

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Newark, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Robert Treat Academy Charter School, Inc.

Newark, New Jersey

For The Fiscal Year Ended June 30, 2019

Prepared by

Business Office

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INTRODUCTORY SECTION



Marcelino Trillo
Vice Principal

ROBERT TREAT ACADEMY
CHARTER SCHOOL
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www.RobertTreatAcademy.org

Theresa Aduato
Principal



Paul Parada
Vice Principal

December 17, 2019

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

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Robert Treat Academy Charter School, Inc. (the "School" or "Academy") for the fiscal year ended June 30, 2019, is hereby submitted. This CAFR includes the School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Robert Treat Academy Charter School, Inc. Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the School's organizational chart, roster of officials, and a list of consultants and advisors. The financial section includes Management's Discussion and Analysis, the basic financial statements and notes providing an overview of the School's financial position and operating results, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, as the information was available to us. The School is required to undergo an annual single audit in conformity with the provisions of the single Audit Act of 1984, as amended, Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid (NJOMB 15-08)*. Information related to this single audit, including the auditor's report on the internal control structure 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 School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board. All fund of the School are included in this report. Robert Treat Academy Charter School, Inc. and its two schools constitute the School's reporting entity.

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

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Marcelino Trillo
Vice Principal

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Principal



Paul Parada
Vice Principal

2) ECONOMIC CONDITION AND OUTLOOK

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

3) MAJOR INITIATIVES

Robert Treat Academy Charter School completed its twenty-second year of operation in June 2019.

Robert Treat Academy has two campuses. Our Stephen N. Adubato campus located at 443 Clifton Avenue has an enrollment of 463 students. Our Jackie Robinson campus located at 180 William Street has an enrollment of 225 students. Total enrollment is 688 students.

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

The extended day program offers extracurricular enrichment activities, including a robotics Club and recreation (boys' and girls' basketball, golf, swimming, tennis), and arts programs (Instrumental Music Instruction, Chorus, Step Dancing, Arts and Crafts, and Creative Writing) as well as activities to address character education.

Parent participation continues to be a key element of our focus as witnessed by the high levels of attendance, we consistently record a monthly parent meetings. Parents serve on the Board of Trustees, the Parent Teacher Organization, an autonomous organization, sponsors a variety of events for teachers, parents and students. Parent representatives also volunteer in other areas (coaching, recreational activities, and chaperoning students on trips, attending and assisting at school-wide events, plays and performances).

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

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

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

In June 2019, our fifteenth class of eighth grade students graduated from the Academy. Those students were prepared for the admissions process for secondary school by our High School Placement Program. The program is responsible



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 Vice Principal

Theresa Adubato
 Principal

Paul Parada
 Vice Principal

for working with our students and their families to place graduates in the most appropriate setting for their secondary school education. Those graduates earned in excess of \$5 million dollars in financial aid and merit scholarships over a four year period to attend some of the most prestigious private, independent schools in the nation.

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

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

The major educational challenge continues to be maintaining the academic achievement and growth of our students measured by the Partnership for Assessment of Readiness for college and Career (PARCC) now known as the New Jersey Student Learning Assessment (NJSLA) test. When results are received, we begin the process of scrutinizing data to determine where and what curricular and instructional adjustments need to be made. Further, "at risk" students are identified for inclusion in Title I service and other support services.

The overall long term goal for Academic Achievement set by the New Jersey Department of Education ESSA Accountability Profile is 80% of students achieving levels 4 or 5 n English Language Arts (ELA) and Mathematics by 2030. Each school is given targets based on previous year's performance until the long term goal of 80% is met. The Student Growth Percentile (SGP) standard is 40%-58.5% to meet target and 60% + to exceed target for all schools annually. In the 2018-19 school year Robert Treat Academy's target for Academic Achievement in ELA was 76.8%. Robert Treat Academy achieved a schoolwide proficiency of 84.4%. Target was met school wide and for all subgroups. The target for Mathematics was 77.9%. Robert Treat Academy achieved schoolwide proficiency of 72.5%. Target was not met schoolwide or for any subgroups with the exception of Black or African American students which was met with the 90% Confidence Interval applied. The median SGP was met at 56% for ELA and 47% for mathematics.

The long term educational goal in ELA is to ensure instructional supports are in place for students to be successful readers and writers. In 2014, we introduced STEP (Strategic Teaching and Evaluation of Progress) along with strategic guided reading instruction. This initiative has proved effective in the targeted grades of Kindergarten through third. In 2017-18, we introduced the dynamic Indicators Basic Early Literacy Skills (DIBELS) and the Woodcock Johnson Reading Mastery Test. The DIBELS is given mold school year to all first graders. The Woodcock Johnson Reading Mastery Test if given to students who are "flagged" for possible reading issues on the DIBELS and new students entering the Academy beyond 3rd grade.

The educational goal in mathematics is to eventually have the majority of our 8th grade students take Algebra 1 (usually taken freshman year in high school). Toward that goal we have leveled our 7th and 8th grade students. In our middle school grades we have grade level and advanced curriculum. In the 2018-19 school year, thirty 8th grade students were placed in our Algebra 1 course and took Algebra 1 PARCC. Our 8th graders achieved 93.3% proficiency.

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Marcelino Trillo
Vice Principal

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Theresa Aduato
Principal



Paul Parada
Vice Principal

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

INTERNAL ACCOUNTING CONTROLS

Management of the School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

BUDGETARY CONTROLS

In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to insure 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, the special revenue fund and the debt service fund. Perfect-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriation of fund balance in the subsequent year.

ACCOUNTING SYSTEM AND REPORTS

The School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the 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.



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Paul Parada
Vice Principal

CASH MANAGEMENT

The investment policy of the School is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

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, and fidelity bonds.

OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Samuel Klein and Company, Certified Public Accountants, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid (NJOMB 15-08)*. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

ACKNOWLEDGMENTS

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

Respectfully submitted,

Theresa Aduato
Principal/Chief School Administrator

Robert T. Clark
Business Administrator/Board Secretary



Marcelino Trillo
Vice Principal

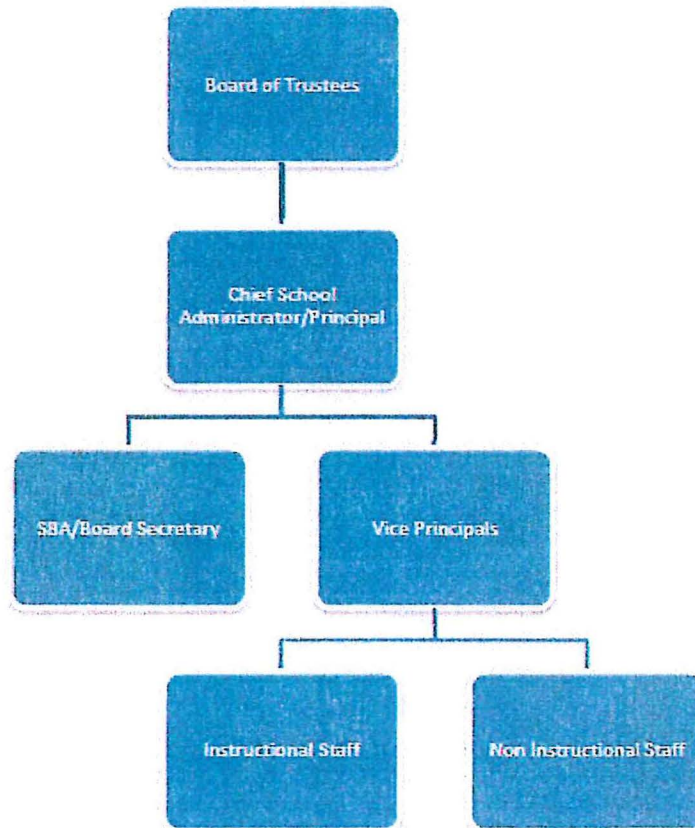
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**Robert Treat Academy Charter School
2018-19 Organizational Chart**



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Principal



Paul Parada
Vice Principal

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ROSTER OF OFFICIALS
June 30, 2019

Members of the Board of Trustees	Term Expires
Philip B. Alagia	June 2019
Robert R. Detore (President)	June 2019
Adrienne Davis (Vice President)	June 2019
Tahira Strand	June 2021
Wilson Pichardo	June 2021
Wilfredo Caraballo	June 2021
Emil Garruto	June 2020
Calvin Souder Esq	June 2020
Zarala Zabala de Kelly	June 2020

Other Officials

Theresa Aduato, Principal/Chief School Administrator

Lucy Bernardo, Recording Secretary

R. Scott Eveland, Board Attorney

Marcelino Trillo, Vice Principal

Paul Parada, Vice Principal

Sung Yi, Board Secretary/School Business Administrator through to June 23, 2019

Robert Clark, Board Secretary/School Business Administrator started August 24, 2019



Marcelino Trillo
Vice Principal

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Principal



Paul Parada
Vice Principal

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
CONSULTANTS AND ADVISORS
JUNE 30, 2019**

Audit Firm

Lerch, Vinci and Higgins
17-17 NJ-208
Fair Lawn, NJ 07410

Attorney

R. Scott Eveland
Inglesino, Webster, Wyciskala & Taylor, LLC
600 Parsippany Road # 204
Parsippany, NJ 07054

Fiscal Agent

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

Official Depositories

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

Valley National Bank
167 Bloomfield Avenue
Newark, NJ 07104

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FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Robert Treat Academy Charter School, Inc., as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Robert Treat Academy Charter School, Inc. as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Robert Treat Academy Charter School, Inc.'s basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Robert Treat Academy Charter School, Inc.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2019 on our consideration of the Robert Treat Academy Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Robert Treat Academy Charter School, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Robert Treat Academy Charter School, Inc.'s internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Andrew D. Parente
Public School Accountant
PSA Number CS00224600

Fair Lawn, New Jersey
December 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

This section of the Robert Treat Academy Charter School, Inc.'s comprehensive annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the School's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2018-2019) and the prior year (2017-2018) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-2019 fiscal year are as follows:

- The liabilities and deferred inflows of resources of the Robert Treat Academy Charter School, Inc. exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$2,515,150. (net position).
- The School's total net position decreased \$622,981.
- Overall school revenues were \$13,586,066. General revenues accounted for \$9,351,979 or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,234,087 or 31% of total revenues.
- The school had \$13,426,956 in expenses for governmental activities; only \$3,384,347 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly state aid) of \$9,351,979 were adequate to provide for these programs.
- As of the close of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$311,782. Of this amount \$236,782 is available for spending at the School's discretion (unassigned fund balance – General Fund).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Robert Treat Academy Charter School, Inc..

- The first two statements are charter-wide financial statements that provide both short-term and long-term information about the Robert Treat Academy Charter School, Inc.'s overall financial status.

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management’s Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The remaining statements are fund financial statements that focus on individual parts of the Robert Treat Academy Charter School, Inc.’s, reporting the School’s operation in more detail than the charter-wide statements.
- The governmental funds statements tell how basic services such as regular and special education 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 School operates similar to private businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the Charter-wide and Fund Financial Statements

	Charter-wide Statements	Charter-wide Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance and administration	Activities the school operates similar to private businesses: Food Service and Before and After Care
Required financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability/deferred inflows/outflows of resources information	All assets, liabilities, and deferred inflows/outflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, liabilities, and deferred inflows/outflows of resources, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Charter-Wide Statements

The charter-wide statements report information about the Robert Treat Academy Charter School, Inc. as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the school's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two charter-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

In the charter-wide financial statements the school's activities are shown in two categories:

- *Governmental activities*- Most of the school's basic services are included here, such as regular and special education, administration and support services. Local charter school aid and state aid finance most of these activities.
- *Business-type activities*- The School charges fees to customers to help it cover the costs of certain services it provides. The School's Food Service and Before and After Care Funds are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the school's funds – focusing on its most significant or "major" funds – not the school as a whole. Funds are accounting devices the school uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The school uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes or to show that it is properly using certain revenues (e.g., federal funds).

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

The school has three kinds of funds:

- *Governmental funds*- Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the charter-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*- Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the charter-wide statements.
- *Fiduciary funds*- The School is the trustee, or *fiduciary*, for assets that belong to others such as payroll and payroll agency funds. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE ROBERT TREAT ACADEMY CHARTER SCHOOL, INC. AS A WHOLE

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

Table A-1 provides a summary of the school's net position for 2019 and 2018.

Net position. The school's combined net position was a deficit of \$2,515,150 on June 30, 2019. (See Table A-1).

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Table A-1
Net Position
as of June 30, 2019 and 2018

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Assets						
Current and other assets	\$ 986,813	\$ 1,497,342	\$ 213,489	\$ 141,421	\$ 1,200,302	\$ 1,638,763
Capital assets, net	<u>383,648</u>	<u>454,092</u>	<u>110,736</u>	<u>111,970</u>	<u>494,384</u>	<u>566,062</u>
Total Assets	<u>1,370,461</u>	<u>1,951,434</u>	<u>324,225</u>	<u>253,391</u>	<u>1,694,686</u>	<u>2,204,825</u>
Deferred Outflows of Resources	<u>1,733,005</u>	<u>2,264,509</u>	-	-	<u>1,733,005</u>	<u>2,264,509</u>
Total Assets and Deferred Outflows of Resources	<u>3,103,466</u>	<u>4,215,943</u>	<u>324,225</u>	<u>253,391</u>	<u>3,427,691</u>	<u>4,469,334</u>
Liabilities						
Non-Current liabilities	3,921,661	4,365,134			3,921,661	4,365,134
Other liabilities	<u>675,031</u>	<u>1,084,483</u>	<u>28,886</u>	<u>26,739</u>	<u>703,917</u>	<u>1,111,222</u>
Total Liabilities	<u>4,596,692</u>	<u>5,449,617</u>	<u>28,886</u>	<u>26,739</u>	<u>4,625,578</u>	<u>5,476,356</u>
Deferred Inflows of Resources	<u>1,316,225</u>	<u>885,147</u>	<u>1,038</u>	-	<u>1,317,263</u>	<u>885,147</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,912,917</u>	<u>6,334,764</u>	<u>29,924</u>	<u>26,739</u>	<u>5,942,841</u>	<u>6,361,503</u>
Net Position						
Net Investment in capital assets	383,648	454,092	110,736	111,970	494,384	566,062
Restricted	75,000	75,000			75,000	75,000
Unrestricted	<u>(3,268,099)</u>	<u>(2,647,913)</u>	<u>183,565</u>	<u>114,682</u>	<u>(3,084,534)</u>	<u>(2,533,231)</u>
Total Net Position	<u>\$ (2,809,451)</u>	<u>\$ (2,118,821)</u>	<u>\$ 294,301</u>	<u>\$ 226,652</u>	<u>\$ (2,515,150)</u>	<u>\$ (1,892,169)</u>

Table A-2 on the following page shows changes in net position for fiscal year 2019 and 2018.

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Table A-2
Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for Services			\$ 300,744	\$ 388,514	\$ 300,744	\$ 388,514
Operating Grants and Contributions	\$ 3,384,347	\$ 3,823,982	548,996	412,890	3,933,343	4,236,872
General Revenues						
Local Levy - Charter School Aid	1,358,342	1,404,955			1,358,342	1,404,955
State Aid	7,988,329	8,286,189			7,988,329	8,286,189
Miscellaneous	5,308	5,493	-	-	5,308	5,493
	<u>12,736,326</u>	<u>13,520,619</u>	<u>849,740</u>	<u>801,404</u>	<u>13,586,066</u>	<u>14,322,023</u>
Expenses						
Instruction						
Regular	7,002,111	7,244,958			7,002,111	7,244,958
Special Education	170,645	129,829			170,645	129,829
Other Instruction	750,760	488,412			750,760	488,412
Administration Services	1,915,802	2,087,608			1,915,802	2,087,608
Support Services	2,226,095	2,700,336			2,226,095	2,700,336
Plant Operations and Maintenance	1,358,568	1,365,614			1,358,568	1,365,614
Pupil Transportation	2,975				2,975	-
Food Services			449,865	445,070	449,865	445,070
Before and After Care	-	-	332,226	293,523	332,226	293,523
	<u>13,426,956</u>	<u>14,016,757</u>	<u>782,091</u>	<u>738,593</u>	<u>14,209,047</u>	<u>14,755,350</u>
Change in Net Position	(690,630)	(496,138)	67,649	62,811	(622,981)	(433,327)
Net Position, Beginning of Year	<u>(2,118,821)</u>	<u>(1,622,683)</u>	<u>226,652</u>	<u>163,841</u>	<u>(1,892,169)</u>	<u>(1,458,842)</u>
Net Position, End of Year	<u>\$ (2,809,451)</u>	<u>\$ (2,118,821)</u>	<u>\$ 294,301</u>	<u>\$ 226,652</u>	<u>\$ (2,515,150)</u>	<u>\$ (1,892,169)</u>

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Governmental Activities. The School's total revenues were \$12,736,326. The local share of the revenues, that included the local levy, and miscellaneous revenue, amounted to \$1,363,650 or 11% of total revenues. Funding from state and federal sources amounted to \$11,372,676 or 89%. (See Figure A-2)

The School's expenses are predominantly related to instruction and other support services. Instruction totaled \$7,923,516 (59%) and student support services totaled \$5,503,440 (41%) of total expenditures. (See Figure A-3)

Figure A-2 Revenues by Sources – Governmental Activities
For Fiscal Year 2019

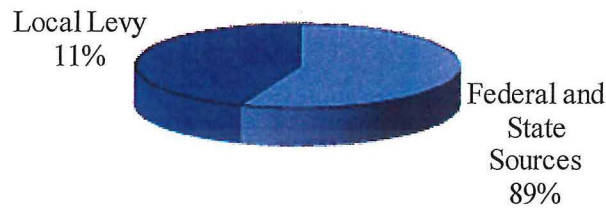
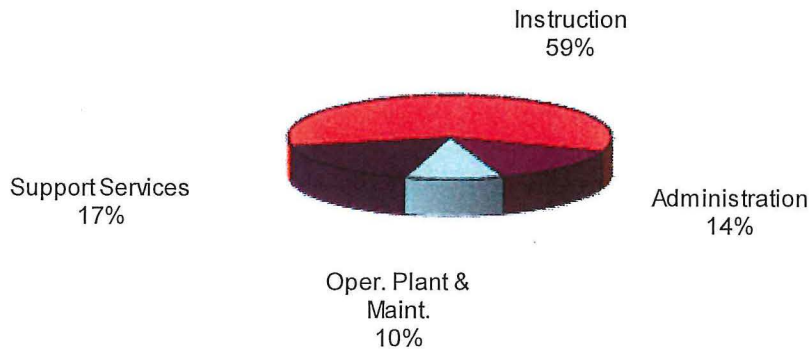


Figure A-3 Expenses by Function – Governmental Activities
For Fiscal Year 2019



Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Governmental Activities (Continued)

Table A-3
Cost and Net Cost of Services for Governmental Activities
For the Fiscal Years Ended June 30, 2019 and 2018

<u>Functions/Programs</u>	<u>Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Governmental Activities				
Instruction	7,923,516	7,863,199	\$ 5,212,487	\$ 5,159,573
Administration Services	1,915,802	2,087,608	1,616,553	1,682,792
Support Services	2,226,095	2,700,336	2,132,405	1,984,796
Plant Operations and Maintenance	1,358,568	1,365,614	1,078,189	1,365,614
Pupil Transportation	2,975	-	2,975	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ 13,426,956</u>	<u>\$ 14,016,757</u>	<u>\$ 10,042,609</u>	<u>\$ 10,192,775</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2019 was \$782,091. These costs were funded by operating grants and charges for services (Detailed on Table A-2).

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a combined fund balance of \$311,782. At June 30, 2018, the fund balance was \$610,974.

Revenues for the School's governmental funds were \$11,637,158, while total expenditures were \$11,936,350.

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Governmental Funds (Continued)

General Fund - The General Fund is the chief operating fund of the School and includes the primary operations in providing educational services to students for grades K through 8.

The following schedule presents a summary of General Fund revenues for the fiscal years ended June 30, 2019 and 2018.

	Fiscal Year Ended <u>6/30/2019</u>	Fiscal Year Ended <u>6/30/2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Local Sources:				
Local Levy Charter School Aid	\$ 1,358,342	\$ 1,404,955	\$ (46,613)	-3.3%
Miscellaneous	5,308	5,493	(185)	-3.4%
Intergovernmental State Sources	<u>9,609,507</u>	<u>9,479,881</u>	<u>129,626</u>	1.4%
 Total Revenues	 <u>\$ 10,973,157</u>	 <u>\$ 10,890,329</u>	 <u>\$ 82,828</u>	 0.8%

The General Fund revenues increased by \$82,828 or less than 1% from the previous year.

The following schedule presents a summary of General Fund expenditures for the fiscal years ended June 30, 2019 and 2018.

	Fiscal Year Ended <u>6/30/2019</u>	Fiscal Year Ended <u>6/30/2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Instruction	\$ 6,247,073	\$ 6,514,768	\$ (267,695)	-4%
Administration Services	1,704,023	1,291,668	412,355	32%
Support Services	2,018,200	1,818,268	199,932	11%
Plant Operation and Maintenance	1,298,000	1,263,500	34,500	3%
Student Transportation	2,975		2,975	100%
Capital Outlay	<u>2,078</u>	<u>333,794</u>	<u>(331,716)</u>	-99%
 Total Expenditures	 <u>\$ 11,272,349</u>	 <u>\$ 11,221,998</u>	 <u>\$ 50,351</u>	 0%

Total General Fund expenditures decreased by \$50,351 or less than 1% from the previous year.

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Governmental Funds (Continued)

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal sources utilized in the operations of the school in providing educational services to students.

Revenues of the Special Revenue Fund were \$664,001 for the year ended June 30, 2019. Federal sources accounted for 100% of Special Revenue Fund's revenue for the year.

Total Special Revenue Fund revenues decreased \$8,961 from the previous year.

Expenditures of the Special Revenue Fund were \$664,001. Instructional expenditures were 100% of the expenditures.

Proprietary Funds

The School maintains an Enterprise Funds to account for activities which are supported in part through user fees.

Enterprise Fund - The School uses an Enterprise Fund to report activities related to the Food Service and Before and After Care programs. The School's Enterprise Funds provide the same type of information found in the charter-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the School's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Over the course of the year, the School revised the annual operating budget several times. These budget amendments were mainly the result of budget transfers.

Robert Treat Academy Charter School, Inc.
Newark, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

CAPITAL ASSETS

At the end of the fiscal year 2019, the school had invested in leasehold improvements and furniture and equipment as stated in Table A-4 as follows:

Table A-4
Capital Assets
(net of depreciation) at June 30

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Leasehold Improvements	599,464	599,464			599,464	599,464
Furniture and Equipment	<u>1,279,746</u>	<u>1,277,668</u>	\$ 132,207	\$ 127,217	<u>1,411,953</u>	<u>1,404,885</u>
Total	1,879,210	1,877,132	132,207	127,217	2,011,417	2,004,349
Less: Accumulated Depreciation	<u>(1,495,562)</u>	<u>(1,423,040)</u>	<u>(21,471)</u>	<u>(15,247)</u>	<u>(1,517,033)</u>	<u>(1,438,287)</u>
Total	<u>\$ 383,648</u>	<u>\$ 454,092</u>	<u>\$ 110,736</u>	<u>\$ 111,970</u>	<u>\$ 494,384</u>	<u>\$ 566,062</u>

Additional information about the School's capital assets can be found in Note 4 of this report.

LONG TERM LIABILITIES

As of June 30, 2019 the school had long-term debt and outstanding long-term liabilities in the amount of \$3,921,661

Table A-7
Long-Term Debt
Outstanding Long-Term Liabilities

	<u>2019</u>	<u>2018</u>
Net Pension Liability	<u>\$ 3,921,661</u>	<u>\$ 4,365,134</u>
Total	<u>\$ 3,921,661</u>	<u>\$ 4,365,134</u>

Additional information about the School's long-term debt can be found in Note 4 of this report.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019**

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School's parents and supporters with a general overview of the School's finances and to demonstrate the School's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the office of the Business Administrator at 443 Clifton Avenue, Newark, New Jersey 07104.

BASIC FINANCIAL STATEMENTS

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 297,719	\$ 180,040	\$ 477,759
Receivables, net			
Receivables from Other Governments	539,936	26,788	566,724
Other	47,937	5,642	53,579
Internal Balances	5,382	(5,382)	
Other Assets	20,839		20,839
Inventory		6,401	6,401
Restricted			
Cash With Escrow Agent	75,000		75,000
Capital Assets Being Depreciated, net of depreciation	<u>383,648</u>	<u>110,736</u>	<u>494,384</u>
 Total Assets	 <u>1,370,461</u>	 <u>324,225</u>	 <u>1,694,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows on Net Pension Liability	<u>1,733,005</u>	<u>-</u>	<u>1,733,005</u>
 Total Deferred Outflows of Resources	 <u>1,733,005</u>	 <u>-</u>	 <u>1,733,005</u>
 Total Assets and Deferred Outflows of Resources	 <u>3,103,466</u>	 <u>324,225</u>	 <u>3,427,691</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	599,687	25,628	625,315
Unearned Revenue	75,344	3,258	78,602
Noncurrent Liabilities			
Due beyond one year	<u>3,921,661</u>	<u>-</u>	<u>3,921,661</u>
 Total Liabilities	 <u>4,596,692</u>	 <u>28,886</u>	 <u>4,625,578</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows on Net Pension Liability	1,316,225		1,316,225
Deferred Commodities Revenue	<u>-</u>	<u>1,038</u>	<u>1,038</u>
 Total Deferred Inflows of Resources	 <u>1,316,225</u>	 <u>1,038</u>	 <u>1,317,263</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>5,912,917</u>	 <u>29,924</u>	 <u>5,942,841</u>
NET POSITION			
Net Investment in Capital Assets	383,648	110,736	494,384
Restricted for:			
Charter School Escrow Reserve	75,000		75,000
Unrestricted	<u>(3,268,099)</u>	<u>183,565</u>	<u>(3,084,534)</u>
 Total Net Position	 <u>\$ (2,809,451)</u>	 <u>\$ 294,301</u>	 <u>\$ (2,515,150)</u>

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 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	Total
Governmental Activities						
Instruction						
Regular	\$ 7,002,111		\$ 1,588,920	\$ (5,413,191)		\$ (5,413,191)
Special Education	170,645		371,350	200,705		200,705
Other Instruction	750,760		750,759	(1)		(1)
Administration Services	1,915,802		299,249	(1,616,553)		(1,616,553)
Support Services	2,226,095		93,690	(2,132,405)		(2,132,405)
Plant Operations and Maintenance	1,358,568		280,379	(1,078,189)		(1,078,189)
Pupil Transportation	2,975	-	-	(2,975)	-	(2,975)
Total Governmental Activities	13,426,956	-	3,384,347	(10,042,609)	-	(10,042,609)
Business-Type Activities						
Food Service	449,865	\$ 114,736	402,778	-	\$ 67,649	67,649
Before and After Care	332,226	186,008	146,218	-	-	-
Total Business-Type Activities	782,091	300,744	548,996	-	67,649	67,649
Total Primary Government	\$ 14,209,047	\$ 300,744	\$ 3,933,343	(10,042,609)	67,649	(9,974,960)
General Revenues						
Local Levy - Charter School Aid				1,358,342		1,358,342
State Aid - Unrestricted				7,988,329		7,988,329
Miscellaneous Income				5,308	-	5,308
Total General Revenues				9,351,979	-	9,351,979
Change in Net Position				(690,630)	67,649	(622,981)
Net Position, Beginning of Year				(2,118,821)	226,652	(1,892,169)
Net Position, End of Year				\$ (2,809,451)	\$ 294,301	\$ (2,515,150)

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

FUND FINANCIAL STATEMENTS

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2019

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash	\$ 297,719		\$ 297,719
Receivables			
Intergovernmental	181,660	\$ 358,276	539,936
Other	47,937		47,937
Due from Other Funds	258,770		258,770
Other Assets	20,839		20,839
Restricted Assets			
Cash With Escrow Agent	75,000	-	75,000
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 881,925	\$ 358,276	\$ 1,240,201
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 98,581	\$ 105,148	\$ 203,729
Accrued Salaries and Wages	316,801		316,801
Due to Other Funds	62,289	253,128	315,417
Unearned Revenue	75,344		75,344
Other Liabilities	17,128	-	17,128
	<hr/>	<hr/>	<hr/>
Total Liabilities	570,143	358,276	928,419
	<hr/>	<hr/>	<hr/>
Fund Balances			
Restricted Fund Balance			
Charter School Escrow Reserve	75,000		75,000
Unassigned Fund Balance	236,782	-	236,782
	<hr/>	<hr/>	<hr/>
Total Fund Balances	311,782	-	311,782
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 881,925	\$ 358,276	
	<hr/>	<hr/>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,879,210, and the accumulated depreciation is \$1,495,562. 383,648

Certain amounts resulting from the calculation of liabilities are reported as deferred outflows and deferred inflows of resources on the statement of net position and amortized over future years. (See Note 2A) 416,780

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net Pension Liability (3,921,661)

Net position of governmental activities \$ (2,809,451)

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources			
Local - Charter School Aid	\$ 1,358,342		\$ 1,358,342
Miscellaneous	5,308	-	5,308
Total - Local Sources	1,363,650	-	1,363,650
State Sources	9,609,507		9,609,507
Federal Sources	-	\$ 664,001	664,001
Total Revenues	10,973,157	664,001	11,637,158
EXPENDITURES			
Current			
Instruction			
Regular Instruction	6,069,254	50,780	6,120,034
Special Education Instruction	32,932	113,569	146,501
Other Instruction	144,887	499,652	644,539
Administrative Services	1,704,023		1,704,023
Support Services	2,018,200		2,018,200
Plant Operation and Maintenance	1,298,000		1,298,000
Student Transportation	2,975		2,975
Capital Outlay	2,078	-	2,078
Total Expenditures	11,272,349	664,001	11,936,350
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(299,192)	-	(299,192)
Fund Balance, Beginning of Year	610,974	-	610,974
Fund Balance, End of Year	\$ 311,782	\$ -	\$ 311,782

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE SCHOOL-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ (299,192)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay expenditures in the current period.

Capital Outlay	\$	2,078	
Depreciation Expense		<u>(72,522)</u>	(70,444)

In the statement of activities, a certain operating expense - pension expense - is measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial sources (used) paid:

Increase in Pension Expense		<u>(320,994)</u>	
			<u>(320,994)</u>

Change in net position of governmental activities (Exhibit A-2) \$ (690,630)

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Business-Type Activities - Enterprise Fund

	<u>Food Service</u>	<u>Before and After Care</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash	\$ 180,040		\$ 180,040
Intergovernmental Receivable			
State	372		372
Federal	26,416		26,416
Other Accounts Receivable		\$ 5,642	5,642
Inventories	6,401		6,401
Due from Other Funds	260	-	260
	<u>213,489</u>	<u>5,642</u>	<u>219,131</u>
Total Current Assets			
Capital Assets			
Equipment	132,207		132,207
Less: Accumulated Depreciation	(21,471)	-	(21,471)
	<u>110,736</u>	<u>-</u>	<u>110,736</u>
Total Capital Assets			
Total Assets	<u>324,225</u>	<u>5,642</u>	<u>329,867</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	25,628		25,628
Due to Other Funds		5,642	5,642
Unearned Revenue	3,258	-	3,258
	<u>28,886</u>	<u>5,642</u>	<u>34,528</u>
Total Current Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	1,038	-	1,038
	<u>29,924</u>	<u>5,642</u>	<u>35,566</u>
Total Liabilities and Deferred Inflows of Resources			
NET POSITION			
Invested in Capital Assets	110,736		110,736
Unrestricted	183,565	-	183,565
	<u>\$ 294,301</u>	<u>\$ -</u>	<u>\$ 294,301</u>
Total Net Position			

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Business-Type Activities - Enterprise Fund

	<u>Food</u>	<u>Before and</u>	<u>Totals</u>
	<u>Service</u>	<u>After Care</u>	
OPERATING REVENUES			
Charges for Services			
Daily Sales - Reimbursable Programs	\$ 75,792		\$ 75,792
Daily Sales - Non-Reimbursable Programs	38,944		38,944
Program Fees	-	\$ 186,008	186,008
	<u>114,736</u>	<u>186,008</u>	<u>300,744</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Benefits	160,683	332,226	492,909
Cost of Sales - Reimbursable Programs	221,047		221,047
Cost of Sales - Non-Reimbursable Programs	7,635		7,635
Purchased Services	15,750		15,750
Repair and Maintenance	17,825		17,825
Supplies and Materials	9,558		9,558
Depreciation Expense	6,224		6,224
Miscellaneous	11,143	-	11,143
	<u>449,865</u>	<u>332,226</u>	<u>782,091</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(335,129)</u>	<u>(146,218)</u>	<u>(481,347)</u>
NONOPERATING REVENUES			
Other Local Contributions		146,218	146,218
State Sources			
State School Lunch Program	5,371		5,371
Federal Sources			
National Lunch Program	383,103		383,103
Food Distribution Program	14,304	-	14,304
	<u>402,778</u>	<u>146,218</u>	<u>548,996</u>
Total Nonoperating Revenues			
Change in Net Position	67,649	-	67,649
Net Position, Beginning of Year	<u>226,652</u>	<u>-</u>	<u>226,652</u>
Net Position, End of Year	<u>\$ 294,301</u>	<u>\$ -</u>	<u>\$ 294,301</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Business-Type Activities - Enterprise Fund

	Food Service	Before and After Care	Totals
Cash Flows from Operating Activities			
Cash Received from Customers and Other Operating Activities	\$ 117,734	\$ 186,008	\$ 303,742
Cash Payments for Employees - Salaries and Benefits	(160,683)	(332,226)	(492,909)
Cash Payments to Suppliers for Goods and Services	(275,128)	-	(275,128)
Net Cash (Used For) by Operating Activities	(318,077)	(146,218)	(464,295)
Cash Flows from Noncapital Financing Activities			
Cash Received from State, Federal and Local Subsidy Reimbursements	422,659	146,218	568,877
Net Cash Provided by Noncapital Financing Activities	422,659	146,218	568,877
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(4,990)	-	(4,990)
Net Cash (Used) by capital and related financing activities	(4,990)	-	(4,990)
Net Increase in Cash and Cash Equivalents	99,592	-	99,592
Cash, Beginning of Year	80,448	-	80,448
Cash, End of Year	\$ 180,040	\$ -	\$ 180,040
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (335,129)	\$ (146,218)	\$ (481,347)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used For) by Operating Activities			
Depreciation Expense	6,224		6,224
Non-Cash Federal Assistance-Food Distribution Program	14,304		14,304
Change in Assets, Liabilities and Deferred Inflows of Resources			
Increase/(Decrease) in Accounts Payable	(1,111)		(1,111)
(Increase)/Decrease in Inventory	(6,401)		(6,401)
Increase/(Decrease) in Unearned Revenue	3,258		3,258
(Increase)/Decrease in Accounts Receivable		(5,642)	(5,642)
Increase/(Decrease) in Due to Other Funds		5,642	5,642
(Increase)/Decrease in Due from Other Funds	(260)		(260)
Increase/(Decrease) in Deferred Commodities Revenue	1,038	-	1,038
Total Adjustments	17,052	-	17,052
Net Cash (Used) by Operating Activities	\$ (318,077)	\$ (146,218)	\$ (464,295)
Non-Cash Investing, Capital and Financing Activities			
Value Received - Food Distribution Program	\$ 15,342		\$ 15,342

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 19,349
Due from Other Funds	<u>62,029</u>
Total Assets	<u>\$ 81,378</u>
LIABILITIES	
Payroll Deductions Payable	<u>\$ 81,378</u>
Total Liabilities	<u>\$ 81,378</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Robert Treat Academy Charter School, Inc. (the "School") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine trustees who each serve three year terms, and is responsible for the fiscal control of the School. A Chief School Administrator is appointed by the School and is responsible for the administrative control of the School. The School's duties and powers include, but are not limited to, the development and adoption of a school program; and the establishment, organization and operation of schools for students in grades K through 8.

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

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

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

B. New Accounting Standards

During fiscal year 2019, the School adopted the following GASB statement as required:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

The financial statements include both charter-wide financial statements (based on the School as a whole) and fund financial statements (based on specific School activities or objectives). Both the charter-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate charter-wide and fund financial statements are presented, they are interrelated. In the charter-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the School's enterprise funds. Fiduciary funds are excluded from the charter-wide financial statements.

Charter-Wide Financial Statements

The charter-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by local taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Local taxes, unrestricted state aid, and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the charter-wide financial statements. Exceptions to this general rule are charges between the School's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the charter-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The School considers all of its governmental and enterprise funds to be major funds.

The School reports the following major governmental funds:

The *general fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The School reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *before and after fund* accounts for the activities of the School's extended before and after school program which provides child care and remediation services for school students.

Additionally, the government reports the following fund type:

The *fiduciary agency funds* account for assets held by the School as an agent for payroll deductions and withholdings. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the charter-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

The charter-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Local taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash, Cash Equivalents and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables*

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Inventories

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities inventory at year-end is reported as deferred inflows of resources.

4. Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank account and their use is limited by state regulations.

5. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the charter-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The School was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the School acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The other property and equipment of the School is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold Improvements	7-15
Furniture	7-10
Office and Computer Equipment	5-10
Instruction and Other Equipment	5-20

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has two types of items that qualify for reporting in this category. The first item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the charter-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The second item is the deferred commodities revenue, reported in both the charter-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

7 Pensions

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

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Long-Term Obligations

In the charter-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

9. Net Position/Fund Balance

Charter-Wide Statements

In the charter-wide statements, there are three classes of net position:

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

Governmental Fund Statements

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

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

Charter School Escrow Reserve – This restriction was created in accordance with New Jersey Department of Education in Paragraph 2.17 of the Charter School Agreement to be utilized in the event of dissolution of the Charter.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

In the general operating fund and other governmental funds, it is the School's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The School has no committed fund balances at year end.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the charter-wide statement of activities include 1) charges to customers or applicants for goods or services, provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all local taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Revenues from District of Residence

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

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

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

NOTE 2 RECONCILIATION OF CHARTER-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the charter-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the charter-wide statement of net position. One element of that reconciliation explains that “deferred outflows and inflows related to net pension liability are amortized over future years and therefore are not reported in the funds.” The details of this \$416,780 difference are as follows:

Deferred Outflows on Net Pension Liability	\$ 1,733,005
Deferred Inflows on Net Pension Liability	<u>(1,316,225)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 416,780</u>

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the School annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general and special revenue funds.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the School's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2018/2019. Also, during 2018/2019 the Board increased the original budget by \$208,007. The increase was funded by additional surplus appropriated.

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

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriation resulted in an unfavorable variance.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Administrative			
Judgements Against Charter Schools	\$ -	\$85,241	\$(85,241)

The above variances was created by an audit adjustment and offset with other available resources.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The School's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The School is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC and NCUSIF.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019, the book value of the School's deposits were \$572,108 and bank and brokerage firm balances of the School's deposits amounted to \$853,075. The School's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>853,075</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a policy for custodial credit risk. As of June 30, 2019 none of the School's bank balances were exposed to custodial credit risk.

Investments

The School is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the school or bonds or other obligations of the local unit or units within which the school is located; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school schools, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school schools; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2019, the School had no outstanding investments.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2019 for the school’s individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service Enterprise Fund</u>	<u>Before and After Care Enterprise Fund</u>	<u>Total</u>
Receivables:					
Intergovernmental					
Federal		\$ 358,276	\$ 26,416		\$ 384,692
State	\$ 133,743		372		134,115
Local	47,917				47,917
Other	47,937	-	-	\$ 5,642	53,579
Gross Receivables	<u>229,597</u>	<u>358,276</u>	<u>26,788</u>	<u>5,642</u>	<u>620,303</u>
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 229,597</u>	<u>\$ 358,276</u>	<u>\$ 26,788</u>	<u>\$ 5,642</u>	<u>\$ 620,303</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
General Fund	
Local Charter School Aid	\$ 75,344
Total Unearned Revenue for Governmental Funds	<u>\$ 75,344</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Balance,</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2019</u>
Governmental activities:				
Capital assets, being depreciated:				
Leashold Improvements	\$ 599,464			\$ 599,464
Furniture and equipment	1,277,668	\$ 2,078	-	1,279,746
Total capital assets being depreciated	<u>1,877,132</u>	<u>2,078</u>	<u>-</u>	<u>1,879,210</u>
Less accumulated depreciation for:				
Leashold Improvements	(234,684)	(37,641)		(272,325)
Furniture and equipment	(1,188,356)	(34,881)	-	(1,223,237)
Total accumulated depreciation	<u>(1,423,040)</u>	<u>(72,522)</u>	<u>-</u>	<u>(1,495,562)</u>
Total capital assets, being depreciated, net	<u>454,092</u>	<u>(70,444)</u>	<u>-</u>	<u>383,648</u>
Governmental activities capital assets, net	<u>\$ 454,092</u>	<u>\$ (70,444)</u>	<u>\$ -</u>	<u>\$ 383,648</u>
Business-type activities:				
Capital assets, being depreciated:				
Equipment	\$ 127,217	\$ 4,990	-	\$ 132,207
Total capital assets being depreciated	<u>127,217</u>	<u>4,990</u>	<u>-</u>	<u>132,207</u>
Less accumulated depreciation for:				
Machinery and equipment	(15,247)	(6,224)	-	(21,471)
Total accumulated depreciation	<u>(15,247)</u>	<u>(6,224)</u>	<u>-</u>	<u>(21,471)</u>
Total capital assets, being depreciated, net	<u>111,970</u>	<u>(1,234)</u>	<u>-</u>	<u>110,736</u>
Business-type activities capital assets, net	<u>\$ 111,970</u>	<u>\$ (1,234)</u>	<u>\$ -</u>	<u>\$ 110,736</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the School as follows:

Governmental Activities:

Instruction

Regular Instruction	\$ 11,954
Plant Operation and Maintenance	<u>60,568</u>

Total depreciation expense - governmental activities	<u>\$ 72,522</u>
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Business-Type Activities:

Food Service	<u>\$ 6,224</u>
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E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 253,128
General Fund	Before and After Care Ent. Fund	5,642
Food Service Enterprise Fund	General Fund	260
Payroll Agency Fund	General Fund	<u>62,029</u>
		<u>\$ 321,059</u>

The above balances are the result of revenues earned in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Operating Leases

The School leases copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2019 were \$53,542. The future minimum lease payments for these operating leases are as follows:

Fiscal Year Ending June 30	Governmental Activities
2020	\$ 54,036
2021	30,676
2022	13,537
2023	<u>804</u>
Total	<u>\$ 99,053</u>

The School also rents its facilities in Newark, NJ under a one year operating lease from the North Ward Center Inc., a related party not-for-profit organization. The rent expense for the year ended June 30, 2019 was \$1,298,000.

G. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Balance, <u>July 1, 2018</u>	<u>Increases</u>	<u>Reductions</u>	Balance, <u>June 30, 2019</u>	Due Within <u>One Year</u>
Governmental activities:					
Net Pension Liability	\$ 4,365,134	<u>-</u>	\$ 443,473	<u>3,921,661</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 4,365,134</u>	<u>\$ -</u>	<u>\$ 443,473</u>	<u>\$ 3,921,661</u>	<u>\$ -</u>

For the governmental activities, the liabilities for net pension liability are generally liquidated by the general fund.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION

A. Risk Management

The School is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The School has obtained commercial insurance coverage to guard against these events to minimize the exposure to the School should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The School is a member of the New Jersey Schools Insurance Group (NJSIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against various types of claims.

The relationship between the School and the insurance group is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The School is contractually obligated to make all annual and supplementary contributions to the group, to report claims on a timely basis, cooperate with the management of the group, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the group. Members have a contractual obligation to fund any deficit of the group attributable to a membership year during which they were a member.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

B. Contingent Liabilities

The School is a party defendant in some lawsuits, none of a kind unusual for a school of its size and scope of operation. In the opinion of the School's Attorney the potential claims against the School not covered by insurance policies would not materially affect the financial condition of the School.

Federal and State Awards – The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the School.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all School employees who are eligible for pension coverage:

Public Employees’ Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full time employees of the State or any county, municipality, school, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PERS:

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

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

Teachers’ Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple- employer defined benefit pension plan with a special funding situation, which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested 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 members' accounts.

The following represent the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits (“Division”), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members 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 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the School. PERS employer contributions are made annually by the School to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS contributions made by the School for fiscal years 2019 and 2018 were equal to the required contributions.

During the fiscal years ended June 30, 2019 and 2018 the School was required to contribute for PERS and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-Behalf <u>TPAF</u>
2019	\$ 198,115	\$ 608,568
2018	173,716	441,118

In addition for fiscal years 2019 and 2018 the School contributed \$2,079 and \$5,482, respectively for PERS and the State contributed \$1,300 and \$1,407, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the charter-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the School \$254,181 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the charter-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the School reported in the statement of net position (accrual basis) a liability of \$3,921,661 for its proportionate share of the PERS net pension liability. 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 that date. The School’s proportionate share of the net pension liability was based on the School’s share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the School’s proportionate share was .01992 percent, which was an increase of .011 percent from its proportionate share measured as of June 30, 2017 of .00892 percent.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the fiscal year ended June 30, 2019, the School recognized in the charter-wide statement of activities (accrual basis) pension expense of \$519,109 for PERS. The pension contribution made by the School during the current 2018/2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 74,787	\$ 20,221
Changes of Assumptions	646,225	1,253,939
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		36,785
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>1,011,993</u>	<u>5,280</u>
Total	<u>\$ 1,733,005</u>	<u>\$ 1,316,225</u>

At June 30, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$ 88,767
2021	88,767
2022	88,767
2023	88,766
2024	61,713
Thereafter	<u>-</u>
	<u>\$ 416,780</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 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%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employer and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2018, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the School is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the School. Accordingly, the School's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the School for TPAF. Therefore, in addition, the School does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2019, the School recognized in the charter-wide statement of activities (accrual basis) pension expense of \$1,084,585 for TPAF. This amount has been included in the charter-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the School is \$18,604,640. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the School was .03298 percent, which was an increase of .00139 percent from its proportionate share measured as of June 30, 2017 of .03159 percent.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

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.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the School calculated using the discount rate of 4.86%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the School that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 21,990,331	\$ 18,604,640	\$ 15,797,985

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the School at June 30, 2018. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the School at June 30, 2018 was not provided by the pension system.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

D. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school schools.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school employees, including those School employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired Employees Plan (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2017:

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>-</u>
Total	<u>362,181</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan.

The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School for the fiscal years ended June 30, 2019 and 2018 were \$276,045 and \$284,908, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2017 through June 30, 2018. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the School is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the School. Accordingly, the School's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the School. Therefore, in addition, the School does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the fiscal year ended June 30, 2019, the School recognized in the charter-wide statement of activities (accrual basis) OPEB expense of \$899,196. This amount has been included in the charter-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State’s proportionate share of the OPEB liability attributable to the School is \$8,349,381. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the School at June 30, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 30, 2018, the state’s share of the OPEB liability attributable to the School was .01811 percent, which was an increase of .00029 percent from its proportionate share measured as of June 30, 2017 of .01782 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 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 Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%

Mortality Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-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 Disable Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Long-Term Rate of Return 1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

The discount rate 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the School for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>9,560,168</u>
Changes Recognized for the Fiscal Year:	
Service Cost	829,861
Interest on the Total OPEB Liability	368,139
Differences Between Expected and Actual Experience	(1,235,111)
Changes of Assumptions	(958,133)
Gross Benefit Payments	(223,259)
Contributions from the Member	<u>7,716</u>
Net Changes	\$ <u>(1,210,787)</u>
Balance, June 30, 2018 Measurement Date	\$ <u>8,349,381</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the School at June 30, 2018. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the School for the fiscal year ended June 30, 2018 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the School calculated using the discount rate of 3.87%, as well as what the State's proportionate share of the OPEB liability attributable to the School that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 9,870,668</u>	<u>\$ 8,349,381</u>	<u>\$ 7,140,115</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the School 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	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	<u>\$ 6,901,250</u>	<u>\$ 8,349,381</u>	<u>\$ 10,264,590</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the School at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the School at June 30, 2018 were not provided by the pension system.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5 OTHER INFORMATION (Continued)

E. Subsequent Events

On August 15, 2019 the School approved a promissory note with North Ward Center for a \$500,000 loan with an interest rate of 1.9%. The note is due and payable no later than June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
REVENUES					
Local Sources					
Local Levy - Charter School Aid - Local Share	\$ 1,412,267	\$ (53,925)	\$ 1,358,342	\$ 1,358,342	-
Miscellaneous	-	-	-	5,308	\$ 5,308
Total Local Sources	<u>1,412,267</u>	<u>(53,925)</u>	<u>1,358,342</u>	<u>1,363,650</u>	<u>5,308</u>
State Sources					
Equalization Aid	7,461,532	(411,635)	7,049,897	7,049,897	-
Adjustment Aid	687,988	250,444	938,432	938,432	-
Special Education Categorical Aid	126,134	74,571	200,705	200,705	-
Security Aid	236,465	43,914	280,379	280,379	-
On-behalf TPAF Pension - Normal Contribution (Non-Budgeted)				596,090	596,090
On-behalf TPAF Pension - Non-Contributory Insurance (Non-Budgeted)				12,478	12,478
On-behalf TPAF - Post Retirement Medical Contributions (Non-Budgeted)				276,045	276,045
On-behalf TPAF- Long-Term Disability Insurance (Non-Budgeted)				1,300	1,300
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	254,181	254,181
Total State Sources	<u>8,512,119</u>	<u>(42,706)</u>	<u>8,469,413</u>	<u>9,609,507</u>	<u>1,140,094</u>
Total Revenues	<u>9,924,386</u>	<u>(96,631)</u>	<u>9,827,755</u>	<u>10,973,157</u>	<u>1,145,402</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction					
Salaries of Teachers	2,104,905	224,000	2,328,905	2,328,524	381
Other Salaries for Instruction	1,099,231	24,700	1,123,931	1,123,885	46
Other Purchased Services	66,000	97,300	163,300	163,289	11
General Supplies	540,000	(170,100)	369,900	369,899	1
Textbooks	275,200	(32,588)	242,612	242,612	-
Total Instruction	<u>4,085,336</u>	<u>143,312</u>	<u>4,228,648</u>	<u>4,228,209</u>	<u>439</u>
Administrative					
Salaries - Administration	495,425	10,900	506,325	421,711	84,614
Salaries of Secretarial and Clerical Assistants	398,162	38,100	436,262	436,261	1
Benefits	1,538,442	(4,300)	1,534,142	1,534,138	4
Purchased Professional and Technical Services	105,000	33,300	138,300	138,275	25
Communications and Telephone	32,412	9,650	42,062	42,049	13
General Supplies	216,000	(35,300)	180,700	180,698	2
Judgements Against Charter Schools	-	-	-	85,241	(85,241)
Total Administrative	<u>2,785,441</u>	<u>52,350</u>	<u>2,837,791</u>	<u>2,838,373</u>	<u>(582)</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
Support Services					
Salaries	\$ 737,609	\$ 124,025	\$ 861,634	\$ 861,633	\$ 1
Purchased Professional-Technical Services	308,000	(12,200)	295,800	295,756	44
Other Purchased Services	306,000	(18,900)	287,100	286,973	127
Rental of Land and Buildings Other Than Lease					
Purchase Agreements	1,298,000	-	1,298,000	1,298,000	-
Insurance	47,000	(2,900)	44,100	44,084	16
Supplies and Materials	12,000	(390)	11,610	11,610	-
Transportation - Other Than to/from School	3,000	-	3,000	2,975	25
Energy (Electricity)	239,000	(22,290)	216,710	216,708	2
Miscellaneous Expense	53,000	(7,100)	45,900	45,856	44
Total Support Services	<u>3,003,609</u>	<u>60,245</u>	<u>3,063,854</u>	<u>3,063,595</u>	<u>259</u>
On-behalf TPAF Pension - Normal Contribution (Non-Budgeted)				596,090	(596,090)
On-behalf TPAF Pension - Non-Contributory Insurance (Non-Budgeted)				12,478	(12,478)
On-behalf TPAF - Post Retirement Medical Contributions (Non-Budgeted)				276,045	(276,045)
On-behalf TPAF- Long-Term Disability Insurance (Non-Budgeted)				1,300	(1,300)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	254,181	(254,181)
	-	-	-	1,140,094	(1,140,094)
Total Expenditures - Current Expenditures	<u>9,874,386</u>	<u>255,907</u>	<u>10,130,293</u>	<u>11,270,271</u>	<u>(1,139,978)</u>
CAPITAL OUTLAY					
Instruction Equipment	30,000	(30,000)			
Non-Instructional Equipment	20,000	(17,900)	2,100	2,078	22
Total Capital Outlay	<u>50,000</u>	<u>(47,900)</u>	<u>2,100</u>	<u>2,078</u>	<u>22</u>
Total Expenditures	<u>9,924,386</u>	<u>208,007</u>	<u>10,132,393</u>	<u>11,272,349</u>	<u>(1,139,956)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	(304,638)	(304,638)	(299,192)	5,446
Fund Balance, Beginning of Year	610,974	-	610,974	610,974	-
Fund Balance, End of Year	<u>\$ 610,974</u>	<u>\$ (304,638)</u>	<u>\$ 306,336</u>	<u>\$ 311,782</u>	<u>\$ 5,446</u>
Restricted Fund Balance					
Charter School Reserve				\$ 75,000	
Unassigned Fund Balance				236,782	
				311,782	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: State Aid Payments Not Recognized on GAAP Basis				-	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 311,782</u>	

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Federal Sources	\$ 664,001	-	\$ 664,001	\$ 664,001	-
Total Revenues	664,001	-	664,001	664,001	-
EXPENDITURES					
Instruction					
Salaries for Instruction	558,852	-	558,852	558,852	-
Total Instruction	558,852	-	558,852	558,852	-
Support Services					
Employee Benefits	105,149	-	105,149	105,149	-
Total Support Services	105,149	-	105,149	105,149	-
Total Expenditures/Outflows	664,001	-	664,001	664,001	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

		<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)	\$ 10,973,157	(C-2)	\$ 664,001
Difference - Budget to GAAP:				
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (prior year)				
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (current year)				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				
Encumbrances, June 30, 2018		-		-
Encumbrances, June 30, 2019		-		-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.				
	(B-2)	<u>\$ 10,973,157</u>	(B-2)	<u>\$ 664,001</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	\$ 11,272,349	(C-2)	\$ 664,001
Differences - Budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.				
Encumbrances, June 30, 2018		-		-
Encumbrances, June 30, 2019		-		-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds				
	(B-2)	<u>\$ 11,272,349</u>	(B-2)	<u>\$ 664,001</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**PENSION INFORMATION
AND
POST-EMPLOYMENT BENEFITS INFORMATION**

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Six Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's Proportion of the Net Position Liability (Asset)	0.01992 %	0.00892 %	0.00743 %	0.00601 %	0.00575 %	0.00600 %
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,921,661	\$ 4,365,134	\$ 4,381,566	\$ 2,775,000	\$ 2,233,868	\$ 2,303,926
School's Covered Payroll	1,368,032	1,369,354	1,100,895	925,548	849,075	803,082
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	287%	319%	398%	300%	263%	287%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the School will only present information for those years for which information is available.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 198,115	\$ 173,716	\$ 131,428	\$ 106,280	\$ 98,360	\$ 101,142
Contributions in Relation to the Contractually Required Contributions	<u>198,115</u>	<u>173,716</u>	<u>131,428</u>	<u>106,280</u>	<u>98,360</u>	<u>101,142</u>
Contribution Deficiency (Excess)	-	-	-	-	-	-
School's Covered Payroll	1,368,032	1,369,354	1,100,895	925,548	849,075	803,082
Contributions as a Percentage of Covered Payroll	14.48%	12.69%	11.94%	11.48%	11.58%	12.59%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the School will only present information for those years for which information is available.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

TEACHERS PENSION AND ANNUITY FUND
Last Six Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's Proportion of the Net Position Liability (Asset)	%	%	%	%	%	%
School's Proportionate Share of the Net Pension Liability (Asset)						
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the School	\$ 18,604,640	\$ 21,295,969	\$ 24,195,725	\$ 17,236,202	\$ 14,274,990	\$ 11,811,232
Total	\$ 18,604,640	\$ 21,295,969	\$ 24,195,725	\$ 17,236,202	\$ 14,274,990	\$ 11,811,232
School's Covered Payroll	3,106,941	3,103,502	2,901,438	3,128,921	3,079,579	2,493,375
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the School will only present information for those years for which information is available.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF SCHOOL CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 5.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY

Postemployment Health Benefit Plan

Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 829,861	\$ 1,012,437
Interest on Total OPEB Liability	368,139	311,850
Differences Between Expected and Actual Experiences	(1,235,111)	
Changes of Assumptions	(958,133)	(1,586,381)
Gross Benefit Payments	(223,259)	(221,434)
Contribution from the Member	<u>7,716</u>	<u>8,154</u>
Net Change in Total OPEB Liability	(1,210,787)	(475,374)
Total OPEB Liability - Beginning	<u>9,560,168</u>	<u>10,035,542</u>
Total OPEB Liability - Ending	<u>\$ 8,349,381</u>	<u>\$ 9,560,168</u>
School's Proportionate Share of OPEB Liability	\$ -	\$ -
State's Proportionate Share of OPEB Liability	<u>8,349,381</u>	<u>9,560,168</u>
Total OPEB Liability - Ending	<u>\$ 8,349,381</u>	<u>\$ 9,560,168</u>
School's Covered Payroll	<u>\$ 4,474,973</u>	<u>\$ 4,472,856</u>
School's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered Payroll	0%	0%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the School will only present information for those years for which information is available.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE SCHOOL'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF SCHOOL PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 5.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	IDEA Part B Basic	IDEA Part B Preschool	NCLB Title I	NCLB Title II-A	Total 2019
REVENUES					
Intergovernmental					
Federal	\$ 126,642	\$ 2,541	\$ 488,809	\$ 46,009	\$ 664,001
Total Revenues	<u>\$ 126,642</u>	<u>\$ 2,541</u>	<u>\$ 488,809</u>	<u>\$ 46,009</u>	<u>\$ 664,001</u>
EXPENDITURES					
Instruction					
Salaries for Instruction	\$ 93,044	\$ 2,541	\$ 420,528	\$ 42,739	\$ 558,852
Total Instruction	<u>93,044</u>	<u>2,541</u>	<u>420,528</u>	<u>42,739</u>	<u>558,852</u>
Support Services					
Employee Benefits	<u>33,598</u>	<u>-</u>	<u>68,281</u>	<u>3,270</u>	<u>105,149</u>
Total Support Services	<u>33,598</u>	<u>-</u>	<u>68,281</u>	<u>3,270</u>	<u>105,149</u>
Total Expenditures	<u>\$ 126,642</u>	<u>\$ 2,541</u>	<u>\$ 488,809</u>	<u>\$ 46,009</u>	<u>\$ 664,001</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
PRESCHOOL ALL PROGRAMS - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

CAPITAL PROJECTS FUND

NOT APPLICABLE

ENTERPRISE FUND

EXHIBIT G-1

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
AGENCY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2019

	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS		
Cash	\$ 19,349	\$ 19,349
Due from Other Funds	<u>62,029</u>	<u>62,029</u>
Total Assets	<u>\$ 81,378</u>	<u>\$ 81,378</u>
LIABILITIES		
Payroll Deductions and Withholdings	<u>\$ 81,378</u>	<u>\$ 81,378</u>
Total Liabilities	<u>\$ 81,378</u>	<u>\$ 81,378</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Balance, July 1, <u>2018</u>	<u>Additions</u>	<u>Decreases</u>	Balance, June 30, <u>2019</u>
ASSETS				
Cash	\$ 5,280	\$ 5,945,231	\$ 5,931,162	\$ 19,349
Due From Other Funds	<u>-</u>	<u>62,029</u>	<u>-</u>	<u>62,029</u>
	<u>\$ 5,280</u>	<u>\$ 6,007,260</u>	<u>\$ 5,931,162</u>	<u>\$ 81,378</u>
LIABILITIES				
Payroll Deductions and Withholdings	<u>\$ 5,280</u>	<u>\$ 6,007,260</u>	<u>\$ 5,931,162</u>	<u>\$ 81,378</u>
Total	<u>\$ 5,280</u>	<u>\$ 6,007,260</u>	<u>\$ 5,931,162</u>	<u>\$ 81,378</u>

LONG-TERM DEBT

NOT APPLICABLE

STATISTICAL SECTION

This part of the Robert Treat Academy Charter School, Inc.'s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-21

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Invested in capital assets	\$ 525,305	\$ 524,233	\$ 464,870	\$ 564,771	\$ 600,515	\$ 458,226	\$ 336,608	\$ 222,412	\$ 454,092	\$ 383,648
Restricted					75,000	75,000	75,000	75,000	75,000	75,000
Unrestricted (Deficit)	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,639,838)	(1,920,095)	(2,647,913)	(3,268,099)
Total governmental activities net position	<u>\$ 929,873</u>	<u>\$ 835,917</u>	<u>\$ 897,291</u>	<u>\$ 1,078,949</u>	<u>\$ 1,099,583</u>	<u>\$ (1,055,838)</u>	<u>\$ (1,228,230)</u>	<u>\$ (1,622,683)</u>	<u>\$ (2,118,821)</u>	<u>\$ (2,809,451)</u>
Business-type activities										
Invested in capital assets		\$ 8,458	\$ 6,041	\$ 4,315	\$ 3,082	\$ 2,201	\$ 1,320	\$ 117,789	\$ 111,970	\$ 110,736
Unrestricted							87,843	46,052	114,682	183,565
Total business-type activities net position	<u>\$ -</u>	<u>\$ 8,458</u>	<u>\$ 6,041</u>	<u>\$ 4,315</u>	<u>\$ 3,082</u>	<u>\$ 2,201</u>	<u>\$ 89,163</u>	<u>\$ 163,841</u>	<u>\$ 226,652</u>	<u>\$ 294,301</u>
School-wide										
Invested in capital assets	\$ 525,305	\$ 532,691	\$ 470,911	\$ 569,086	\$ 603,597	\$ 460,427	\$ 337,928	\$ 340,201	\$ 566,062	\$ 494,384
Restricted	-	-	-	-	75,000	75,000	75,000	75,000	75,000	75,000
Unrestricted (Deficit)	404,568	311,684	432,421	514,178	424,068	(1,589,064)	(1,551,995)	(1,874,043)	(2,533,231)	(3,084,534)
Total school net position	<u>\$ 929,873</u>	<u>\$ 844,375</u>	<u>\$ 903,332</u>	<u>\$ 1,083,264</u>	<u>\$ 1,102,665</u>	<u>\$ (1,053,637)</u>	<u>\$ (1,139,067)</u>	<u>\$ (1,458,842)</u>	<u>\$ (1,892,169)</u>	<u>\$ (2,515,150)</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30.									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Instruction	\$ 4,152,934	\$ 4,115,507	\$ 4,364,149	\$ 4,922,483	\$ 5,315,182	\$ 6,028,461	\$ 6,272,638	\$ 7,199,835	\$ 7,863,199	\$ 7,002,111
Regular Instruction										170,645
Special Education										750,760
Other Instruction										1,915,802
Administrative	819,613	1,084,527	831,872	964,745	991,462	1,593,117	1,875,598	2,033,720	2,087,608	2,226,095
Support Services	2,592,178	2,503,538	3,249,220	3,045,008	3,490,033	2,927,008	3,168,237	3,536,994	3,963,836	1,358,568
Plant Operation and Maintenance										2,975
Pupil Transportation										
Unallocated Depreciation	77,393	94,534	96,456	123,372	160,619	149,989	152,017	143,618	102,114	
Total governmental activities expenses	7,642,118	7,798,106	8,541,697	9,055,608	9,957,296	10,698,575	11,468,490	12,914,167	14,016,757	13,426,956
Business-type activities:										
Food Service	232,176	257,501	301,627	266,350	238,504	249,005	383,723	446,254	445,070	449,865
Before and After Care	159,314	125,374	164,330	157,277	202,143	218,557	213,170	218,576	293,523	332,226
Total business-type activities expense	391,490	382,875	465,957	423,627	440,647	467,562	596,893	664,830	738,593	782,091
Total school expenses	\$ 8,033,608	\$ 8,180,981	\$ 9,007,654	\$ 9,479,235	\$ 10,397,943	\$ 11,166,137	\$ 12,065,383	\$ 13,578,997	\$ 14,755,350	\$ 14,209,047
Program Revenues										
Governmental activities:										
Charges for Services:										\$ -
Operating grants and contributions	\$ 916,617	695,490	804,915	929,396	980,304	1,559,587	1,898,605	2,620,762	3,823,982	3,384,347
Total governmental activities program revenues	916,617	695,490	804,915	929,396	980,304	1,559,587	1,898,605	2,620,762	3,823,982	3,384,347
Business-type activities:										
Charges for services										
Food service	42,101	62,159	37,532	25,795	21,808	25,070	85,999	103,073	94,991	114,736
Operating grants and contributions	190,075	193,932	222,573	207,934	209,392	218,750	384,686	417,859	412,890	548,996
Before and After Care	159,314	125,374	164,330	157,277	202,143	218,557	213,170	218,576	293,523	186,008
Total business type activities program revenues	391,490	381,465	424,435	391,006	433,343	462,377	683,855	739,508	801,404	849,740
Total school program revenues	\$ 1,308,107	\$ 1,076,955	\$ 1,229,350	\$ 1,320,402	\$ 1,413,647	\$ 2,021,964	\$ 2,582,460	\$ 3,360,270	\$ 4,625,386	\$ 4,234,087
Net (Expense)/Revenue										
Governmental activities	\$ (6,725,501)	\$ (7,102,616)	\$ (7,736,782)	\$ (8,126,212)	\$ (8,976,992)	\$ (9,138,988)	\$ (9,569,885)	\$ (10,293,405)	\$ (10,192,775)	\$ (10,042,609)
Business-type activities	-	8,458	(41,522)	(32,621)	(7,304)	(5,185)	86,962	74,678	62,811	67,649
Total school-wide net expense	\$ (6,725,501)	\$ (7,094,158)	\$ (7,778,304)	\$ (8,158,833)	\$ (8,984,296)	\$ (9,144,173)	\$ (9,482,923)	\$ (10,218,727)	\$ (10,129,964)	\$ (9,974,960)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255	\$ 1,323,693	\$ 1,404,955	\$ 1,358,342
Unrestricted grants and contributions	5,739,439	5,935,939	6,637,804	7,108,175	7,716,559	8,016,584	8,113,292	8,572,049	8,286,189	7,988,329
Investment earnings										
Miscellaneous income	551,296	208,358	253,795	167,412	102,000	33,722	10,946	3,210	5,493	5,308
Transfers	(70,000)	(70,000)	(70,000)	(70,000)	(6,071)	(4,304)				
Total governmental activities	7,128,331	7,008,660	7,837,261	8,267,766	8,997,626	9,287,493	9,397,493	9,898,952	9,696,637	9,351,979
Business-type activities:										
Transfers				70,000	6,071	4,304				
Total business-type activities	-	-	-	70,000	6,071	4,304	-	-	-	-
Total school-wide	\$ 7,128,331	\$ 7,008,660	\$ 7,837,261	\$ 8,337,766	\$ 9,003,697	\$ 9,291,797	\$ 9,397,493	\$ 9,898,952	\$ 9,696,637	\$ 9,351,979
Change in Net Position										
Governmental activities	\$ 402,830	\$ (93,956)	\$ 100,479	\$ 141,554	\$ 20,634	\$ 148,505	\$ (172,392)	\$ (394,453)	\$ (496,138)	\$ (690,630)
Business-type activities	-	8,458	(41,522)	37,379	(1,233)	(881)	86,962	74,678	62,811	67,649
Total school	\$ 402,830	\$ (85,498)	\$ 58,957	\$ 178,933	\$ 19,401	\$ 147,624	\$ (85,430)	\$ (319,775)	\$ (433,327)	\$ (622,981)

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30.									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 33,500									
Unreserved	371,068									
Restricted										
Charter School Reserve					\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
Committed		\$ 33,500	\$ 33,500	\$ 33,500	33,500	41,900	30,380	33,740	36,900	-
Assigned						57,502	66,481	90,684		-
Unassigned		278,184	438,026	480,678	390,568	628,231	666,589	743,219	499,074	236,782
Total general fund	<u>\$ 404,568</u>	<u>\$ 311,684</u>	<u>\$ 471,526</u>	<u>\$ 514,178</u>	<u>\$ 499,068</u>	<u>\$ 802,633</u>	<u>\$ 838,450</u>	<u>\$ 942,643</u>	<u>\$ 610,974</u>	<u>\$ 311,782</u>

Beginning with Fiscal Year 2011, the School implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax levy	\$ 837,596	\$ 864,363	\$ 945,662	\$ 1,062,179	\$ 1,185,138	\$ 1,241,491	\$ 1,273,255	\$ 1,323,693	\$ 1,404,955	\$ 1,358,342
Miscellaneous	551,296	208,358	253,795	167,412	102,000	33,722	10,946	3,210	5,493	5,308
State sources	6,086,670	6,273,154	7,076,161	7,646,726	8,254,515	8,630,315	8,947,427	9,467,361	9,479,881	9,609,507
Federal sources	569,386	358,275	366,558	390,845	442,348	559,215	551,523	560,841	672,962	664,001
Total revenue	8,044,948	7,704,150	8,642,176	9,267,162	9,984,001	10,464,743	10,783,151	11,355,105	11,563,291	11,637,158
Expenditures										
Instruction	3,426,593	3,353,996	3,490,811	3,928,425	4,264,031	4,545,985	4,415,022	4,545,022	4,543,497	
Regular Instruction										6,120,034
Special Education Instruction										146,501
Other Instruction										644,539
Administrative	1,686,452	2,001,355	1,943,350	2,166,669	2,267,831	2,977,387	3,518,881	3,756,892	3,866,383	1,704,023
Support Services	2,451,680	2,348,221	3,011,080	2,837,142	3,264,815	2,625,802	2,783,032	2,919,576	3,151,286	2,018,200
Plant Operation and Maintenance										1,298,000
Student Transportation										2,975
Capital Outlay	291,179	93,462	37,093	222,274	196,363	7,700	30,399	29,422	333,794	2,078
Total expenditures	7,855,904	7,797,034	8,482,334	9,154,510	9,993,040	10,156,874	10,747,334	11,250,912	11,894,960	11,936,350
Excess (Deficiency) of revenues over (under) expenditures	189,044	(92,884)	159,842	112,652	(9,039)	307,869	35,817	104,193	(331,669)	(299,192)
Other Financing sources (uses)										
Transfers out				(70,000)	(6,071)	(4,304)				
Total other financing sources (uses)	-	-	-	(70,000)	(6,071)	(4,304)	-	-	-	-
Net change in fund balances	\$ 189,044	\$ (92,884)	\$ 159,842	\$ 42,652	\$ (15,110)	\$ 303,565	\$ 35,817	\$ 104,193	\$ (331,669)	\$ (299,192)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* Noncapital expenditures are total expenditures less capital outlay.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE*
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	<u>Contributions</u>	<u>Rentals</u>	<u>Prior Year's Refunds</u>	<u>Insurance Recovery</u>	<u>Parent Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
2019	\$ 3,201	\$ 620	\$ 1,110			\$ 377	\$ 5,308
2018	2,000	1,400	2,093				5,493
2017	2,510	710					3,220
2016	9,896	1,050					10,946
2015	33,372	350					33,722
2014	100,250	1,750					102,000
2013	166,362	1,050					167,412
2012	187,398	700	254	54,854	10,543	46	253,795
2011	206,222	1,050				86	207,358
2010	413,051	1,400					414,451

* Source: School's Financial Statements

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
FULL-TIME EQUIVALENT SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employees:										
Certified	57.0	55.0	64.0	61.0	65.0	63.0	60.0	58.0	55.0	49.0
Other	48.0	47.0	45.0	45.0	36.0	36.0	37.0	35.0	35.0	33.0
Total	<u>105.0</u>	<u>102.0</u>	<u>109.0</u>	<u>106.0</u>	<u>101.0</u>	<u>99.0</u>	<u>97.0</u>	<u>93.0</u>	<u>90.0</u>	<u>82.0</u>

Source: School Personnel Records

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Operating Expenditures^b</u>	<u>Cost Per Pupil^c</u>	<u>Percentage Change</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2010	\$ 7,564,725	\$ 15,132	12.75%	499.9	483.0	11.11%	96.62%
2011	7,703,572	14,699	-2.86%	524.1	507.0	4.84%	96.74%
2012	8,445,241	15,344	4.39%	550.4	530.0	5.02%	96.29%
2013	8,932,236	15,594	1.63%	572.8	549.0	4.07%	95.84%
2014	8,796,677	16,344	4.81%	599.4	573.0	4.64%	95.60%
2015	10,149,174	16,236	-0.66%	625.1	600.0	4.29%	95.98%
2016	10,716,935	16,485	1.53%	650.1	626.0	4.00%	96.29%
2017	11,221,490	16,466	-0.12%	681.5	653.0	4.83%	95.82%
2018	11,561,166	17,050	3.55%	678.1	652.0	-0.50%	96.15%
2019	11,934,272	17,453	2.36%	683.8	656.8	0.84%	96.05%

Sources: School records

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
OPERATING STATISTICS (Continued)
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Kindergarten</u>	<u>Grade 1</u>	<u>Grade 2</u>	<u>Grade 3</u>	<u>Grade 4</u>	<u>Grade 5</u>	<u>Grade 6</u>	<u>Grade 7</u>	<u>Grade 8</u>
2010	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2011	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2012	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2013	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2014	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2015	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2016	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2017	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.5	01:12.25	01:12.5	01:12.5
2018	01:13.0	01:13.3	01:13.2	01:12.2	01:12.7	01:12.5	01:12.0	01:12.2	01:11.2
2019	01:11.7	01:13.3	01:13.3	01:13.0	01:12.1	01:12.6	01:12.5	01:11.2	01:12.5

Sources: School records

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHOOL BUILDING INFORMATION
LAST EIGHT FISCAL YEARS
(Unaudited)**

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS**

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

11-000-261-xxx

School Facilities	Project #	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
North	N/A	\$ 170,086	\$ 149,435	\$ 138,208	\$ 119,746	\$ 131,752	\$ 183,324	\$ 94,258	\$ 366,137	\$ 103,082	\$ 90,474
Central	N/A	<u>61,291</u>	<u>117,278</u>	<u>115,733</u>	<u>53,221</u>	<u>51,667</u>	<u>53,499</u>	<u>52,810</u>	<u>36,657</u>	<u>21,778</u>	<u>34,386</u>
		<u>\$ 231,377</u>	<u>\$ 266,713</u>	<u>\$ 253,941</u>	<u>\$ 172,967</u>	<u>\$ 183,419</u>	<u>\$ 236,823</u>	<u>\$ 147,068</u>	<u>\$ 402,794</u>	<u>\$ 124,860</u>	<u>\$ 124,860</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF INSURANCE
JUNE 30, 2019
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
Commercial Property and General Liability - New Jersey School Insurance Group:		
Personal Property/Fire Damage	\$ 1,269,008	\$ 1,000
General Liability:		
Bodily Injury and Property Damage - Each Occurrence	11,000,000	
Products and Completed Operations - Annual Aggregate	11,000,000	
Sexual Abuse - Per Occurrence	11,000,000	
Personal Advertising Injury - Per Occurrence/Annual Aggregate	11,000,000	
Employee Benefits Liability - Each Claim/Annual Aggregate	11,000,000	1,000
Premises Medical Payments - Per Accident	10,000	
Business Auto	11,000,000	1,000
Commercial Inland Marine/Blanket Hardware and Software	150,000	1,000
Boiler and Machinery	100,000,000	1,000
Environmental Liability	1,000,000	
Privacy and Network Security Liability	2,000,000	10,000
Crime:		
Employee Dishonesty	250,000	1,000
Public Official Bond (Board Secretary)	200,000	
Money and Securities	25,000	500
Money Orders/Counterfeit	25,000	500
Forgery and Alteration	25,000	500
Computer Fraud	25,000	500
School Legal Liability - New Jersey Schools Insurance Group		
Coverage A	11,000,000	5,000
Workers Compensation - New Jersey Schools Insurance Group:		
Statutory:		
Each Accident	2,000,000	
Disease - Policy Limit/Employee	2,000,000	
Compulsory Student Accident - Berkley Life and Health Insurance Company	1,000,000	
Catastrophic Student Accident - United States Fire Insurance Company	500,000	

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

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE, FISCAL RATIOS
(Unaudited)

	2017 Audit	2018 Audit	2019 Audit	Source
Cash	1,418,981	546,518	552,759	Audit: Exhibit A-1
Current Assets	441,208	1,017,245	1,200,302	Audit: Exhibit A-1
Total Assets	2,275,390	2,204,825	1,694,686	Audit: Exhibit A-1
Current Liabilities	1,125,752	1,111,222	703,917	Audit: Exhibit A-1
Total Liabilities	1,125,752	1,111,222	4,625,578	Audit: Exhibit A-1***
Net Position	(1,458,842)	(1,892,169)	(2,515,150)	Audit: Exhibit A-1
Total Revenue	13,259,222	14,322,023	13,586,066	Audit: Exhibit A-2
Total Expenses	13,578,997	14,755,350	14,209,047	Audit: Exhibit A-2
Change in Net Position	(319,775)	(433,327)	(622,981)	Audit: Exhibit A-2
Depreciation Expense	143,618	102,114	78,746	Financial Statements/Audit Workpapers
Interest Expense	1,188	2,706		Financial Statements/Audit Workpapers
Principal Payments				Financial Statements/Audit Workpapers
Interest Payments	1,188	2,706	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	681.50	678.09		DOE Enrollment Reports
March 30th Budgeted Enrollment	675	675		Charter School Budget

Near Term Indicators		2017	2018	2019	3 YR CUM	Source:
1a.	Current Ratio	1.65	1.41	1.71		Current Assets/Current Liabilities
1b.	Unrestricted Days Cash	38.14	13.52	14.20		Cash/(Total Expenses/365)
1c.	Enrollment Variance	101%	100%			Average Daily Enrollment/Budgeted Enrollment
1d.*	Default on Loans	No	No	No		Audit
Sustainability Indicators						
2a.	Total Margin	-2.41%	-3.03%	-4.59%		Change in Net Assets/Total Revenue
2b.	Debt to Asset	49.48%	50.40%	273%		Total Liabilities/Total Assets
2c.**	Cash Flow	(167,068)	(862,463)	(6,241)		Net Change in Cash Flow from Prior Years
2d.	Debt Service Coverage Ratio					(Change in Net Assets + Depreciation+Interest Expense)/(Principal & Interest Payments

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2019=2019 Cash - 2018 Cash; Cash 2018=2018 Cash - 2017 Cash; 2017=2017 Cash - 2016 Cash
 *** Total Liabilities without Net Pension Liability

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Robert Treat Academy Charter School, Inc. as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Robert Treat Academy Charter School, Inc.'s basic financial statements and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Robert Treat Academy Charter School, Inc.’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Robert Treat Academy Charter School, Inc. in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated December 17, 2019.

Robert Treat Academy Charter School, Inc.’s Response to Finding

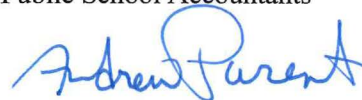
The Robert Treat Academy Charter School, Inc.’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Robert Treat Academy Charter School, Inc.’s response was not subjected to the auditing procedures applied in the audit of the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

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 Robert Treat Academy Charter School, Inc.’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Robert Treat Academy Charter School, Inc.’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Andrew D. Parente
Public School Accountant
PSA Number CS00224600

Fair Lawn, New Jersey
December 17, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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ROBERT LERCH, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE U.S. UNIFORM GUIDANCE AND
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB
CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited the Robert Treat Academy Charter School, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/ Grant Compliance Supplement that could have a direct and material effect on each of Robert Treat Academy Charter School, Inc.'s major federal and state programs for the fiscal year ended June 30, 2019. The Robert Treat Academy Charter School, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Robert Treat Academy Charter School, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Robert Treat Academy Charter School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Robert Treat Academy Charter School, Inc. 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2019-002 through 2019-005. Our opinion on each major federal and state program is not modified with respect to these matters.

The Robert Treat Academy Charter School, Inc.'s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Robert Treat Academy Charter School, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Robert Treat Academy Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Robert Treat Academy Charter School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance and New Jersey OMB 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 the Robert Treat Academy Charter School, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-002 through 2019-005 that we consider to be significant deficiencies.

The Robert Treat Academy Charter School, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Robert Treat Academy Charter School, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the Robert Treat Academy Charter School, Inc. as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated December 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Andrew D. Parente
Public School Accountant
PSA Number CS00224600

Fair Lawn, New Jersey
December 17, 2019

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal/ Grantor/Pass-Through Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2018			Carryover/ (Walkover) A/R	Carryover/ (Walkover) Def. Rev.	Cash Received	Budgetary Expenditures	Unearned Rev. Adj.	Balance, June 30, 2019			GAAP Receivable
						Unearned Revenue	(Accounts Receivable)	Due to Grantor						Unearned Revenue	(Accounts Receivable)	Due to Grantor	
U.S. Department of Agriculture																	
Passed-through State Department of Education																	
National School Lunch Program																	
Cash Assistance - Breakfast	10.553	191NJ304N1099	N/A	7/1/18-6/30/19	\$ 46,538					\$ 43,612	\$ 46,538			\$ (2,926)		\$ (2,926)	
Cash Assistance - Breakfast	10.553	181NJ304N1099	N/A	7/1/17-6/30/18	40,492	\$ (6,163)				6,163							
Cash Assistance - Lunch	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	265,685					247,351	265,685			(18,334)		(18,334)	
Cash Assistance - Lunch	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	268,540	(43,540)				43,540							
Cash Assistance - PB Lunch	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	5,967					5,554	5,967			(413)		(413)	
Cash Assistance - Snack	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	64,913					60,170	64,913			(4,743)		(4,743)	
Cash Assistance - Snack	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	71,829	(10,384)				10,384							
Non-Cash Assistance	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	15,342	-	-	-	-	15,342	14,304	-	\$ 1,038	-	-	-	
Total U.S. Department of Agriculture/Child Nutrition Cluster						-	(60,087)	-	-	-	432,116	397,407	-	1,038	(26,416)	-	(26,416)
U.S. Department of Education																	
Passed-through State Department of Education																	
LD.E.A. Part B, Basic	84.027A	H027A180100	ESEA444004	7/1/18-6/30/19	126,642						126,642			(126,642)		(126,642)	
LD.E.A. Part B, Basic	84.027A	H027A170100	ESEA444004	7/1/17-6/30/18	127,428	(127,428)				127,428				-	-	-	
LD.E.A. Part B, Preschool	84.173A	H173A180114	ESEA444004	7/1/18-6/30/19	2,541						2,541			(2,541)		(2,541)	
LD.E.A. Part B, Preschool	84.173A	H173A170114	ESEA444004	7/1/17-6/30/18	2,401	-	(2,401)	-	-	2,401	-	-	-	-	-	-	
Total Special Education Cluster (IDEA)						-	(129,829)	-	-	-	129,829	129,183	-	-	(129,183)	-	(129,183)
NCLB Title I	84.010A	S010A180030	ESEA444004	7/1/18-6/30/19	488,809					305,725	488,809			-	(183,084)	(183,084)	
NCLB Title I	84.010A	S010A170030	ESEA444004	7/1/17-6/30/18	488,412	(488,412)				488,412				-	-	-	
NCLB Title II A	84.367A	S367A180029	ESEA444004	7/1/18-6/30/19	46,009						46,009			-	(46,009)	(46,009)	
NCLB Title II A	84.367A	S367A170029	ESEA444004	7/1/17-6/30/18	54,721	-	(54,721)	-	-	54,721	-	-	-	-	-	-	
Total U.S. Department of Education						-	(672,962)	-	-	-	978,687	664,001	-	-	(358,276)	-	(358,276)
Total Federal Financial Assistance						\$ -	\$ (733,049)	\$ -	\$ -	\$ -	\$ 1,410,803	\$ 1,061,408	\$ -	\$ 1,038	\$ (384,692)	\$ -	\$ (384,692)

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2018					Budgetary Expenditures	Adjustment of Prior Year Balances	Balance, June 30, 2019			MEMO	
				Accounts Receivable	Unearned Revenue	Due to Grantor	Cash Received	Unearned Revenue			(Accounts Receivable)	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education															
Equalization Aid - State Aid (State and Local)	19-495-034-5120-078	7/1/18-6/30/19	\$ 8,408,239				\$ 8,360,322	\$ 8,408,239			\$ (47,917)		\$ (47,917)	\$ 8,408,239	
Equalization Aid - State Aid	18-495-034-5120-078	7/1/17-6/30/18	7,384,689			\$ 97,542			\$ (97,542)						
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	200,705				200,705	200,705						200,705	
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	123,835			1,636			(1,636)						
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	280,379				280,379	280,379						280,379	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	233,242			3,080			(3,080)						
Adjustment Aid	19-495-034-5120-085	7/1/18-6/30/19	938,432				938,432	938,432						938,432	
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	777,665	\$ (89,677)	-	-	-	-	89,677	-	-	-	-	-	
Total State Aid Public - Cluster				(89,677)	-	102,258	9,779,838	9,827,755	(12,581)	-	(47,917)	-	(47,917)	9,827,755	
On-Behalf TPAF Pension - Normal Cost	19-495-034-5094-002	7/1/18-6/30/19	596,090				596,090	596,090						596,090	
On-Behalf TPAF Pension - NCGI Premium	19-495-034-5094-004	7/1/18-6/30/19	12,478				12,478	12,478						12,478	
On Behalf TPAF Post Retirement Medical Benefits	19-495-034-5094-001	7/1/18-6/30/19	276,045				276,045	276,045						276,045	
On Behalf TPAF Long Term Disability Insurance	19-495-034-5094-001	7/1/18-6/30/19	1,300				1,300	1,300						1,300	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	254,181				120,438	254,181			(133,743)		(133,743)	254,181	
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	233,017	(64,623)	-	-	64,623	-	-	-	-	-	-	-	
Total General Fund State Aid				(154,300)	-	102,258	10,850,812	10,967,849	(12,581)	-	(181,660)	-	(181,660)	10,967,849	
Enterprise Funds															
National School Lunch Program (State Share)	19-100-010-3350-023	7/1/18-6/30/19	5,371				4,999	5,371			(372)		(372)	5,371	
National School Lunch Program (State Share)	18-100-010-3350-023	7/1/17-6/30/18	5,448	(886)	-	-	886	-	-	-	-	-	-	-	
Total Enterprise Fund/Child Nutrition Cluster				(886)	-	-	5,885	5,371	-	-	(372)	-	(372)	5,371	
Total State Financial Assistance Subject to Single Audit Determination				(155,186)	-	102,258	10,856,697	10,973,220	(12,581)	-	(182,032)	-	(182,032)	10,973,220	
Less:															
State Financial Assistance Programs Not Subject to Major Program Determination															
On-Behalf TPAF Pension - Normal Cost	19-495-034-5094-002	7/1/18-6/30/19	596,090				(596,090)	(596,090)						(596,090)	
On-Behalf TPAF Pension - NCGI Premium	19-495-034-5094-004	7/1/18-6/30/19	12,478				(12,478)	(12,478)						(12,478)	
On Behalf TPAF Post Retirement Medical Benefits	19-495-034-5094-001	7/1/18-6/30/19	276,045				(276,045)	(276,045)						(276,045)	
On Behalf TPAF Long Term Disability Insurance	19-495-034-5094-001	7/1/18-6/30/19	1,300				(1,300)	(1,300)						(1,300)	
State Financial Assistance Amount Utilized for Calculation to Determine Single Audit and Major Programs.				\$ (155,186)	\$ -	\$ 102,258	\$ 9,970,784	\$ 10,087,307	\$ (12,581)	\$ -	\$ (182,032)	\$ -	\$ (182,032)	\$ 10,087,307	

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the School's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

There is no adjustment to reconcile from the budgetary basis to the GAAP basis for the general fund and for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the School's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 9,609,507	\$ 9,609,507
Special Revenue Fund	\$ 664,001		664,001
Food Service Fund	<u>383,103</u>	<u>5,371</u>	<u>388,474</u>
Total Financial Assistance	<u>\$ 1,047,104</u>	<u>\$ 9,614,878</u>	<u>\$ 10,661,982</u>

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$254,181 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$608,568, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$276,045 and TPAF Long-Term Disability Insurance in the amount of \$1,300 represents the amount paid by the State on behalf of the School for the fiscal year ended June 30, 2019.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 1 – Summary of Auditor’s Results

<u>Financial Statement Section</u>	<u>Description</u>
A) Type of auditors' report issued on financial statements	<u>Unmodified</u>
B) Internal control over financial reporting:	
(1) Material weakness(es) identified:	_____ Yes <u>X</u> No
(2) Significant deficiencies identified that are not considered to be material weaknesses?	<u>X</u> Yes _____ None reported
Noncompliance material to basic financial statements noted?	<u>X</u> Yes _____ No

Federal Awards Section

Internal Control over major programs:	
(1) Material weakness(es) identified?	_____ yes <u>X</u> no
2) Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>X</u> yes _____ none reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with U.S. Uniform Guidance?	<u>X</u> yes _____ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	S010A180030	Title I
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> yes	_____ no

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 1 – Summary of Auditor’s Results

State Awards

Description

Internal control over major programs:

(1) Material weakness(es) identified:

 Yes X No

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

 X Yes None reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08?

 X Yes No

Identification of major state programs:

GMIS Number

Name of State Program or Cluster

495-034-5120-078

Equalization Aid

495-034-5120-085

Adjustment Aid

495-034-5120-089

Special Education Aid

495-034-5120-084

Security Aid

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

ROBERT TREAT ACCEDEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with paragraphs 5.18 of *Government Auditing Standards*.

Finding 2019-001

Our audit revealed that the school did not maintain the required detailed revenue and expenditure ledgers, in the schools accounting system, to account for both the budgeted and actual revenues and expenditures in accordance with the GAAP Technical Systems Manual and the Uniform Minimum Chart of Accounts for New Jersey Schools.

Criteria or specific requirement

GAAP Technical Systems Manual
Uniform Minimum Chart of Accounts for New Jersey Schools

Condition

Revenue and expenditure detail ledgers were not utilized in the schools accounting system to account for the transactions both budgeted and actual for each revenue and appropriation account as required by the GAAP Technical Systems Manual. In addition accounts utilized were not in accordance with the Uniform Minimum Chart of Accounts for NJ Schools.

Context

See Condition.

Effect

Revenues earned were not compared to anticipated revenues and budgetary controls were not in place to ensure line item appropriations were not overexpended in the schools accounting system.

Cause

Unknown.

Recommendation

The school implement and maintain detailed revenue and expenditure ledgers, in the schools accounting system, to account for both the budgeted and actual revenues and expenditures in accordance with the GAAP Technical Systems Manual and Uniform Minimum Chart of Accounts for NJ Schools.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated that corrective action will be taken.

**ROBERT TREAT ACCEDEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U. S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2019-002

Our audit revealed that the school did not maintain the required detailed revenue and expenditure ledgers, in the schools accounting system, to account for both the budgeted and actual revenues and expenditures in accordance with the GAAP Technical Systems Manual and the Uniform Minimum Chart of Accounts for New Jersey Schools.

Federal Program Information

Title I 84.010

Criteria or Specific Requirement

Federal Grant Compliance Supplement

Condition

Revenue and expenditure detail ledgers were not utilized in the schools accounting system to account for the transactions both budgeted and actual for each revenue and appropriation account as required by the GAAP Technical Systems Manual. In addition accounts utilized were not in accordance with the Uniform Minimum Chart of Accounts for NJ Schools.

Questioned Costs

None.

Context

See Condition.

Effect

Revenues earned were not compared to anticipated revenues and budgetary controls were not in place to ensure line item appropriations were not overexpended in the schools accounting system.

Cause

Unknown.

Recommendation

The school implement and maintain detailed revenue and expenditure ledgers, in the schools accounting system, to account for both the budgeted and actual revenues and expenditures in accordance with the GAAP Technical Systems Manual and Uniform Minimum Chart of Accounts for NJ Schools.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and indicated that corrective action will be taken.

**ROBERT TREAT ACCEDEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U. S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2019-003

Our audit of salary charges to the ESEA Title I grant program revealed the following:

- Employees and their respective salaries charged were not formally approved in the School minutes.
- The school did not record salary and benefit costs on a consistent basis as program activity were performed.

Federal Program Information:

Title I	84.010A
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Criteria or Specific Requirement

Federal Grant Compliance Supplement

Condition:

Salaries of individuals charged to the Title I grant program were not approved by the Board. In addition the employee salary and benefit costs were charged to the grant through one adjusting journal entry at year end.

Questioned Costs:

Undeterminable.

Context:

- We noted none of the individuals charged to Title I were approved in the official minutes by grant title and salary amount allocated.
- One closing journal entry in the amount of \$488,809 was recorded at year end for amounts charged to the Title I grant program.

Effect:

Personnel charged to Federal grants may not be allowable grant charges.

Cause:

Unknown.

Recommendation:

Employees and their respective salaries charged to the ESEA Title I grant program be formally approved in the Board minutes. In addition salary and benefit costs be charged to the grant as program activities are performed.

View of Responsible Officials and Planned Corrective Action:

Management has reviewed this finding and indicated that corrective action will be taken.

**ROBERT TREAT ACCEDEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U. S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2019-004

Our audit revealed that the school did not maintain the required detailed revenue and expenditure ledgers in the schools accounting system, to account for both the budgeted and actual revenues and expenditures in accordance with the GAAP Technical Systems Manual and the Uniform Minimum Chart of Accounts for New Jersey Schools.

State Program Information

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084

Criteria or Specific Requirement

State of NJ Grant Compliance Supplement – State Aid - Public

Condition

Revenue and expenditure detail ledgers were not utilized in the schools accounting system to account for the transactions both budgeted and actual for each revenue and appropriation account as required by the GAAP Technical Systems Manual. In addition accounts utilized were not in accordance with the Uniform Minimum Chart of Accounts for NJ Schools.

Questioned Costs

None.

Context

See Condition.

Effect

Revenues earned were not compared to anticipated revenues and budgetary controls were not in place to ensure line item appropriations were not overexpended in the schools accounting system.

Cause

Unknown.

Recommendation

The school implement and maintain detailed revenue and expenditure ledgers, in the schools accounting system, to account for both the budgeted and actual revenues and expenditures in accordance with the GAAP Technical Systems Manual and Uniform Minimum Chart of Accounts for NJ Schools.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and indicated that corrective action will be taken.

**ROBERT TREAT ACCEDEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U. S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2019-005

Our audit of purchases related to compliance with the Public School Contracts Law revealed the following:

- Contracts awarded in excess of the bid threshold were not publicly bid and or approved in the minutes.
- Supporting detail for purchases made in accordance with State contracts was not available.
- Quotes were not available for services rendered in excess of the quote threshold.
- A contract awarded for professional services was not subsequently advertised.

State Program Information

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084

Criteria or Specific Requirement

State of NJ Grant Compliance Supplement – State Aid – Public
NJSA 18A:18A – Public School Contracts Law

Condition

- Two (2) contracts were awarded which were in excess of the bid threshold that were not publicly bid.
- Four (4) vendors were paid in excess of the bid threshold that were not approved in the minutes.
- State contract supporting documentation was not available for two (2) vendors.
- Two (2) vendors were paid for services in excess of the quote threshold in which at least two (2) competitive quotes were not obtained.
- One (1) vendor was awarded a contract for professional services which was not subsequently advertised.

Questioned Costs

None.

Context

See Condition.

ROBERT TREAT ACCEDEMY CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U. S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2019-005 (Continued)

Effect

Non-compliance with State of New Jersey Public School Contract Law.

Cause

Unknown.

Recommendation

Efforts be made by the School to ensure compliance with the requirements of the Local School Public Contracts Law.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated that it will review and revise its procedures to ensure corrective action is taken.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.