

MARION P. THOMAS CHARTER SCHOOLS



"It takes a whole village to raise a child"

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2019

**PREPARED BY
MARION P. THOMAS CHARTER SCHOOLS
NEWARK, NEW JERSEY**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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"It Takes A Whole Village To Raise A Child"

December 16, 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 hereby submit the Comprehensive Annual Financial Report of the Marion P. Thomas Charter Schools (the "Charter School") for the fiscal year ended June 30, 2019. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. 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 fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the 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* Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Marion P. Thomas Charter Schools (the "Charter School") is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

1) **REPORTING ENTITY AND ITS SERVICES - CONTINUED**

The Charter School provides a full range of educational services appropriate to grade levels Pre-K through 12. This includes regular student enrollment. We will accept special education and handicapped children by law if application is made to Charter School as required by law. The Charter School completed the fiscal year 2018-2019 with an average daily enrollment of 1,481 students, which are 122 students above the previous year's enrollment. The following details the changes in student enrollment of the school over the last ten years.

Student Enrollment

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2018-2019	1,481	9.2%
2017-2018	1,359	2.1%
2016-2017	1,331	1.2%
2015-2016	1,315	3.3%
2014-2015	1,290	72.5%
2013-2014	748	7.8%
2012-2013	694	5.5%
2011-2012	658	14.8%
2010-2011	573	12.4%
2009-2010	510	9.0%

2) **ECONOMIC CONDITION AND OUTLOOK**

The Charter School is located in the City of Newark (the "City" or "Newark"), which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross Blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company.

Newark is the site of the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

2) **ECONOMIC CONDITION AND OUTLOOK – CONTINUED**

Like other urban areas, Newark has experienced a decline in its manufacturing base. This phenomenon has caused significant unemployment and underemployment amongst its indigenous working class population. Although Newark has experienced growth in its service sector, this has not had substantial impact on the City's employment rate.

The City of Newark is obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of any redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper.

3) **MAJOR INITIATIVES**

In 2018-2019, Marion P. Thomas Charter School (MPTCS) carried out the following major initiatives:

A. Leadership Transition. On October 22, 2018, Marion P. Thomas Charter School's Board of Trustees unanimously approved the hiring of a new Superintendent/CEO, A. Robert Gregory. Mr. Gregory has over 22 years of proven results in the city of Newark which featured: the establishment of one of the nation's highest performing high schools, a city wide increase in graduation rates by 8% in 2 years while serving as the Assistant Superintendent of High Schools, moreover, a city wide increase in SAT scores by 125 point outgrowing Newark's charter sector and the nation by over 50 points. Gregory joined MPTCS after serving as the Interim Superintendent of the Newark Public Schools where he successfully transitioned the district from a state to local control.

B. Joined Charter Management Organization Network. In April of 2019, the Marion P. Thomas Board of Trustees unanimously chose the Brick Education Network as the district's Charter Management Organization. By joining a network, MPTCS now receives intense job embedded professional development and support for all teachers and school leaders in addition to standards based-grade level appropriate curriculum in core content areas, support with talent acquisition, retention, and development. The network also provides MPTCS support in implementing Brick's socio-emotional learning curriculum, support with finances, school operations, student recruitment, and family/community engagement.

3) **MAJOR INITIATIVES - CONTINUED**

C. Strategic Priority Plan. After a thorough review of 3 years of student achievement outcomes, curriculum and programmatic initiatives, teacher and leader quality, and input from community stakeholders (teachers, parents, administrators), Marion P. Thomas Charter School's new Superintendent, with support from the Brick Education Network, put together a strategic priority plan which led to the reorganization of school based leadership teams featuring Instructional Vice Principals who coach teachers on a weekly basis, Student Support Teams led by Vice Principals of Culture, and School Operation Managers who act as co-leaders allowing Principals to focus on improving instruction. Additionally, the strategic priority plan featured the adoption of Tier I , standards based, grade level appropriate curriculum, new after school co-curricular activities and tutorials, additional Advance Placement and dual enrollment courses, and partnerships that support and enhance visual and performing arts.

D. Improved Academic Achievement Grades 3-8. Results from the 2019 May administration of the New Jersey Student Learning Assessments in Math and ELA yielded an increase in the percentage of student's meeting expectations. The district experienced 10% growth in Math and 6% growth in ELA, the highest in the past 3 academic years.

E. Operational Efficiency. MPTCS acquired a new property which houses up to 700 students and features a gym, auditorium, playground, and science lab in the heart of Newark's business, cultural, and higher education community. The district merged two schools into the new property and is now renting the vacated building yielding an additional 500K in revenue annually.

4) **INTERNAL ACCOUNTING CONTROLS**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure 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 accounting principles generally accepted in the United States of America (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.

5) **INTERNAL ACCOUNTING CONTROLS - CONTINUED**

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 Board of Trustees.

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.

6) **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 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 canceled or are included as re-appropriations of fund balance in the subsequent year. A reservation of fund balance in the total amount \$96,700 was made at June 30, 2019.

7) **ACCOUNTING SYSTEM AND REPORT**

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

8) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund and Special Revenue Fund revenues and expenditures for the fiscal years ended June 30, 2019 and 2018, and the amount of increases or decreases in relation to prior year's revenues and expenditures:

<u>Revenues</u>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$ 3,663,074	\$ 3,096,984	\$ 566,090	18.3%
State sources	26,818,379	22,239,059	4,579,320	20.6%
Federal sources	1,447,117	1,332,121	114,996	8.6%
	<u>\$ 31,928,570</u>	<u>\$ 26,668,164</u>	<u>\$ 5,260,406</u>	19.7%
<u>Expenditures</u>				
Instruction	\$ 11,265,618	\$ 13,211,942	\$ (1,946,324)	-14.7%
Administrative	9,468,135	7,357,080	2,111,055	28.7%
Support	7,779,959	6,012,648	1,767,311	29.4%
Capital Outlay	28,870	45,000	(16,130)	0.0%
TPAF Social Security	583,964	642,397	(58,433)	-9.1%
TPAF on-behalf payments	2,119,465	1,440,755	678,710	47.1%
Transfer-out - Food Service	-	165,000	(165,000)	-100.0%
Total	<u>\$ 31,246,011</u>	<u>\$ 28,874,822</u>	<u>\$ 2,371,189</u>	8.2%

9) CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by State Statute as detailed in "Notes to the Financial Statements", Notes 1 and 3. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA").

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposits with a failed banking institution in New Jersey. It requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the GUDPA.

10) **RISK MANAGEMENT**

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation (see J-20).

11) **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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related 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.

12) **ACKNOWLEDGMENTS**

We would like to express our appreciation to the members of the Marion P. Thomas Charter Schools Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Newark Public School District 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.

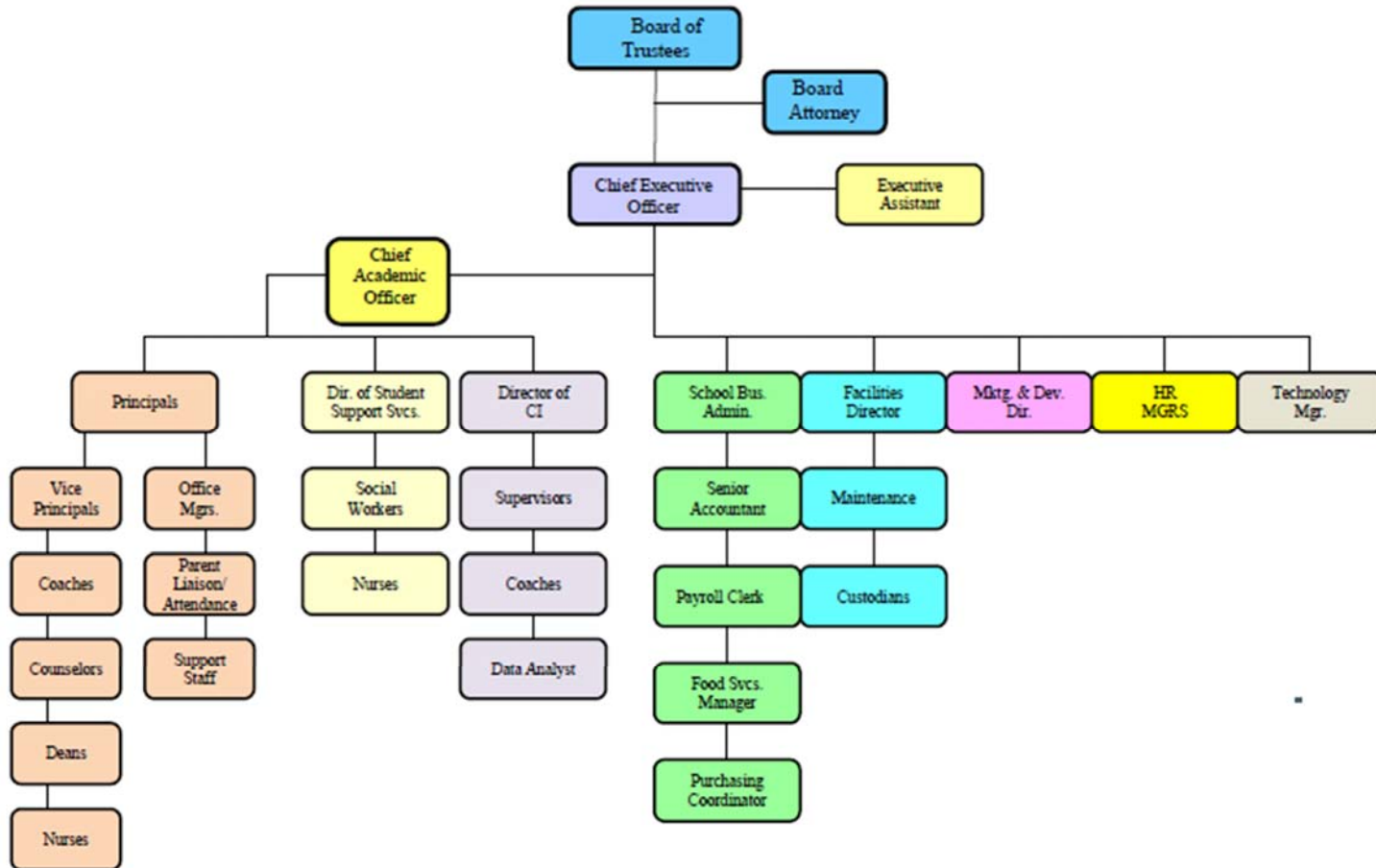
Respectfully submitted,



Carrieann Zielinski
School Business Administrator

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ORGANIZATIONAL CHART



**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2019

Members of Board of Trustees

Greg Collins	Chair, Voting
Pastor Vincent Rouse	1st Vice Chair, Voting
Rev. Ronald Slaughter	2nd Vice-Chair, Voting
David Blount	Member, Voting
Reginald Petty	Member, Voting
Lesley Leslie	Member, Voting
Tysha Kidd	Member, Voting
Khaatin Sherrer El	Member, Voting
Briana Gilchrist	Member, Voting
Michelle Jones	Member, Voting
Craig Rogers	Member, Voting
Misha Simmonds	Interim Chief School Administrator and Board Secretary, Non-voting
Carriemann Zielinski (beginning FY 2020)	School Business Administrator, Non-voting
Robert Gregory	Superintendent, Non-voting

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditors

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

Attorneys

Jalloh & Jalloh LLC
21 W. Blancke Street, Suite 2
Linden, NJ 07036

Porzio, Bromberg and Newman, P.C
100 Southgate Parkway
P.O. Box 1997
Morristown, NJ 07962

Official Depositories

Wells Fargo
765 Broad Street
Newark, New Jersey 07104

City National Bank
900 Broad Street
Newark, New Jersey 07102

TD Bank
356 Springfield Avenue
Newark, NJ 07103

Official Newspaper

The Star Ledger

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, 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 Marion P. Thomas Charter Schools (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 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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 Marion P. Thomas Charter Schools, 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 13 through 20, Budgetary Comparison Information on pages 68 through 70, and information related to Accounting and Reporting for Pensions (GASB 68) and OPEB (GASB 75) on pages 72 through 75 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 the 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 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 16, 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 16, 2019
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARION P. THOMAS CHARTER SCHOOLS (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 Marion P. Thomas Charter Schools' (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:

- In total, the net position decreased from the \$(4.98 million) to \$(6.18 million). This significant change was due to increase in PERS allocation for GASB 68 for fiscal year 2019 of \$1.77 million.
- The net position of governmental activities decreased by \$1.09 million and the net position of business-type activities, which represent food service and after care operations, decreased by \$0.11 million in 2019.
- General revenues accounted for \$26.77 million in revenue or 76% of total revenues of \$35.41 million. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$7.66 million or 22% of total revenues.
- The Charter School had \$35.52 million in expenses related to governmental activities; \$7.66 million of these expenses were offset by operating grants and contributions. General revenues (primarily Local, Federal and State Aid) of \$26.77 million were inadequate to provide for the balance of these programs. The General Fund reported fund balances at June 30, 2019 of \$3.20 million of which \$3.15 million is unassigned.

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 Marion P. Thomas Charter Schools 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

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 Marion P. Thomas Charter Schools, the General Fund is the most significant fund.

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 others, 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.

Reporting the Charter School as a Whole

Statement of Net Position and Statement 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 of 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 takes 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 position 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:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Statement of Net Position and Statement of Activities - continued

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 Activities – 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.

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 \$1.2 million during the current fiscal year. The decrease is due to GASB 68 PERS allocation of \$1.77 million.

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets	\$ 3,170,723	\$ 152,328	\$ 3,323,051
Capital Assets, net	321,218	-	321,218
Total Assets	<u>3,491,941</u>	<u>152,328</u>	<u>3,644,269</u>
Deferred Outflow of of Resources			
	<u>9,760,131</u>	-	<u>9,760,131</u>
Liabilities			
Current Liabilities	(29,682)	627,278	597,596
Noncurrent Liabilities	13,522,379	-	13,522,379
Total Liabilities	<u>13,492,697</u>	<u>627,278</u>	<u>14,119,975</u>
Deferred Inflow of of Resources			
	<u>5,468,543</u>	-	<u>5,468,543</u>
Net Position			
Invested in Capital Assets (net of related debt)	196,742	-	196,742
Restricted for Food service	781,410	-	781,410
Unrestricted	(6,687,320)	(474,950)	(7,162,270)
Total Net Position	<u>\$ (5,709,168)</u>	<u>\$ (474,950)</u>	<u>\$ (6,184,118)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole – continued

In 2019, total revenues increased by \$4.1 million about 13% compared to total revenues in 2018. Total expenses increased by \$1.6 million, about 5%.

	Governmental		Business Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 117,899	\$ 107,006	\$ 117,899	\$ 107,006
Operating grants and Contributions	<u>7,659,312</u>	<u>7,108,519</u>	<u>860,374</u>	<u>726,896</u>	<u>8,519,686</u>	<u>7,835,415</u>
Total Program Revenues	<u>7,659,312</u>	<u>7,108,519</u>	<u>978,273</u>	<u>833,902</u>	<u>8,637,585</u>	<u>7,942,421</u>
General Revenues:						
Local Aid	3,557,679	3,080,501	-	-	3,557,679	3,080,501
Federal and State Aid	23,200,962	20,216,363	-	-	23,200,962	20,216,363
Miscellaneous and transfers	<u>10,610</u>	<u>(162,855)</u>	<u>-</u>	<u>165,000</u>	<u>10,610</u>	<u>2,145</u>
Total General Revenues	<u>26,769,251</u>	<u>23,134,009</u>	<u>-</u>	<u>165,000</u>	<u>26,769,251</u>	<u>23,299,009</u>
Total Revenues	<u>34,428,563</u>	<u>30,242,528</u>	<u>978,273</u>	<u>998,902</u>	<u>35,406,836</u>	<u>31,241,430</u>
Expenses						
Instructions	18,577,226	20,999,050	-	-	18,577,226	20,999,050
Support Services:						
Administrative expenses	6,928,898	4,752,713	-	-	6,928,898	4,752,713
Other support services	9,912,676	7,912,986	-	-	9,912,676	7,912,986
Unallocated:						
Capital outlay	10,350	16,500	-	-	10,350	16,500
Depreciation	93,911	131,441	-	-	93,911	131,441
Food Service	-	-	1,011,348	1,034,773	1,011,348	1,034,773
After Care	<u>-</u>	<u>-</u>	<u>73,757</u>	<u>61,907</u>	<u>73,757</u>	<u>61,907</u>
Total Expenses	<u>35,523,061</u>	<u>33,812,690</u>	<u>1,085,105</u>	<u>1,096,680</u>	<u>36,608,166</u>	<u>34,909,370</u>
Change in Net Position	<u>\$ (1,094,498)</u>	<u>\$ (3,570,162)</u>	<u>\$ (106,832)</u>	<u>\$ (97,778)</u>	<u>\$ (1,201,330)</u>	<u>\$ (3,667,940)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(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	\$ 18,577,226	\$ 4,598,387	\$ (13,978,839)
Support Services:			
Administrative expenses	6,928,898	1,508,100	(5,420,798)
Other support services	9,912,676	1,552,825	(8,359,851)
Capital Outlay			
Instructional equipment	10,350	-	(10,350)
Unallocated:			
Depreciation	<u>93,911</u>	<u>-</u>	<u>(93,911)</u>
Total Expenses	<u>\$ 35,523,061</u>	<u>\$ 7,659,312</u>	<u>\$ (27,863,749)</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 \$0.98 million and operating expenses of \$1.07 million for fiscal year 2019. The Charter School continued in its effort to have food services be self-operating without assistance from the General Fund.

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 \$31.93 million and expenditures and other financing uses of \$31.24 million.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

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.

For the General Fund, final budgeted revenues were \$26.72 million which included a local tax levy of \$3.15 million. Expenditures and other financing uses were budgeted at \$26.83 million. The Charter School anticipated a decrease in fund balance of \$0.11 million. Actual revenues were \$29.47 million and expenditures and other financing uses were \$28.79 million, increasing the fund balance by \$0.68 million.

The State of New Jersey reimbursed the Charter School \$583,964 during the year ended June 30, 2019 for the employer’s share of social security contributions for TPAF members while on-behalf TPAF payments for pensions and post-retirement medical benefits, and long-term disability insurance were \$2,119,465. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2019, the Charter School had \$321,218 invested in capital assets all in governmental activities.

	Governmental Activities	Business Type Activities	Total
Equipment	\$ 783,180	\$ -	\$ 783,180
Vehicles/Buses	265,271	-	265,271
Leasehold improvements	712,103	-	712,103
Total capital assets	1,760,554	-	1,760,554
Less accumulated depreciation	(1,439,336)	-	(1,439,336)
Totals	<u>\$ 321,218</u>	<u>\$ -</u>	<u>\$ 321,218</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 the fiscal year 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:

Marion P. Thomas Charter Schools
Business Office
125 Sussex Avenue
Newark, New Jersey 07103

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.

**MARION P. THOMAS CHARTER SCHOOLS
(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			
Current Assets:			
Cash and cash equivalents	\$ 922,239	\$ -	\$ 922,239
Accounts receivable	1,840,832	152,328	1,993,160
Interfund receivables	135,498	-	135,498
Security deposit	2,020	-	2,020
Prepaid expenses	<u>270,134</u>	<u>-</u>	<u>270,134</u>
Total current assets	<u>3,170,723</u>	<u>152,328</u>	<u>3,323,051</u>
Capital Assets:			
Machinery and equipment	783,180	-	783,180
Vehicles	265,271	-	265,271
Leasehold improvements	<u>712,103</u>	<u>-</u>	<u>712,103</u>
	1,760,554	-	1,760,554
Less: Accumulated depreciation	<u>(1,439,336)</u>	<u>-</u>	<u>(1,439,336)</u>
Net capital assets	<u>321,218</u>	<u>-</u>	<u>321,218</u>
Total assets	<u>3,491,941</u>	<u>152,328</u>	<u>3,644,269</u>
Deferred Outflow of Resources	<u>9,760,131</u>	<u>-</u>	<u>9,760,131</u>
Liabilities			
Current Liabilities:			
Accounts payable	304,327	10,476	314,803
Cash overdraft		114,492	114,492
Intergovernmental payable:			
Federal	1,868		1,868
State	154,788	-	154,788
Interfund payables (internal)	(502,310)	502,310	-
Deferred revenues	<u>11,645</u>	<u>-</u>	<u>11,645</u>
Total current liabilities	<u>(29,682)</u>	<u>627,278</u>	<u>597,596</u>
Noncurrent Liabilities:			
Due within one year	722,467	-	722,467
Due in more than one year	<u>12,799,912</u>	<u>-</u>	<u>12,799,912</u>
Total noncurrent liabilities	<u>13,522,379</u>	<u>-</u>	<u>13,522,379</u>
Total liabilities	<u>13,492,697</u>	<u>627,278</u>	<u>14,119,975</u>
Deferred Inflow of Resources	<u>5,468,543</u>	<u>-</u>	<u>5,468,543</u>
Net Position			
Invested in capital assets, net of related debt	196,742	-	196,742
Restricted for Food service	781,410	-	781,410
Unrestricted	<u>(6,687,320)</u>	<u>(474,950)</u>	<u>(7,162,270)</u>
Total net position	<u>\$ (5,709,168)</u>	<u>\$ (474,950)</u>	<u>\$ (6,184,118)</u>

See accompanying notes to financial statements.

MARION P. THOMAS CHARTER SCHOOLS
(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 Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:						
Instruction	\$ 18,577,226		\$ 4,598,387	\$ (13,978,839)	\$ -	\$ (13,978,839)
Administrative cost	6,928,898	-	1,508,100	(5,420,798)	-	(5,420,798)
Support services	9,912,676	-	1,552,825	(8,359,851)	-	(8,359,851)
Capital outlay						
Instructional equipment	10,350	-	-	(10,350)	-	(10,350)
Unallocated:						
Depreciation	93,911	-	-	(93,911)	-	(93,911)
Total governmental activities	<u>35,523,061</u>	<u>-</u>	<u>7,659,312</u>	<u>\$ (27,863,749)</u>	<u>-</u>	<u>(27,863,749)</u>
Business-type activities:						
Food service	1,011,348	28,589	860,374	-	(122,385)	(122,385)
After care	73,757	89,310	-	-	15,553	15,553
Total business-type activities	<u>1,085,105</u>	<u>117,899</u>	<u>860,374</u>	<u>-</u>	<u>(106,832)</u>	<u>(106,832)</u>
Total primary government	<u>\$ 36,608,166</u>	<u>\$ 117,899</u>	<u>\$ 8,519,686</u>	<u>\$ (27,863,749)</u>	<u>\$ (106,832)</u>	<u>\$ (27,970,581)</u>
General revenues, transfers and special items:						
Local sources				3,557,679	-	3,557,679
State sources				23,152,826	-	23,152,826
Federal sources				48,136	-	48,136
Transfer				-	-	-
Miscellaneous				10,610	-	10,610
Total general revenues, transfers and special items				<u>26,769,251</u>	<u>-</u>	<u>26,769,251</u>
Changes in net position				(1,094,498)	(106,832)	(1,201,330)
Net position at beginning of year				<u>(4,614,670)</u>	<u>(368,118)</u>	<u>(4,982,788)</u>
Net position at ending of year (A-1)				<u>\$ (5,709,168)</u>	<u>\$ (474,950)</u>	<u>\$ (6,184,118)</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 922,239	\$ -	\$ 922,239
Accounts receivables:			
Other	185,000	-	185,000
State	507,269	182,537	689,806
Federal	-	966,026	966,026
Interfund receivables	1,699,787	-	1,699,787
Security deposit	2,020	-	2,020
Prepaid expenses	<u>270,134</u>	<u>-</u>	<u>270,134</u>
Total assets	<u>\$ 3,586,449</u>	<u>\$ 1,148,563</u>	<u>\$ 4,735,012</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 231,256	\$ 73,071	\$ 304,327
Intergovernmental payables:			
State	154,788	-	154,788
Federal	-	1,868	1,868
Interfund payables	-	1,061,979	1,061,979
Deferred revenue	<u>-</u>	<u>11,645</u>	<u>11,645</u>
Total liabilities	<u>386,044</u>	<u>1,148,563</u>	<u>1,534,607</u>
Fund balances:			
Assigned	45,762	-	45,762
Unassigned	<u>3,154,643</u>	<u>-</u>	<u>3,154,643</u>
Total fund balances	<u>3,200,405</u>	<u>-</u>	<u>3,200,405</u>
Total liabilities and fund balances	<u>\$ 3,586,449</u>	<u>\$ 1,148,563</u>	
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			\$ 1,760,554
			<u>(1,439,336)</u>
			<u>321,218</u>
Deferred outflow and deferred inflow of resources and amortized in the statement of activities			
			4,291,588
Long-term liabilities, including compensated absences and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			(124,476)
			(361,693)
			<u>(13,036,210)</u>
			<u>(13,522,379)</u>
Net position of governmental activities - A-1			<u>\$ (5,709,168)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(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	\$ 3,147,679	\$ -	\$ 3,147,679
Grants and contributions	-	94,785	94,785
Services provided to a Charter School	410,000		410,000
Miscellaneous	<u>10,610</u>	<u>-</u>	<u>10,610</u>
Total revenues -local sources	3,568,289	94,785	3,663,074
State sources	23,152,826	962,124	24,114,950
Federal sources	48,136	1,398,981	1,447,117
Reimbursed TPAF - Social Security (non-budgeted)	583,964	-	583,964
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	1,455,174	-	1,455,174
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	660,065	-	660,065
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>4,226</u>	<u>-</u>	<u>4,226</u>
Total revenues	<u>29,472,680</u>	<u>2,455,890</u>	<u>31,928,570</u>
Expenditures			
Current expense:			
Instruction	9,988,604	1,277,014	11,265,618
Administrative cost	8,844,077	624,058	9,468,135
Support services	7,225,141	554,818	7,779,959
Capital outlay			
Instructional equipment	-	-	-
Non-instructional equipment	6,850	-	6,850
Facilities and acquisition	22,020	-	22,020
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	583,964	-	583,964
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	1,455,174	-	1,455,174
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	660,065	-	660,065
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>4,226</u>	<u>-</u>	<u>4,226</u>
Total expenditures	<u>28,790,121</u>	<u>2,455,890</u>	<u>31,246,011</u>
Excess (deficiency) of revenues over expenditures	682,559	-	682,559
Other financing sources (uses):			
Operating transfers out - Food Program	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	682,559	-	682,559
Fund balances at beginning of year	<u>2,517,846</u>	<u>-</u>	<u>2,517,846</u>
Fund balances at end of year	<u>\$ 3,200,405</u>	<u>\$ -</u>	<u>\$ 3,200,405</u>

MARION P. THOMAS CHARTER SCHOOLS
(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) \$ 682,559

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	18,520
Depreciation expense	<u>(93,911)</u>
	(75,391)

Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets and are not reported in the Statement of Activities.

36,553

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.

Compensated absences	35,969
Pension costs	<u>(1,774,188)</u>
	<u>(1,738,219)</u>

\$ (1,094,498)

PROPRIETARY FUNDS

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$	-
Accounts receivables:		
Federal		150,565
State		1,763
		<u>152,328</u>

Total assets	\$	<u>152,328</u>
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Liabilities

Current liabilities:

Accounts payable	\$	10,476
Cash overdraft		114,492
Interfund payable - General Fund		<u>502,310</u>

Total liabilities		627,278
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Net position

Unrestricted (Deficit)		<u>(474,950)</u>
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Total liabilities and net position	\$	<u>152,328</u>
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**MARION P. THOMAS CHARTER SCHOOLS
(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	\$	28,589
Miscellaneous revenue		89,310
Total operating revenues		<u>117,899</u>
Operating expenses:		
Cost of sales - reimbursable programs		827,501
Salaries		249,873
Supplies and materials		7,731
Total operating expenses		<u>1,085,105</u>
Operating loss		<u>(967,206)</u>
Nonoperating revenues:		
State sources:		
State School Lunch		9,721
Federal sources:		
National School Lunch		565,265
National School Breakfast		234,741
Fresh Fruit and Vegetable		32,290
Food Commodities		18,357
Total nonoperating revenues		<u>860,374</u>
Net loss before contributions & transfers		(106,832)
Other financing sources:		
Miscellaneous revenue		-
Transfers in - General Fund		-
Total other financing sources:		<u>-</u>
Change in net position		(106,832)
Net position at beginning of year		<u>(368,118)</u>
Net position at end of year	\$	<u>(474,950)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities

Operating loss	\$ (967,206)
Changes in assets and liabilities:	
Increase in accounts receivable	(14,572)
Decrease in accounts payable	(66,227)
Decrease in interfund payable	<u>40,238</u>
Net cash from operating activities	(1,007,767)

Cash flows from noncapital financing activities

Transfer-in from General Fund	-
Cash received from state and federal reimbursements	<u>860,374</u>
Net cash from noncapital financing activities	<u>860,374</u>
Net increase in cash and cash equivalents	(147,393)
Cash and cash equivalents at beginning of year	<u>32,901</u>
Cash and cash equivalents at end of year	<u>\$ (114,492)</u>

FIDUCIARY FUNDS

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

Assets

Cash and cash equivalents	\$ 563,552
Interfund receivables	<u>15</u>
Total assets	<u>\$ 563,567</u>

Liabilities and Net Position

Liabilities:

Payroll withholdings payable	\$ 189,774
Due to student groups	21,552
Summer payroll payable	216,728
Interfund payables	<u>135,513</u>
Total liabilities	<u>563,567</u>

Net Position

Restricted	
Unemployment compensation	<u>-</u>
Total net position	<u>-</u>
Total liabilities and net position	<u>\$ 563,567</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

Revenues:	
General fund appropriation	\$ 268,988
Employees' contributions	<u>48,697</u>
Total revenues	<u>317,685</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>317,685</u>
Total expenditures	<u>317,685</u>
Excess (deficiency) of revenue over expenditures	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

**NOTES TO THE
BASIC FINANCIAL STATEMENTS**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Marion P. Thomas Charter Schools (the "Charter School" or "MPTCS") 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 was incorporated in the State of New Jersey on March 13, 1997 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and caregiver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

B. Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Government Auditing Standards Board (GASB) 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Charter School conforms to the requirements of GASB 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Governmental Funds - Continued

- 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.

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

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.

**MARION P. THOMAS CHARTER SCHOOLS
(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 involve measurement of results of operations. Agency funds include payroll and student activities funds.

**MARION P. THOMAS CHARTER SCHOOLS
(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 spendable 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 statement of financial position. 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.

**MARION P. THOMAS CHARTER SCHOOLS
(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 includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

**MARION P. THOMAS CHARTER SCHOOLS
(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.

**MARION P. THOMAS CHARTER SCHOOLS
(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

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.

**MARION P. THOMAS CHARTER SCHOOLS
(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.

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 balances 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>Description</u>	<u>Estimated lives</u>
Land Improvements	15 years
Building and Buildings Improvements	15 years
Furniture and Equipment	5 years

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Compensated Absences

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASBS 16), "Accounting for Compensated Absences." A liability for compensated absences 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 varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. Upon termination, employees are paid for accrued vacation. The Charter School's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the Charter School for the unused sick leave in accordance with the Charter School's agreements with the various employee unions.

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 is no liability for compensated absences in the Food Service Fund.

O. 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*.

P. Deferred Revenue

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. 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 in 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.

R. 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).

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

R. Fund Balance and Equity

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.

S. 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. Net Position - Continued

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 Assets Restricted for Specific Purposes or Net Position Restricted for Debt Services.

T. Contributed Capital

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

U. 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.

V. 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.

W. Accounting for Uncertainty of 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

X. 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.

Y. 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 16, 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.

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENT ISSUED BUT NOT YET ADOPTED – CONTINUED

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	\$ 847,152	\$ -	\$ 563,552	\$ 1,410,704
Restricted	75,087	-	-	75,087
Total	<u>\$ 922,239</u>	<u>\$ -</u>	<u>\$ 563,552</u>	<u>\$ 1,485,791</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 \$1,485,791 and the bank balance was \$2,696,776. 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 \$2,196,776 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, of which \$75,087 is 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."

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 CAPITAL ASSETS

As required under accounting standards discussed in Note 2, the Charter School performed a thorough review of the inventory records of all its fixed assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost have been used. The review of inventory records of all the Charter School's capital assets was completed during the fiscal year ended June 30, 2019, deletions, if any, have been accounted for in the Charter School's beginning balances; the table below illustrates the net of additions and deletions for the current year.

Capital assets activities for the year ended June 30, 2019 are as follows:

Governmental Activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets being depreciated:			
Equipment	\$ 783,179	\$ -	\$ 783,179
Buses/Vehicles	265,271	-	265,271
Leasehold improvements	693,584	18,520	712,104
Total	1,742,034	18,520	1,760,554
Less accumulated depreciation	<u>(1,345,425)</u>	<u>(93,911)</u>	<u>(1,439,336)</u>
Capital assets, net	396,609	(75,391)	321,218
<u>Business-Type Activities</u>			
Capital assets, net	<u>\$ 396,609</u>	<u>\$ (75,391)</u>	<u>\$ 321,218</u>

NOTE 5 NONCURRENT LIABILITIES

During the fiscal year ended June 30, 2019, long-term liabilities reported in the *Statement of Net Position* are as follows:

Noncurrent Liabilities	Balance at June 30, 2018	Additions	Retired	Balance at June 30, 2019	Due within One Year
Compensated absences	\$ 397,662	\$ -	\$ 35,969	\$ 361,693	\$ 36,169
Capital lease obligations	161,029	-	36,553	124,476	36,553
Net pension liability	<u>10,976,913</u>	<u>2,728,970</u>	<u>669,673</u>	<u>13,036,210</u>	<u>686,298</u>
	<u>\$ 11,535,604</u>	<u>\$ 2,728,970</u>	<u>\$ 742,195</u>	<u>\$ 13,522,379</u>	<u>\$ 759,020</u>

Net pension liability classified as due within one year amounting to \$686,298 represents pension contributions for fiscal year 2018 due and payable on April 1, 2020.

**MARION P. THOMAS CHARTER SCHOOLS
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NET POSITION (DEFICIT)

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

Business-type activities net position did not have any capital assets or restrictions.

**INVESTMENT IN CAPITAL ASSETS,
NET OF RELATED DEBT**

Capital assets, net	\$ 321,218
Less: long-term obligations	<u>(124,476)</u>
	196,742

RESTRICTED

Restricted for Food Service	781,410
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UNRESTRICTED

Net assets not restricted above	<u>(6,687,320)</u>
NET POSITION (DEFICIT)	<u><u>\$ (5,709,168)</u></u>

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 Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS

A. Description of Plans

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 PERS 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 TPAF 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 TPAF is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the 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.

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

B. Vesting and Benefit Provisions – Continued

The PERS and TPAF 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.

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

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 with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. 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. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

The Charter School's contribution to PERS for the year ended June 30, 2019 was \$658,565. In addition, for fiscal year 2019, the Charter School contributed \$11,108 for PERS Long-term Disability Insurance Premiums (LTDI).

The State of New Jersey was required to contribute for TPAF on behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$2,115,239. In addition, for fiscal year 2019, the State of New Jersey contributed \$4,226 for TPAF LTDI.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$583,964 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.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contribution and social contribution for TPAF members are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

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.

At June 30, 2019, the Charter School reported in the charter school-wide statement of net position a net pension liability of \$13,036,210 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 ration of contributions as an individual employer to the total contributions to the PERS for the years ended June 30, 2018 and 2017 measurement dates. At June 30, 2019, the Charter School's proportionate share was 0.0662089355% which is an increase from the proportionate share of 0.047154923% at June 30, 2018.

For the year ended June 30, 2019, the Charter School recognized pension expense of \$1,774,188. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 248,602	\$ 67,219
Changes in assumptions	2,148,152	4,168,286
Net difference between projected and actual earnings on pension plan investments	-	122,280
Change in proportion and differences between Charter School contribution and proportionate share contributions	7,363,377	1,110,758
	<u>\$ 9,760,131</u>	<u>\$ 5,468,543</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB Disclosures - Continued

i. PERS - continued

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

	Year Ended June 30,
2020	\$ 1,645,810
2021	1,308,537
2022	555,738
2023	581,267
2024	581,267
Thereafter	(381,031)

Actuarial assumptions. The total pension liability for the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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).

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB Disclosures - Continued

i. 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, are summarized in the following table:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB Disclosures - Continued

i. PERS - 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 equity	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 5.66% as of 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB Disclosures – Continued

i. PERS - continued

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 (5.66%)
Charter School's proportionate share of the net pension liability	<u>\$ 16,391,531</u>	<u>\$ 13,036,210</u>	<u>\$ 10,221,309</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.

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 \$36,811,353. 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 \$2,145,974 in the school-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

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 non-employer 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 measurement dates. At June 30, 2019 and 2018, the State's proportion of the net pension liability attributable to Charter School was 0.0578632441% and 0.0502994193%.

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

Inflation	2.25%
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

**MARION P. THOMAS CHARTER SCHOOLS
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

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:

<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 equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	<u>8.25%</u>	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

**MARION P. THOMAS CHARTER SCHOOLS
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

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.

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:

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's proportionate share of the net pension liability attributable to the Charter School	\$ 43,639,240	\$ 36,811,353	\$ 31,350,689

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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.

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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:

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

(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.

(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 in the Total OPEB Liability Attributable to the Charter School retirees:

Balance at 6/30/17 measurement date	\$ 12,049,670
Changes for the year	
Service cost	1,628,328
Interest	484,720
Differences between expected and actual experience	(1,832,475)
Changes in assumptions and other inputs	(1,240,569)
Benefit payments	(289,071)
Contributions from the members	<u>9,991</u>
Net Change	(1,239,076)
Balance at 6/30/18 measurement date	<u>\$ 10,810,594</u>

Sensitivity of the total OPEB liability to changes in the discount rate. 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 a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.97%)
Total Nonemployer OPEB Liability (Charter School Retirees)	<u>\$ 12,729,591</u>	<u>\$ 10,810,594</u>	<u>\$ 9,208,165</u>

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 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:

	1% Decrease	Current Health Cost Trend Rate	1% Increase
Total Nonemployer OPEB Liability (Charter School Retirees)	<u>\$ 8,900,116</u>	<u>\$ 10,810,594</u>	<u>\$ 13,237,608</u>

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 \$1,809,193 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 GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS 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:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 2,423,250
Differences between expected and actual experience	-	1,049,410
Changes in proportion	1,459,756	292,384
	<u>\$ 1,459,756</u>	<u>\$ 3,765,044</u>

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

	Year Ended June 30
2020	\$ (280,224)
2021	(280,224)
2022	(280,224)
2023	(280,224)
2024	(280,224)
Thereafter	(904,168)

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. and 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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).

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.

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.

B. New Jersey Unemployment Compensation - Continued

The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the State.

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018-2019	\$ 268,988	\$ 48,697	\$ 317,685	\$ -
2017-2018	294,261	57,767	352,028	-
2016-2017	306,312	53,260	359,572	-
2015-2016	63,193	60,621	123,814	-
2014-2015	81,002	64,621	145,623	-
2013-2014	264,760	22,297	287,057	-
2012-2013	13,659	2,988	16,647	-
2011-2012	4,000	3,086	7,086	-

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds pertains to expenses that were paid from the general fund which 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>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Fiduciary Fund</u>
General fund	\$ 1,699,787	\$ (1,061,979)	\$ (502,310)	\$ (135,498)
GASB No 34 mandated eliminations within governmental activities	<u>(1,061,979)</u>	<u>1,061,979</u>	<u>-</u>	<u>-</u>
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ 637,808</u>	<u>\$ -</u>	<u>\$ (502,310)</u>	
External (Due from Trust and Agency Funds)				<u>\$ (135,498)</u>

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 13 LINE OF CREDIT

The Charter School has a line of credit of \$500,000 with City National Bank of New Jersey which are renewed annually. Interest rate is 5.25%. The line of credit was modified to extend the maturity date to December 31, 2019.

During the year ended June 30, 2019, the Charter School used \$350,000 of the line of credit. Interest expense incurred for the year ended June 30, 2019 was \$26,912. There was no outstanding line of credit at June 30, 2019.

NOTE 14 RELATED PARTY TRANSACTIONS

The Friends of Marion P. Thomas Charter School (The Friends) is an affiliate organization related to the Charter School. It is a not-for-profit organization incorporated on September 23, 2004 under the laws of the State of New Jersey, to become the Fundraising arm of the Charter School with the intent of making both restricted and unrestricted contributions to the Charter School from time to time. The Friends made no unrestricted contributions during 2019.

The Friends was also organized to own and manage (through its subsidiary, the REAL Friends) the facilities located at 370-380 South 7th Street, Newark, New Jersey, occupied by the Charter School under three operating leases that requires total monthly average rental payment of \$267,142.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

MARION P. THOMAS CHARTER SCHOOLS
(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>
Revenues					
Local Sources:					
Local tax levy	\$ 3,268,769	\$ (121,190)	\$ 3,147,579	\$ 3,147,679	\$ 100
Contributions		-		-	-
Services provided to other Charter School		-		410,000	410,000
Miscellaneous	<u>4,150</u>	<u>417,594</u>	<u>421,744</u>	<u>10,610</u>	<u>(411,134)</u>
Total revenues -local sources	3,272,919	296,404	3,569,323	3,568,289	(1,034)
State sources	23,953,990	(801,164)	23,152,826	23,152,826	-
Federal sources	-	50,000	50,000	48,136	(1,864)
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	583,964	583,964
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	1,455,174	1,455,174
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	660,065	660,065
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	-	-	-	4,226	4,226
Total revenues	<u>27,226,909</u>	<u>(454,760)</u>	<u>26,772,149</u>	<u>29,472,680</u>	<u>2,700,531</u>
Expenditures					
Current expense:					
Instruction					
Salaries	8,965,729	(603,204)	8,362,525	8,294,749	67,776
Professional/Technical service	599,585	(275,704)	323,881	306,563	17,318
Other purchased services	646,441	216,003	862,444	763,441	99,003
General educational supplies	581,160	(142,306)	438,854	354,131	84,723
Instructional textbooks	103,989	63,511	167,500	163,902	3,598
Other instructional expenses	<u>310,312</u>	<u>(196,063)</u>	<u>114,249</u>	<u>105,818</u>	<u>8,431</u>
Total current expense	<u>11,207,216</u>	<u>(937,763)</u>	<u>10,269,453</u>	<u>9,988,604</u>	<u>280,849</u>
Administrative cost:					
Salaries	3,058,540	(62,599)	2,995,941	2,944,105	51,836
Total benefit costs	4,451,877	415,124	4,867,001	4,717,068	149,933
Professional/Technical service	172,559	(16,034)	156,525	141,602	14,923
Other purchased services	305,273	40,280	345,553	316,658	28,895
Communications and Telephones	126,243	22,752	148,995	143,611	5,384
Supplies and materials	108,500	(10,453)	98,047	87,945	10,102
Judgments against Charter School	30,000	395,615	425,615	425,615	-
Interest on current loans	20,000	7,179	27,179	26,912	267
Miscellaneous	<u>15,000</u>	<u>30,093</u>	<u>45,093</u>	<u>40,561</u>	<u>4,532</u>
Total administrative cost	<u>8,287,992</u>	<u>821,957</u>	<u>9,109,949</u>	<u>8,844,077</u>	<u>265,872</u>

MARION P. THOMAS CHARTER SCHOOLS
(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
Support services:					
Salaries	3,067,920	(621,662)	2,446,258	2,329,330	116,928
Purchased Professional/Technical service	-	5,233	5,233	5,233	-
Other purchased services	223,900	334,796	558,696	516,908	41,788
Rent on land and buildings	3,062,603	643,894	3,706,497	3,706,497	-
Insurance-fidelity, liability, property	181,500	(50,618)	130,882	130,882	-
Supplies and materials	139,500	(32,304)	107,196	80,190	27,006
Transportation-other than to/from school	115,000	(63,447)	51,553	40,053	11,500
Utilities	150,000	266,758	416,758	416,048	710
Total support services	<u>6,940,423</u>	<u>482,650</u>	<u>7,423,073</u>	<u>7,225,141</u>	<u>197,932</u>
Capital outlay:					
Instructional equipment	5,000	(5,000)	-	-	-
Non-instructional equipment	75,000	(66,969)	8,031	6,850	1,181
Purchase of land/improvements	200,000	(177,863)	22,137	22,020	117
Total capital outlay	<u>280,000</u>	<u>(249,832)</u>	<u>30,168</u>	<u>28,870</u>	<u>1,298</u>
Transfer to Food Service	-	-	-	-	-
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	583,964	(583,964)
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	1,455,174	(1,455,174)
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	660,065	(660,065)
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	-	-	-	4,226	(4,226)
Total reimbursed and on-behalf payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,703,429</u>	<u>(2,703,429)</u>
Total expenditures	<u>26,715,631</u>	<u>117,012</u>	<u>26,832,643</u>	<u>28,790,121</u>	<u>(1,957,478)</u>
Excess (deficiency) of revenues over expenditures	511,278	(571,772)	(60,494)	682,559	743,053
Other financing sources/(uses):					
Operating transfers in/(out)	(90,000)	90,000	-	-	-
Net change in fund balances	421,278	(481,772)	(60,494)	682,559	743,053
Fund balances at beginning of year	<u>2,517,846</u>	<u>-</u>	<u>2,517,846</u>	<u>2,517,846</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,939,124</u>	<u>\$ (481,772)</u>	<u>\$ 2,457,352</u>	<u>\$ 3,200,405</u>	<u>\$ 743,053</u>

MARION P. THOMAS CHARTER SCHOOLS
(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 sources	\$ 94,785	\$ -	\$ 94,785	\$ 94,785	\$ -
State sources	962,124	-	962,124	962,124	-
Federal sources	1,467,597	(68,616)	1,398,981	1,398,981	-
Total revenues	<u>2,524,506</u>	<u>(68,616)</u>	<u>2,455,890</u>	<u>2,455,890</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	805,179	-	805,179	805,179	-
Other salaries for instruction	198,706	-	198,706	198,706	-
Purchased Professional and technical services	146,377	(7,596)	138,781	138,781	-
Other purchased services	-	-	-	-	-
Instructional supplies	131,393	-	131,393	131,393	-
Miscellaneous expenditures	2,955	-	2,955	2,955	-
Total instruction	<u>1,284,610</u>	<u>(7,596)</u>	<u>1,277,014</u>	<u>1,277,014</u>	<u>-</u>
Support services					
Salaries of supervisors of instruction	479,128	(49,661)	429,467	429,467	-
Employee benefits	137,149	-	137,149	137,149	-
Purchased professional educational services	498,268	(11,359)	486,909	486,909	-
Travel	88	-	88	88	-
Rent	50,000	-	50,000	50,000	-
Other purchased services	11,989	-	11,989	11,989	-
Supplies	43,489	-	43,489	43,489	-
Miscellaneous	19,785	-	19,785	19,785	-
Total support services	<u>1,239,896</u>	<u>(61,020)</u>	<u>1,178,876</u>	<u>1,178,876</u>	<u>-</u>
Capital Outlay:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,524,506</u>	<u>(68,616)</u>	<u>2,455,890</u>	<u>2,455,890</u>	<u>-</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

PART II

**MARION P. THOMAS CHARTER SCHOOLS
(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] \$ 29,472,680		[C-2] 1,493,766
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>29,472,680</u>		[B-2] <u>1,493,766</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 28,790,121		[C-2] 1,493,766
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>\$ 28,790,121</u>		[B-2] <u>\$ 1,493,766</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)**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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

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)	0.0662089355%	0.0471549230%	0.0348643606%	0.0259848477%	0.0260107656%
Charter School's proportionate share of the net pension liability (asset)	\$ 13,036,210	\$ 10,976,913	\$ 10,325,824	\$ 5,833,078	\$ 4,869,927
Charter School's covered-employee payroll	\$ 6,944,253	\$ 7,729,503	\$ 7,821,775	\$ 1,992,972	\$ 1,992,972
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187.73%	142.01%	132.01%	292.68%	244.36%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.92%	52.08%

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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

LAST TEN FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 658,565	\$ 436,840	\$ 309,730	\$ 223,400	\$ 215,281
Contributions in relation to the contractually required contribution	<u>(658,565)</u>	<u>(436,840)</u>	<u>(309,730)</u>	<u>(223,400)</u>	<u>(215,281)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 6,944,253	\$ 7,729,503	\$ 7,821,775	\$ 1,992,972	\$ 1,992,972
Contributions as a percentage of covered-employee payroll	9.48%	5.65%	3.96%	11.21%	10.80%

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**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)	0.0578632441%		0.0502994193%		0.0459958380%		0.0440804413%		0.0403614824%
State proportionate share of net pension liability attributable to the Charter School	\$ 36,811,353	\$	33,913,683	\$	36,183,255	\$	27,860,721	\$	21,571,899
Charter School's covered-employee payroll	\$ 8,784,933	\$	5,972,374	\$	7,194,429	\$	4,212,142	\$	5,397,350
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	419.03%		567.84%		502.93%		661.44%		399.68%
Plan fiduciary net position as a percentage of the total pension liability	26.49%		25.41%		22.33%		28.71%		33.64%

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

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(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	\$ 1,628,328	\$ 1,962,900
Interest	484,720	396,209
Interest	(1,832,475)	-
Changes in assumptions and other inputs	(1,240,569)	(2,113,271)
Benefit payments	9,991	(279,096)
Contributions from the member	<u>(289,071)</u>	<u>10,277</u>
Net Change in Total State OPEB Liability Attributable to the Charter School	(1,239,076)	(22,981)
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees		
At beginning of year	<u>\$ 12,049,670</u>	<u>\$ 12,072,651</u>
At end of year	<u>\$ 10,810,594</u>	<u>\$ 12,049,670</u>
Charter School's proportionate share of the Total OPEB Liability	0%	0%
Charter School Covered-employee payroll ⁽²⁾	\$ 15,729,186	\$ 13,701,877
Total State OPEB liability as a percentage of Charter School covered-employee payroll	68.73%	87.94%

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, 2019.

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

PART III

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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

Public Employees Retirement System (PERS)

Change in benefit terms. There was 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 3.58% 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

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2019

	Title I	Title II Part 2A	IDEA Basic	Pre School IDEA	Title III	Title IV	Newark Charter School Fund	Other Local Grants	Total
Revenues									
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ 19,785	\$ 94,785
Federal	950,571	102,648	283,920	5,006	2,955	53,881	-	-	1,398,981
Total revenues	<u>950,571</u>	<u>102,648</u>	<u>283,920</u>	<u>5,006</u>	<u>2,955</u>	<u>53,881</u>	<u>75,000</u>	<u>19,785</u>	<u>1,493,766</u>
Expenditures									
Current Expenditures:									
Instruction:									
Salaries of teachers	513,350	-	52,000	-	-	-	-	-	565,350
Other salaries for instruction	-	-	-	-	-	-	-	-	-
Purchased professional and technical services	15,945	-	99,023	-	-	-	-	-	114,968
Other purchased services	-	-	-	-	-	-	-	-	-
Supplies and materials	60,000	-	9,999	-	-	-	-	-	69,999
Miscellaneous expenditures	-	-	-	-	2,955	-	-	-	2,955
Total instruction	<u>589,295</u>	<u>-</u>	<u>161,022</u>	<u>-</u>	<u>2,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>753,272</u>
Support Services:									
Support salaries	130,339	76,000	-	-	-	-	68,750	-	275,089
Employee benefits	121,107	5,814	3,978	-	-	-	6,250	-	137,149
Purchased professional educational services	80,070	20,834	106,931	5,006	-	43,105	-	-	255,946
Travel	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-
Other purchase services	-	-	11,989	-	-	-	-	-	11,989
Supplies	29,760	-	-	-	-	10,776	-	-	40,536
Miscellaneous expenditures	-	-	-	-	-	-	-	19,785	19,785
Total support services	<u>361,276</u>	<u>102,648</u>	<u>122,898</u>	<u>5,006</u>	<u>-</u>	<u>53,881</u>	<u>75,000</u>	<u>19,785</u>	<u>740,494</u>
Total expenditures	<u>\$ 950,571</u>	<u>\$ 102,648</u>	<u>\$ 283,920</u>	<u>\$ 5,006</u>	<u>\$ 2,955</u>	<u>\$ 53,881</u>	<u>\$ 75,000</u>	<u>\$ 19,785</u>	<u>\$ 1,493,766</u>

See independent auditor's report.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND

SCHEDULE OF PRESCHOOL EDUCATION AID - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
EXPENDITURES:					
Instruction					
Salaries of teachers	\$ 239,829	\$ -	\$ 239,829	\$ 239,829	\$ -
Other salaries for instruction	198,706	-	198,706	198,706	-
Purchased professional and technical services	23,813	-	23,813	23,813	-
Other purchased services	-	-	-	-	-
Instructional supplies	61,394	-	61,394	61,394	-
Miscellaneous	-	-	-	-	-
Total instruction	<u>523,742</u>	<u>-</u>	<u>523,742</u>	<u>523,742</u>	<u>-</u>
Support services					
Salaries of supervisors of instruction	57,292	-	57,292	57,292	-
Other salaries for support services	97,086	-	97,086	97,086	-
Employee benefits	-	-	-	-	-
Purchased professional educational services	230,963	-	230,963	230,963	-
Travel	88	-	88	88	-
Rent	50,000	-	50,000	50,000	-
Other purchased services	-	-	-	-	-
Supplies	2,953	-	2,953	2,953	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>438,382</u>	<u>-</u>	<u>438,382</u>	<u>438,382</u>	<u>-</u>
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 962,124</u>	<u>\$ -</u>	<u>\$ 962,124</u>	<u>\$ 962,124</u>	<u>\$ -</u>

CALCULATION OF BUDGET AND CARRYOVER

Total revised 2018-19 Preschool Education Aid Allocation	\$ 962,124
Add: Actual ECPA/PEA Carryover (June 30, 2018)	<u>-</u>
Add: Budgeted Transfer from the General Fund	<u>-</u>
Total Preschool Education Aid Funds Available for 2018-19 Budget	962,124
Less: 2018-19 Budgeted Preschool Education Aid (Including Prior year budget carryover)	<u>962,124</u>
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2019	-
Add: June 30, 2019 Unexpended Preschool Education Aid 2019-20 Carryover - Preschool Education Aid Programs	<u>\$ -</u>
Budgeted for Preschool Programs 2019-20	<u>\$ -</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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2019

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	-
Accounts receivable:			
Federal	-	150,565	150,565
State	-	1,763	1,763
Total current assets	<u>-</u>	<u>152,328</u>	<u>152,328</u>
Interfund receivable - Food Service	<u>306,460</u>	<u>(306,460)</u>	<u>-</u>
Total assets	<u>\$ 306,460</u>	<u>\$ (154,132)</u>	<u>\$ 152,328</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ -	\$ 10,476	\$ 10,476
Cash overdraft	-	114,492	114,492
Interfund payable - General Fund	-	502,310	502,310
Total current liabilities	-	627,278	627,278
Net position			
Unrestricted	<u>306,460</u>	<u>(781,410)</u>	<u>(474,950)</u>
Total liabilities and net position	<u>\$ 306,460</u>	<u>\$ (154,132)</u>	<u>\$ 152,328</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

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

YEAR ENDED JUNE 30, 2019

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ -	\$ 28,589	\$ 28,589
Miscellaneous	89,310	-	89,310
Total operating revenues	<u>89,310</u>	<u>28,589</u>	<u>117,899</u>
Operating expenses:			
Cost of sales - reimbursable programs	-	827,501	827,501
Salaries	73,757	176,116	249,873
Supplies and materials	-	7,731	7,731
Total operating expenses	<u>73,757</u>	<u>1,011,348</u>	<u>1,085,105</u>
Operating income (loss)	<u>15,553</u>	<u>(982,759)</u>	<u>(967,206)</u>
Nonoperating revenues:			
State sources:			
State School Lunch	-	9,721	9,721
Federal sources:			
National School Lunch	-	565,265	565,265
National School Breakfast	-	234,741	234,741
Fresh Fruit and Vegetable	-	32,290	32,290
Food Commodities	-	18,357	18,357
Total nonoperating revenues	<u>-</u>	<u>860,374</u>	<u>860,374</u>
Net income (loss)	15,553	(122,385)	(106,832)
Other financing sources:			
Transfers in - General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	15,553	(122,385)	(106,832)
Total net position at beginning of year	<u>290,907</u>	<u>(659,025)</u>	<u>(368,118)</u>
Total net position at end of year	<u>\$ 306,460</u>	<u>\$ (781,410)</u>	<u>\$ (474,950)</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Cash flows from operating activities			
Operating income (loss)	\$ 15,553	\$ (982,759)	\$ (967,206)
Changes in assets and liabilities:			
Accounts receivable	-	(14,572)	(14,572)
Interfund receivable	-	-	-
Accounts payable	-	(66,227)	(66,227)
Cash overdraft	-	114,492	114,492
Interfund payable	(48,454)	88,692	40,238
Net cash from operating activities	<u>(32,901)</u>	<u>(860,374)</u>	<u>(893,275)</u>
Cash flows from noncapital financing activities			
Transfer-in from General Fund	-	-	-
Cash received from state and federal reimbursements	<u>-</u>	<u>860,374</u>	<u>860,374</u>
Net cash from noncapital financing activities	-	860,374	860,374
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	(32,901)	-	(32,901)
Cash and cash equivalents at beginning of year	<u>32,901</u>	<u>-</u>	<u>32,901</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<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.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	New Jersey Unemployment Benefits	Agency			Total
		Student Activity Fund	Payroll Agency Fund	Net Payroll Fund	
Assets					
Cash and cash equivalents	\$ -	\$ 21,552	\$ 160,973	\$ 381,027	\$ 563,552
Accounts receivables	-	-	-	-	-
Interfund receivable	-	-	15	-	15
Total assets	<u>\$ -</u>	<u>\$ 21,552</u>	<u>\$ 160,988</u>	<u>\$ 381,027</u>	<u>\$ 563,567</u>
Liabilities and Net Position					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ 160,988	\$ 28,786	\$ 189,774
Due to student groups	-	21,552	-	-	21,552
Summer payroll payable	-	-	-	216,728	216,728
Interfund payable	-	-	-	135,513	135,513
Total liabilities	<u>-</u>	<u>21,552</u>	<u>160,988</u>	<u>381,027</u>	<u>563,567</u>
Net position:					
Restricted					
Unemployment compensation	-	-	-	-	-
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ -</u>	<u>\$ 21,552</u>	<u>\$ 160,988</u>	<u>\$ 381,027</u>	<u>\$ 563,567</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
(TRUST FUND)

YEAR ENDED JUNE 30, 2019

	<u>New Jersey Unemployment Benefits</u>
Revenues:	
General fund appropriation	\$ 268,988
Employees' contributions	<u>48,697</u>
Total revenues	<u>317,685</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>317,685</u>
Total expenditures	<u>317,685</u>
Excess (deficiency) of revenue over expenditures	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2019

	<u>Balance at June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance at June 30, 2019</u>
Assets				
Cash and cash equivalents	\$ 13,979	\$ 65,903	\$ 58,330	\$ 21,552
Liabilities				
Accounts Payable	\$ 13,979	\$ 65,903	\$ 58,330	\$ 21,552

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2019

	<u>Balance at June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance at June 30, 2019</u>
Assets				
Cash and cash equivalents	\$ 64,071	\$ 3,665,285	\$ 3,568,383	\$ 160,973
Interfund receivables	<u>70,005</u>	<u>132,591</u>	<u>202,581</u>	<u>15</u>
Total Assets	<u>\$ 134,076</u>	<u>\$ 3,797,876</u>	<u>\$ 3,770,964</u>	<u>\$ 160,988</u>
Liabilities				
Payroll deductions and withholdings	<u>\$ 134,076</u>	<u>\$ 3,797,876</u>	<u>\$ 3,770,964</u>	<u>\$ 160,988</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.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

YEAR ENDED JUNE 30, 2019

	<u>Amount of Original Issue</u>	<u>Balance June 30, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>
Vehicles/Buses	\$ 234,134	\$ 161,029	\$ -	\$ 36,552	\$ 124,477
Total Liabilities	<u>\$ 234,134</u>	<u>\$ 161,029</u>	<u>\$ -</u>	<u>\$ 36,552</u>	<u>\$ 124,477</u>

STATISTICAL SECTION

Unless otherwise noted, the information in these Schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

**MARION P. THOMAS CHARTER SCHOOLS
(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.	88
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.	94
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.	95
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.	97
Sources: <i>Schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter-wide information include information beginning in that year.</i>	

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**NET ASSETS BY COMPONENT
Last Ten Fiscal Years**

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Invested in capital assets, net of related debt	\$ 196,742	\$ 235,580	\$ 301,970	\$ 314,890	\$ 356,825	\$ 141,352	\$ 38,653	\$ 56,983	\$ 98,113	\$ 108,227
Restricted	781,410	659,025	540,512	439,046	423,703	164,565	150,046	-	-	-
Unrestricted	<u>(6,687,320)</u>	<u>(5,509,275)</u>	<u>(1,886,990)</u>	<u>1,278,350</u>	<u>1,775,247</u>	<u>1,620,345</u>	<u>510,809</u>	<u>170,340</u>	<u>425,238</u>	<u>675,839</u>
Total governmental activities net assets	<u>\$ (5,709,168)</u>	<u>\$ (4,614,670)</u>	<u>\$ (1,044,508)</u>	<u>\$ 2,032,286</u>	<u>\$ 2,555,775</u>	<u>\$ 1,926,262</u>	<u>\$ 699,508</u>	<u>\$ 227,323</u>	<u>\$ 523,351</u>	<u>\$ 784,066</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>(474,950)</u>	<u>(368,118)</u>	<u>(270,340)</u>	<u>(216,164)</u>	<u>(265,869)</u>	<u>(57,228)</u>	<u>(82,962)</u>	<u>(84,747)</u>	<u>(31,500)</u>	<u>43,410</u>
Total business-type activities net assets	<u>\$ (474,950)</u>	<u>\$ (368,118)</u>	<u>\$ (270,340)</u>	<u>\$ (216,164)</u>	<u>\$ (265,869)</u>	<u>\$ (57,228)</u>	<u>\$ (82,962)</u>	<u>\$ (84,747)</u>	<u>\$ (31,500)</u>	<u>\$ 43,410</u>
Charter School-wide										
Invested in capital assets, net of related debt	\$ 196,742	\$ 235,580	\$ 301,970	\$ 314,890	\$ 356,825	\$ 141,352	\$ 38,653	\$ 56,983	\$ 98,113	\$ 108,227
Restricted	781,410	659,025	540,512	439,046	423,703	164,565	150,046	-	-	-
Unrestricted	<u>(7,162,270)</u>	<u>(5,877,393)</u>	<u>(2,157,330)</u>	<u>1,062,186</u>	<u>1,509,378</u>	<u>1,563,117</u>	<u>427,847</u>	<u>85,593</u>	<u>393,738</u>	<u>719,249</u>
Total Charter School net assets	<u>\$ (6,184,118)</u>	<u>\$ (4,982,788)</u>	<u>\$ (1,314,848)</u>	<u>\$ 1,816,122</u>	<u>\$ 2,289,906</u>	<u>\$ 1,869,034</u>	<u>\$ 616,546</u>	<u>\$ 142,576</u>	<u>\$ 491,851</u>	<u>\$ 827,476</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN NET ASSETS/NET POSITION
Last Ten Fiscal Years
(Accrual basis of accounting)**

	Fiscal Year Endend June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
Instruction										
Regular	\$ 18,577,226	20,999,050	\$ 17,951,352	\$ 14,240,570	\$ 11,211,304	\$ 6,126,956	\$ 6,041,944	\$ 5,761,466	\$ 4,757,864	\$ 3,881,968
Support Services:										
Capital outlay	10,350	16,500	3,000	1,098	-	15,790	-	-	-	-
Student and instruction related services	6,156,179	5,648,247	5,624,183	4,917,035	4,054,435	1,959,678	1,465,436	1,703,745	1,476,935	957,536
General administration	6,928,898	4,752,713	4,186,190	3,789,171	2,972,753	2,092,355	1,700,384	1,644,468	1,535,254	1,975,545
Plant Operations and Maintenance	3,756,497	2,264,739	2,559,739	2,552,593	2,512,100	1,380,595	1,390,119	1,340,119	1,366,294	1,186,301
Unallocated depreciation	93,911	131,441	94,013	99,457	95,819	12,201	63,087	92,040	21,130	17,458
Total governmental activities expenses	<u>\$ 35,523,061</u>	<u>\$ 33,812,690</u>	<u>\$ 30,418,477</u>	<u>\$ 25,599,924</u>	<u>\$ 20,846,411</u>	<u>\$ 11,587,575</u>	<u>\$ 10,660,970</u>	<u>\$ 10,541,838</u>	<u>\$ 9,157,477</u>	<u>\$ 8,018,808</u>
Business-type activities:										
Food service	1,011,348	1,034,773	864,079	852,419	854,144	537,825	529,043	454,124	346,568	196,092
Child Care	73,757	61,907	66,546	68,758	44,009	19,300	11,955	18,181	20,412	33,518
Total business-type activities expense	<u>1,085,105</u>	<u>1,096,680</u>	<u>930,625</u>	<u>921,177</u>	<u>898,153</u>	<u>557,125</u>	<u>540,998</u>	<u>472,305</u>	<u>366,980</u>	<u>229,610</u>
Total district expenses	<u>\$ 36,608,166</u>	<u>\$ 34,909,370</u>	<u>\$ 31,349,102</u>	<u>\$ 26,521,101</u>	<u>\$ 21,744,564</u>	<u>\$ 12,144,700</u>	<u>\$ 11,201,968</u>	<u>\$ 11,014,143</u>	<u>\$ 9,524,457</u>	<u>\$ 8,248,418</u>
Program Revenues										
Governmental activities:										
Operating grants and contributions	\$ 7,659,312	\$ 7,108,519	\$ 4,778,739	\$ 4,349,758	\$ 3,047,857	\$ 2,366,354	\$ 2,351,882	\$ 1,538,536	\$ 1,021,779	\$ 1,080,476
Total governmental activities program revenues	<u>7,659,312</u>	<u>7,108,519</u>	<u>4,778,739</u>	<u>4,349,758</u>	<u>3,047,857</u>	<u>2,366,354</u>	<u>2,351,882</u>	<u>1,538,536</u>	<u>1,021,779</u>	<u>1,080,476</u>
Business-type activities:										
Charges for services										
Food service	28,589	24,364	25,266	16,767	6,283	5,672	9,468	17,854	13,095	9,306
Child care	89,310	82,642	113,836	133,806	94,506	59,553	43,032	27,426	25,018	31,275
Operating grants and contributions	860,374	726,896	617,347	680,309	578,151	517,634	490,283	373,778	253,957	198,019
Transfers	-	165,000	120,000	140,000	-	-	-	-	-	-
Total business type activities program revenues	<u>978,273</u>	<u>998,902</u>	<u>876,449</u>	<u>970,882</u>	<u>678,940</u>	<u>582,859</u>	<u>542,783</u>	<u>419,058</u>	<u>292,070</u>	<u>238,600</u>
Total charter school program revenues	<u>8,637,585</u>	<u>8,107,421</u>	<u>5,655,188</u>	<u>5,320,640</u>	<u>3,726,797</u>	<u>2,949,213</u>	<u>2,894,665</u>	<u>1,957,594</u>	<u>1,313,849</u>	<u>1,319,076</u>
Net (Expense)/Revenue										
Governmental activities	(27,863,749)	(26,704,171)	(25,639,738)	(21,250,166)	(17,798,554)	(9,221,221)	(8,309,088)	(9,003,302)	(8,135,698)	(6,938,332)
Business-type activities	(106,832)	(97,778)	(54,176)	49,705	(219,213)	25,734	1,785	(53,247)	(74,910)	8,990
Total charter school-wide net expense	<u>\$ (27,970,581)</u>	<u>\$ (26,801,949)</u>	<u>\$ (25,693,914)</u>	<u>\$ (21,200,461)</u>	<u>\$ (18,017,767)</u>	<u>\$ (9,195,487)</u>	<u>\$ (8,307,303)</u>	<u>\$ (9,056,549)</u>	<u>\$ (8,210,608)</u>	<u>\$ (6,929,342)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN NET ASSETS/NET POSITION
Last Ten Fiscal Years
(Accrual basis of accounting)**

	Fiscal Year Endend June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 26,710,505	\$ 23,236,408	\$ 22,662,022	\$ 20,860,196	\$ 19,757,042	\$ 10,442,830	\$ 8,793,320	\$ 7,932,991	\$ 7,280,051	\$ 6,376,798
Semi-reimbursements	48,136	60,456	16,763	-	-	-	-	-	-	-
Miscellaneous	10,610	2,145	4,159	6,481	7,351	5,145	3,166	981	82,999	21,213
Transfers	-	(165,000)	(120,000)	(140,000)	-	-	-	-	-	-
Total governmental activities	<u>26,769,251</u>	<u>23,134,009</u>	<u>22,562,944</u>	<u>20,726,677</u>	<u>19,764,393</u>	<u>10,447,975</u>	<u>8,796,486</u>	<u>7,933,972</u>	<u>7,363,050</u>	<u>6,398,011</u>
Total Charter School-wide	<u>\$ 26,769,251</u>	<u>\$ 23,134,009</u>	<u>\$ 22,562,944</u>	<u>\$ 20,726,677</u>	<u>\$ 19,764,393</u>	<u>\$ 10,447,975</u>	<u>\$ 8,796,486</u>	<u>\$ 7,933,972</u>	<u>\$ 7,363,050</u>	<u>\$ 6,398,011</u>
Changes in Net Assets/Net Position										
Governmental activities	\$ (1,094,498)	\$ (3,570,162)	\$ (3,076,794)	\$ (523,489)	\$ 1,965,839	\$ 1,226,754	\$ (206,816)	\$ (201,726)	\$ 424,718	\$ 655,312
Business-type activities	(106,832)	(97,778)	(54,176)	49,705	(219,213)	25,734	(53,247)	(74,910)	8,990	32,460
Total Charter School	<u>\$ (1,201,330)</u>	<u>\$ (3,667,940)</u>	<u>\$ (3,130,970)</u>	<u>\$ (473,784)</u>	<u>\$ 1,746,626</u>	<u>\$ 1,252,488</u>	<u>\$ (260,063)</u>	<u>\$ (276,636)</u>	<u>\$ 433,708</u>	<u>\$ 687,772</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Assigned	\$ 45,762	\$ 97,207	\$ 94,623	\$ 344,921	\$ 894,209	\$ 652,818	\$ 239,034	\$ 56,983	\$ -	\$ 108,227
Unassigned	<u>3,154,643</u>	<u>2,420,639</u>	<u>4,629,882</u>	<u>6,526,412</u>	<u>5,830,730</u>	<u>1,267,798</u>	<u>565,648</u>	<u>342,529</u>	<u>654,180</u>	<u>771,437</u>
Total general fund	<u>\$ 3,200,405</u>	<u>\$ 2,517,846</u>	<u>\$ 4,724,505</u>	<u>\$ 6,871,333</u>	<u>\$ 6,724,939</u>	<u>\$ 1,920,616</u>	<u>\$ 804,682</u>	<u>\$ 399,512</u>	<u>\$ 654,180</u>	<u>\$ 879,664</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)**

Function	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Local Sources:										
Local tax levy	\$ 3,147,679	\$ 2,955,501	\$ 2,849,977	\$ 2,782,468	\$ 2,618,739	\$ 1,372,596	\$ 1,126,597	\$ 1,099,724	\$ 1,003,418	\$ 910,681
Miscellaneous	105,395	16,483	84,762	71,073	45,020	220,445	27,250	53,166	45,981	82,999
State sources	24,703,140	20,802,535	20,342,612	19,871,926	19,005,460	10,580,616	9,046,327	8,268,574	7,047,413	6,620,898
Federal sources	<u>1,447,117</u>	<u>1,332,121</u>	<u>994,249</u>	<u>1,047,911</u>	<u>820,576</u>	<u>640,672</u>	<u>812,227</u>	<u>690,511</u>	<u>695,037</u>	<u>828,948</u>
Total Revenues	<u>29,403,331</u>	<u>25,106,640</u>	<u>24,271,600</u>	<u>23,773,378</u>	<u>22,489,795</u>	<u>12,814,329</u>	<u>11,012,401</u>	<u>10,111,975</u>	<u>8,791,849</u>	<u>8,443,526</u>
Current expense:										
Instruction										
Salaries	9,298,634	11,498,559	9,861,153	7,864,342	6,712,449	3,713,807	3,863,916	3,306,744	2,986,861	2,501,308
Professional/Technical service	445,344	392,056	501,888	407,258	436,153	142,524	112,391	323,957	105,876	35,684
Other purchased services	763,441	611,557	501,762	469,640	355,501	94,178	138,478	123,070	28,272	18,544
General educational supplies	485,524	413,435	760,737	753,512	430,739	337,472	327,307	348,915	335,950	249,877
Instructional text and books	163,902	148,519	397,334	789,684	298,125	272,355	168,021	192,550	163,502	57,414
Other instructional expenses	108,773	147,816	203,493	157,877	108,720	18,545	14,952	11,083	11,813	21,201
Administrative cost:										
Salaries	2,944,105	2,227,635	2,118,961	2,060,262	1,427,565	977,750	818,671	1,020,462	856,940	1,064,663
Total benefit costs	5,442,407	4,793,466	4,572,379	3,923,020	3,870,619	2,507,726	2,197,199	1,968,677	1,474,239	1,532,695
Professional/Technical service	628,511	429,185	418,150	274,933	326,780	319,228	273,666	94,408	131,152	196,798
Other purchased services	316,658	303,014	225,948	185,114	127,326	103,545	65,456	73,946	58,339	46,479
Communications and telephones	143,611	62,327	46,046	56,449	69,887	64,655	30,649	38,704	51,917	70,064
Supplies and materials	87,945	69,153	81,966	119,871	146,850	115,583	33,464	44,965	88,122	86,929
Judgments against Charter School	425,615	-	-	-	1,500	-	-	57	-	950
Interest on current loans	26,912	13,703	-	5,848	-	8,074	12,749	12,101	7,930	8,745
Miscellaneous expenses	40,561	55,225	64,936	91,646	51,878	5,617	13,883	19,776	17,919	76,152
Support services:										
Salaries	2,758,797	2,860,043	2,970,135	2,486,111	2,147,624	1,133,434	777,037	971,890	700,472	398,150
Purchased Professional/Technical service	5,233	1,666	6,009	24,687	20,182	35,349	65,449	101,314	120,354	47,151
Other purchased services	528,897	235,692	218,052	247,950	237,510	101,352	24,676	36,776	92,421	192,046
Rent on land and buildings	3,756,497	2,264,739	2,559,739	2,552,593	2,512,100	1,380,595	1,390,119	1,340,119	1,366,294	1,186,301
Insurance-fidelity, liability property	130,882	144,842	92,404	133,536	61,390	20,706	17,376	-	29,998	32,649
Transportation- other than to/from school	40,141	117,656	153,024	129,859	100,851	26,803	35,030	9,654	-	9,654
Supplies and materials	123,679	83,904	125,997	159,122	217,008	1,841	34,251	52,069	46,741	46,441
Utilities	416,048	259,050	396,724	357,236	379,946	179,450	137,894	139,731	166,232	70,204
Miscellaneous	19,785	45,056	18,591	177,814	53,771	59,806	34,954	45,666	34,595	2,392
Capital outlay	<u>22,020</u>	<u>45,000</u>	<u>3,000</u>	<u>58,620</u>	<u>28,268</u>	<u>78,000</u>	<u>8,513</u>	<u>54,553</u>	<u>11,016</u>	<u>21,812</u>
Total Expenditures	<u>29,123,922</u>	<u>27,223,298</u>	<u>26,298,428</u>	<u>23,486,984</u>	<u>20,122,742</u>	<u>11,698,395</u>	<u>10,596,101</u>	<u>10,331,187</u>	<u>8,886,955</u>	<u>7,974,303</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Excess (Deficiency) of Revenues Over Expenditures	279,409	(2,116,658)	(2,026,828)	286,394	2,367,053	1,115,934	416,300	(219,212)	(95,106)	469,223
Net change in fund balances	<u>\$ 279,409</u>	<u>\$ (2,116,658)</u>	<u>\$ (2,026,828)</u>	<u>\$ 286,394</u>	<u>\$ 2,367,053</u>	<u>\$ 1,115,934</u>	<u>\$ 416,300</u>	<u>\$ (219,212)</u>	<u>\$ (95,106)</u>	<u>\$ 469,223</u>
Debt service as a percentage of noncapital expenditures	0.09%	0.05%	0.00%	0.02%	0.00%	0.07%	0.12%	0.12%	0.09%	0.11%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Bond Anticipation Notes (BANs)	Business-Type	Total Charter School
	General Obligation Bonds	Certificates of Participation	Capital Leases		Capital Leases	
2019	\$ -	\$ -	\$ 124,476	\$ -	\$ -	\$ 124,476
2018	-	-	161,029	-	-	161,029
2017	-	-	197,852	-	-	197,852
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-

Note: Details regarding the Charter School's outstanding debt can be found in the notes to the basic financial statements.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

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%
2014	278,991	16,130,422,647	57,817	10.20%
2013	278,152	15,400,998,088	55,369	7.90%
2012	277,590	15,207,212,970	54,783	8.80%
2011	277,540	15,008,808,120	54,078	8.90%
2010	277,158	14,380,065,672	51,884	9.50%

** 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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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

Employer	2019		2010	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
St. Barnabas Health Care System	21,000	**	22,300	**
Verizon	15,000	**	18,148	**
Prudential Ins. Co. of America	8,743	**	17,487	**
Rutgers University - Newark Campus	4,265	**	-	**
Continental Airlines			11,200	**
Newark Board of Education	5,595	**	-	**
Automatic Data Processing	1,500	**	5,300	**
New Jersey Transit	11,500	**	-	
City of Newark	4,000	**	-	
Essex County		**	4,500	**
PSE&G	10,000	**	11,000	**
Ricoh Corporation	-		5,500	**
Horizon Blue Cross/Blue Shield	2,700	**	4,735	**
UMDNJ University Hospital	-		2,730	**
	<u>84,303</u>		<u>102,900</u>	

Note - Principal employers are that of Essex County

** Information not available

Source: Essex County Economic Development Corporation

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction										
Regular	100	93	93	93	71	47	47	48	58	48
Special education	16	12	12	12	14	5	5	2	2	2
Other instruction	32	28	28	28	34	18	18	-	-	-
Support Services										
Student & instruction related services	27	30	30	30	19	2	2	2	2	2
General administration	8	6	6	6	6	5	5	6	3	6
Other administrative services	10	19	19	19	9	5	5	2	3	2
Central services	23	10	10	10	19	6	6	2	4	2
Administrative Information Technology	3	3	3	3	2	-	-	-	1	-
Plant operations and maintenance	13	18	18	18	16	4	4	4	-	4
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	-	17	17	17	15	6	6	6	-	6
Food Service	2	8	8	8	6	1	1	4	4	4
Child Care	-	-	-	-	-	-	-	-	-	-
Total	234	244	244	244	211	1,390	99	76	77	76

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage	
						Kindergarten	Elementary	School					High School
2010	510	7,952,491	15,596	19.0%	50	12.3	12.7	16	N/A	510.0	500	8.97%	98.00%
2011	573	9,054,062	15,801	1.3%	60	12.9	12.9	16	N/A	573.0	562	12.35%	98.00%
2012	659	10,546,267	16,011	1.3%	50	12.3	12.7	16	N/A	510.0	500	-10.99%	98.00%
2013	694	10,596,101	15,268	-4.6%	70	12.3	12.7	16	N/A	693.0	679	35.88%	98.00%
2014	748	11,698,395	15,640	2.4%	70	12.3	12.7	16	N/A	693.0	679	0.00%	98.00%
2015	1,272	20,122,742	15,820	1.2%	119	12.3	12.7	16	17	1290.0	1,264	86.15%	98.00%
2016	1,291	23,486,984	18,193	15.0%	133	12.3	12.7	16	17	1314.0	1,288	1.86%	98.00%
2017	1,331	27,335,612	20,538	12.9%	133	12.3	12.7	16	17	1314.0	1,288	0.00%	98.00%
2018	1,359	28,709,822	21,126	2.9%	133	12.3	12.7	16	17	1314.0	1,288	0.00%	98.00%
2019	1,481	31,217,141	21,078	2.63%	148	12.3	12.7	16	17	1553.8	1,523	18.25%	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).

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Square Feet	90,004	90,004	90,004	90,004	90,004	45,002	45,002	45,002	60,000	45,002
Capacity (students)	1,350	1,350	1,350	1,350	1,350	750	750	525	600	525
Enrollment	1,481	1,359	1,331	1,291	1,272	748	694	517	573	510

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2019
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Comprehensive General Liability		
Bodily Injury and Property Damage		
Per Occurrence	6,000,000	
Products and Completed Operations		
Annual Aggregate	6,000,000	
Sexual Abuse		
Per Occurrence	6,000,000	
Annual NJSIG Aggregate	17,000,000	
Person Injury and Advertising Injury		
Per Occurrence/Annual Aggregate	6,000,000	
Employee Benefits Liability		
Per Occurrence/Annual Aggregate	6,000,000	1,000
Premises Medical Payments		
Per Accident	10,000	
Limit per person	5,000	
Terrorism		
Per Occurrence/Annual Aggregate	1,000,000	
Equipment Breakdown		
Combined Single Limit per Accident for		
Property Damage and Business Income	100,000,000	2,500
		12 hours for Indirect Coverage
		Service Interruption Waiting
		Period 24 hours
Crime		
Public Employee Dishonesty with Faithful		
Performance	25,000	500
Theft, Disappearance and Destruction - Loss of		
Money & Securities On or Off Premises	5,000	500
Theft, Disappearance and Destruction - Money		
Orders & Counterfeit Paper Currency	5,000	500
Forgery or Alteration	25,000	500
Computer Fraud	250,000	1,000
Public Officials Bond:		
Superintendent	500,000	1,000
Treasurer	500,000	1,000
Board Secretary	500,000	1,000

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2019
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Automobile Liability		
Bodily Injury and Property Damage per accident	6,000,000	
Terrorism		
Per Occurrence/Annual Aggregate	1,000,000	
School Leaders Errors & Omissions		
Coverage A	1,000,000	
Coverage B	100,000	
Coverage B - Annual Aggregate	300,000	
Workers Compensation	2,000,000	
Employment Practices Liability	1,000,000	
Student Accident Liability	1,000,000	
Builders Risk	18,403,493	

MARION P. THOMAS CHARTER SCHOOLS
(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	\$ 3,085,394	\$ 982,001	\$ 922,239	Audit: Exhibit A-1
Current Assets	4,859,455	2,632,423	3,323,051	Audit: Exhibit A-1
Total Assets	5,359,007	3,029,032	3,644,269	Audit: Exhibit A-1
Current Liabilities	405,290	482,695	597,596	Audit: Exhibit A-1
Total Liabilities	11,330,913	12,018,299	14,119,975	Audit: Exhibit A-1
Net Assets	(1,314,848)	(4,982,788)	(6,184,118)	Audit: Exhibit A-1
Total Revenue	28,218,132	31,241,430	35,406,836	Audit: Exhibit A-2
Total Expenses	31,349,102	34,909,370	36,608,166	Audit: Exhibit A-2
Change in Net Assets	(3,130,970)	(3,667,940)	(1,201,330)	Audit: Exhibit A-2
Depreciation Expense	94,013	131,441	93,911	Financial Statements/Audit Workpapers
Interest Expense	-	13,703	26,912	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	1,331	1,359	1,544	DOE Enrollment Reports
March 30th Budgeted Enrollment	1,430	1,430	1,615	Charter School Budget

RATIO ANALYSIS								
Near Term Indicators	2017	2018	2019	3 YR CUM	Source:	Target		
1a. Current Ratio	11.99	5.45	5.56	7.28	Current Assets/Current Liabilities	> 1.1		
1b. Unrestricted Days Cash	35.92	10.27	9.20	17.70	Cash/(Total Expenses/365)	30-60		
1c. Enrollment Variance	93%	95%	96%	95%	Average Daily Enrollment/Budgeted Enrollment	>95%		
1d. Default	No	No	No	No	Audit	not in default		
Sustainability Indicators								
2a. Total Margin	-11%	-12%	-3%	-8%	Change in Net Assets/Total Revenue	positive		
2b. Debt to Asset	2.11	3.97	3.87	3.11	Total Liabilities/Total Assets	<.9		
2c. Cash Flow	(3,222,668)	(2,103,393)	(59,762)	(2,163,155)	Net change in cash flow from prior years	3 yr cum positive		
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10		

SINGLE AUDIT SECTION

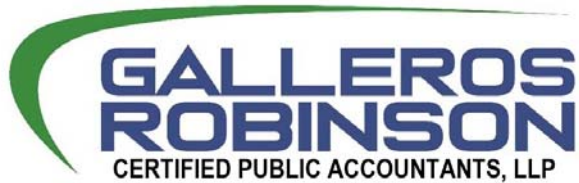


EXHIBIT K-1

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
Marion P. Thomas Charter Schools
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, 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 Marion P. Thomas Charter Schools (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 16, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 weak-nesses or significant deficiencies. **Given these limitations, during our audit we did**

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

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 no instance of noncompliance or other matters, that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

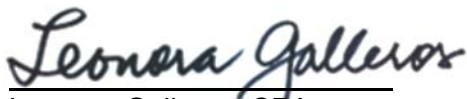
However, we also noted certain matters that we have reported to the Board of Trustees of the Marion P. Thomas Charter Schools in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated December 16, 2019.


Charter School's Response to Findings

The Charter School's response to the finding identified in our audit as described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
Certified Public Accountants

December 16, 2019
Cream Ridge, New Jersey



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, New Jersey

Report on Compliance for Each Major Federal and State Programs

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance 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 federal or 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 FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND 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 federal and state programs. However, our audit does not provide a legal determination of the Charter School's compliance.

Opinions on Each Major Federal and State Programs

In our opinion, the Marion P. Thomas Charter Schools, in the County of Essex, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the 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 federal and state programs 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 federal and state programs and to test and report on internal control over compliance in accordance with Uniform Guidance and NJ OMB Letter Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter School's internal control over compliance.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the New Jersey OMB's Letter Circular 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 16, 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														
General Fund:														
Medical Assistance Program (SEMI)	93.778	1805NJ5MAP	N/A	\$ 48,136	7/1/2018	6/30/2019	\$ -	\$ -	\$ 48,136	\$ (48,136)	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund:														
Title I Part A Grants to Local Educational Agencies	84.010	S010A180030	NCLB - 7210 - 19	\$ 950,571	7/1/2018	6/30/2019	-	-	234,164	(950,571)	-	(714,539)	-	1,868
Title I Part A Grants to Local Educational Agencies	84.010	S010A170030	NCLB - 7210 - 18	897,808	7/1/2017	6/30/2018	(165,138)	-	165,138	-	-	-	-	-
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A180029	NCLB - 7210 - 19	102,648	7/1/2018	6/30/2019	-	-	-	(102,648)	-	(102,648)	-	-
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A170029	NCLB - 7210 - 18	93,931	7/1/2017	6/30/2018	(93,931)	-	93,931	-	-	-	-	-
Individuals with Disabilities - States Grant	84.027	H027A180100	IDEA - 7210 - 19	283,920	7/1/2018	6/30/2019	-	-	196,923	(283,920)	-	(86,997)	-	-
Individuals with Disabilities - States Grant	84.027	H027A170100	IDEA - 7210 - 18	267,769	7/1/2017	6/30/2018	(93,918)	-	93,918	-	-	-	-	-
English Language Acquisition (Title III)	84.365	S365A180030	NCLB - 7210 - 19	2,955	7/1/2018	6/30/2019	-	-	-	(2,955)	-	(2,955)	-	-
English Language Acquisition (Title III)	84.365	S365A170030	NCLB - 7210 - 18	12,157	7/1/2017	6/30/2018	(12,157)	-	12,157	-	-	-	-	-
Title IV - Student Support and Academic Enrichment (ESSA)	84.424	S424A180031	NCLB - 7210 - 19	53,881	7/1/2018	6/30/2019	-	-	-	(53,881)	-	(53,881)	-	-
Preschool Grants for Children with Disabilities	84.173	H173A170114	IDEA - 7210 - 19	5,006	7/1/2018	6/30/2019	-	-	-	(5,006)	-	(5,006)	-	-
Total U.S. Department of Education							(365,144)	-	796,231	(1,398,981)	-	(966,026)	-	1,868
U.S. Department of Agriculture														
Passed-through New Jersey State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program	10.555	191NJ304N1099	N/A	565,265	7/1/2018	6/30/2019	-	-	462,965	(565,265)	-	(102,300)	-	-
National School Lunch Program	10.555	181NJ304N1099	N/A	473,636	7/1/2017	6/30/2018	(93,467)	-	93,467	-	-	-	-	-
Fresh Fruits and Vegetables	10.582	191NJ304L1603	N/A	32,290	7/1/2018	6/30/2019	-	-	29,419	(32,290)	-	(2,871)	-	-
Fresh Fruits and Vegetables	10.582	181NJ304L1603	N/A	24,578	7/1/2017	6/30/2018	(4,349)	-	4,349	-	-	-	-	-
Food Donation Program	10.555	191NJ304N1099	N/A	18,357	7/1/2017	6/30/2018	-	-	18,357	(18,357)	-	-	-	-
National School Breakfast Program	10.553	191NJ304N1099	N/A	234,741	7/1/2018	6/30/2019	-	-	189,347	(234,741)	-	(45,394)	-	-
National School Breakfast Program	10.553	181NJ304N1099	N/A	180,672	7/1/2017	6/30/2018	(38,956)	-	38,956	-	-	-	-	-
Total U.S. Department of Agriculture							(136,772)	-	836,860	(850,653)	-	(150,565)	-	-
Total Expenditures of Federal Awards							\$ (501,916)	\$ -	\$ 1,681,227	\$ (2,297,770)	\$ -	\$ (1,116,591)	\$ -	\$ 1,868

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	\$ 18,227,625	\$ -	\$ -	\$ -	\$ 17,826,958	\$ (18,227,625)	\$ -	\$ (423,324)	\$ -	\$ 22,657	423,324	\$ 18,227,625	
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	16,661,012	(125,206)	180,056	-	125,206	-	(180,056)	-	-	-	-	-	
Equalization Aid	17-495-034-5120-078	7/1/15-6/30/17	16,975,385	(20,218)	91	-	-	-	-	(20,218)	-	91	-	-	
Equalization Aid	16-495-034-5120-078	7/1/14-6/30/16	6,702,253	-	18,178	-	-	-	-	-	-	18,178	-	-	
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	1,010,025	-	-	-	994,207	(1,010,025)	-	(19,942)	-	4,124	19,942	1,010,025	
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	574,651	-	8,907	-	-	-	(8,907)	-	-	-	-	-	
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	666,900	-	656	-	-	-	-	-	-	656	-	-	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	748,776	-	-	-	761,976	(748,776)	-	(15,719)	-	28,919	15,719	748,776	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	499,575	(9,408)	8,667	-	9,408	-	(8,667)	-	-	-	-	-	
Adjustment Aid	19-495-034-5120-085	7/1/18-6/30/19	3,166,400	-	-	-	3,166,400	(3,166,400)	-	-	-	-	-	3,166,400	
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	2,420,669	(159,528)	-	-	159,528	-	-	-	-	-	-	-	
Reimbursed Social Security Tax	19-495-034-5094-003	7/1/18-6/30/19	583,964	-	-	-	555,898	(583,964)	-	(28,066)	-	-	28,066	583,964	
Reimbursed Social Security Tax	18-495-034-5094-003	7/1/17-6/30/18	642,397	(64,950)	-	-	64,950	-	-	-	-	-	-	-	
On-Behalf Teachers' Pension and Annuity Fund	19-495-034-5094-002	7/1/18-6/30/19	1,455,174	-	-	-	1,455,174	(1,455,174)	-	-	-	-	-	1,455,174	
On-Behalf Teachers' Pension and Annuity Fund – Post-Retirement Medical	19-495-034-5094-001	7/1/18-6/30/19	660,065	-	-	-	660,065	(660,065)	-	-	-	-	-	660,065	
On-Behalf Teachers' Pension and Annuity Fund – Non-contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	4,226	-	-	-	4,226	(4,226)	-	-	-	-	-	4,226	
Total General Fund				(379,310)	216,555	-	25,783,996	(25,856,255)	(197,630)	(507,269)	-	74,625	487,051	25,856,255	
Special Revenue Fund:															
Pre-School Education	19-495-034-5120-086	7/1/18-6/30/19	962,124	-	-	-	779,587	(962,124)	-	(182,537)	-	-	-	962,124	
Enterprise Fund:															
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	9,721	-	-	-	7,958	(9,721)	-	(1,763)	-	-	-	9,721	
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	7,817	(984)	-	-	984	-	-	-	-	-	-	-	
Total Enterprise Fund				(984)	-	-	8,942	(9,721)	-	(1,763)	-	-	-	9,721	
Total Expenditures of State Financial Assistance				\$ (380,294)	\$ 216,555	\$ -	\$ 26,572,525	(26,828,100)	\$ (197,630)	\$ (691,569)	\$ -	\$ 74,625	\$ 487,051	\$ 26,828,100	
Less: On-Behalf TPAF Pension System Contributions															
On-Behalf Teachers' Pension and Annuity Fund	19-495-034-5094-002							1,455,174							
On-Behalf-Teachers' Pension and Annuity Fund – Post-Retirement Medical	19-495-034-5094-001							660,065							
On-Behalf Teachers' Pension and Annuity Fund – Non-contributory Insurance	19-495-034-5094-004							4,226							
								2,119,465							
Total for State Financial Assistance-Major Program Determination								\$ (24,708,635)							

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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

FOR THE ENDED JUNE 30, 2019

NOTE 1 GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activities of the Marion P. Thomas Charter Schools (the "Charter School"). 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 (the "Schedules") 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 are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of the 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 accounting principles generally accepted in the United States of America (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:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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

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.

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 48,136	\$ 23,736,790	\$ 23,784,926
Special Revenue Fund	1,398,981	962,124	2,361,105
Enterprise Fund	850,653	9,721	860,374
Total	<u>\$ 2,297,770</u>	<u>\$ 24,708,635</u>	<u>\$ 27,006,405</u>

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security contributions represents reimbursements in the amount of \$583,964 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 payments for post-retirement medical benefits and long-term disability insurance in the amount of \$2,119,465.

NOTE 6 NON-CASH ASSISTANCE

The Charter School is the recipient of a Federal Award that does not result in cash receipts or disbursements. The Charter School was granted \$18,357 of commodities under the National School Lunch Program (CFDA 10.555).

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

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits 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 8 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? _____ Yes No

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards

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 the Uniform Guidance? _____ Yes No

Identification of Major Programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
10.553	Food Service Cluster
10.555	School Breakfast Program
	National School Lunch Program

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

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 NJ OMB Circular Letter 15-08? Yes No

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
	<i>State Aid Public Cluster:</i>
19-495-034-5120-078	Equalization Aid
19-495-034-5120-084	Security Aid
19-495-034-5120-089	Special Education Aid
19-495-034-5120-085	Adjustment Aid

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control Over Financial Reporting

There are none.

Compliance and Other Matters

There are none.

SECTION III - FEDERAL AWARDS

There are none.

SECTION IV - STATE FINANCIAL ASSISTANCE

There are none.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FISCAL YEAR ENDED JUNE 30, 2019

Finding 2018-001 **Enrollment**

In our review of records and reports, we noted that entries in the Charter School Enrollment (CHE) System of the New Jersey Department of Education did not agree to information on verified applications and supporting documents.

Status: The condition was corrected during fiscal year 2019.