<u>-</u>	<u>2,286</u>	<u>(2,057)</u>	<u>-</u>	<u>(359)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures of State Financial Assistance				<u>\$ (338,204)</u>	<u>\$ 107,999</u>	<u>\$ -</u>	<u>\$ 3,672,888</u>	<u>\$ (3,996,336)</u>	<u>\$ (2,400)</u>	<u>\$ (572,630)</u>	<u>\$ -</u>	<u>\$ 16,577</u>	<u>\$ 527,715</u>	<u>\$ 3,994,279</u>
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf Teachers' Pension and Annuity Fund	19-495-034-5094-002							308,294						
On-Behalf Teachers' Pension and Annuity Fund – Post Retirement Medical	19-495-034-5094-001							139,842						
On-Behalf Teachers' Pension & Annuity Fund – Non-contributory Insurance	19-495-034-5094-004							1,081						
								<u>449,217</u>						
Total for State Financial Assistance-Major Program Determination								<u>\$ (3,547,119)</u>						

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE**

FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees of the Link Community Charter School (the "Charter School"). The Board of Trustees is defined in Note 1 to the Charter School'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 federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of those recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 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

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE - CONTINUED**

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 4,314,366	\$ 4,314,366
Special Revenue Fund	271,587	-	271,587
Enterprise Fund	173,656	2,057	175,713
Total	<u>\$ 445,243</u>	<u>\$ 4,316,423</u>	<u>\$ 4,761,666</u>

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents reimbursements in the amount of \$173,132 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2019. The State had also made on-behalf TPAF pension, post-retirement medical benefits and long-term disability insurance contributions totaling \$449,217.

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

On-behalf State Programs for TPAF pension, post-retirement medical benefits and long-term disability insurance contributions 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 financial statements and the amount subject to State single audit and major program determination.

NOTE 6 DE MINIMIS INDIRECT COST

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

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

State Financial Assistance

Dollar threshold used to determine Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes No

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB Circular Letter 15-08? Yes No

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
State Aid Public Cluster:	
19-495-034-5120-078	Equalization Aid
19-495-034-5120-084	Security Aid
19-495-034-5120-089	Special Education Aid

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control over Financial Reporting

None noted.

Compliance and other Matters

Finding 2019-001 **Late Submission of Food Service Claims**

CFDA No. Name of Federal Program or Cluster

Child Nutrition Cluster

10.553 National School Breakfast Program

10.555 National School Lunch Program

Criteria

Under Title 7 CFR Part 210.8 Claims for reimbursement, "A final Claim for Reimbursement shall be postmarked or submitted to the State agency not later than 60 days following the last day of the full month covered by the claim. State agencies may establish shorter deadlines at their discretion. Claims not postmarked and/or submitted within 60 days shall not be paid with Program funds unless otherwise authorized by United State Department of Agriculture (USDA) Food and Nutrition Services (FNS)."

Condition

We noted that the Charter School's reimbursement claims to New Jersey State Department of Agriculture for the months of May 2019 and June 2019 were submitted past the deadline of 60 days after the end of the reporting month.

Cause

There were changes in accounting personnel responsible for the submission of the monthly claims and the changes in the state system required time to learn on how to navigate. Both changes caused the delay.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED

Compliance and other Matters - continued

Finding 2019-001 Late Submission of Food Service Claims - continued

Effect

Failure to submit the claims within the prescribed period may result in non-payment of claims.

Recommendation

We recommend that the Charter School implement its policies and procedures to ensure that the required reports are filed timely. We recommend personnel back-up and training to ensure that data requirements and timelines are adhered to.

Views of Responsible Official and Planned Corrective Actions

We have reviewed and implemented immediately policies and procedures in place for filing claims for the Charter School's Food Program. Claims will be filed within 60 days following the month covered by the claim.

SECTION III FEDERAL AWARDS

Not applicable

SECTION IV STATE FINANCIAL ASSISTANCE

None noted.

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS
PREPARED BY MANAGEMENT**

FISCAL YEAR ENDED JUNE 30, 2019

There was no prior year finding.