

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
EMPOWERMENT ACADEMY CHARTER SCHOOL
NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

EMPOWERMENT ACADEMY CHARTER SCHOOL

JUNE 30, 2020

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Empowerment Academy Charter School

240 Ege Avenue, Jersey City, NJ 07304 / 201-630-4798

December 29, 2020

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN 500
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the Empowerment Academy Charter School for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups 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 and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first five fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) REPORTING ENTITY AND ITS SERVICES** The Empowerment Academy Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

Empowerment Academy is a public charter school operating in Jersey City, NJ. School Year 2020 (July 2019-June 2020), the subject year of this audit, was Empowerment Academy's fifth operating year.

Empowerment Academy features an extended school day running from 8:30 am to 3:55 pm, free afterschool programs, and free summer school. Its education program combines a formative assessment intensive, data-driven approach to targeting instruction content with *Teach Like a Champion* instructional techniques.

In the Spring of 2020, when the NJDOE directed all public schools to close for in-person instruction, Empowerment Academy instantly implemented online instruction for its students.

- 2) **ENROLLMENT OUTLOOK** - Since opening in SY16, Empowerment Academy Charter School has consistently operated with near full enrollment. It initially offered only grade levels K-1, but added one 120-student grade level a year through its first charter term, which ended in June 2019.

In connection with the School’s charter renewal, the Board requested that the School be permitted to continue adding one grade level of 120 students a year during its second charter term. This request was approved and in SY19-20, Empowerment Academy again operated throughout the school year with close to its 720 student maximum enrollment.

Empowerment Academy has enjoyed a high level of student retention since opening and has an ample waiting list that enables it to fill any seats that open. Accordingly, we anticipate that Empowerment Academy will operate at or close to its maximum enrollment throughout this current SY20-21, and in each school year of this second charter term, as it continues adding one grade level of 120 additional students annually.

Anticipated Enrollment Thru SY24

SY2020-21	840
SY2021-22	960
SY2022-23	1080
SY2023-24	1200

3) **STRENGTHENING FINANCES & MAJOR ACCOMPLISHMENTS**

Empowerment Academy’s General Fund Surplus grew substantially during SY20. The School has been enjoying increasing economies of scale as it adds grade levels, In addition, it received a reduction in facility rent in SY20, as it finished paying additional rent for some early facility improvements.

The Board anticipates that Empowerment Academy’s General Fund Surplus will continue to grow in the years ahead, as the NJ Department of Education has guided the School to expect increases in per student funding due to the reform of New Jersey’s school funding laws in June 2018 and the implementation of a local payroll tax in Jersey City that will increase funding for local public schools.

The Board’s core goals for Empowerment Academy have been to:

- 1) Provide a high-quality school option to every child in Jersey City;

- 2) Offer an absolutely excellent education;
- 3) Demonstrate model cost-efficiency; and
- 4) Successfully add a grade level each year so Empowerment Academy’s scholars will be able to stay with us from Kindergarten through their last year of High School.

Empowerment Academy’s performance as regards these goals has been spectacular.

Empowerment Academy serves a student population which mirrors that of the Jersey City Public Schools district (“JCPS”) in its demographic diversity, but that is MORE economically disadvantaged than the JCPS district, and FAR MORE economically disadvantaged than New Jersey’s statewide student population. This evidences that all of Jersey City’s children are receiving equal access. (Empowerment Academy is achieving this goal through offering services that meet the full range of students’ diverse/special needs; through providing free bus transportation from every Jersey City neighborhood; and through application and admission processes that are non-selective and non-discriminatory.)

Historical statewide achievement gaps associated with economic disadvantage would predict schoolwide and demographic sub-group performance levels at Empowerment Academy being slightly below the levels of the JCPS District, and far below the statewide levels for demographic sub-groups. But, in fact, as shown in the tables that follow, Empowerment Academy’s students outperformed their Jersey City peers and, in most sub-groups, also outperformed their peers statewide DESPITE the Empowerment Academy’s students’ greater economic disadvantage and the school’s much lower level of funding. This indicates that Empowerment Academy is offering children an excellent education.

The tables also highlight that Empowerment Academy is achieving this success while receiving and spending less than half of the per student funding received by the JCPS district and only 58% of the per student funding received by the average school district statewide. This underscores the incredible cost-efficiency of Empowerment Academy.

SY19 % of Students Demonstrating Proficiency in English Language Arts

	EMP ACAD	JCPS	STATE
All Groups	62.7	49.7	57.9
White	*	55.9	66.9
Hispanic	61.2	46.4	43.9
Af-Am	48.0	34.3	38.5
Asian	78.9	77.0	82.9
Ec Disadvantaged	58.7	45.3	40.0
Non-Ec Disadvantaged	68.7	56.3	67.9
SY18 Total Cost Per Pupil**	\$12,604	\$26,028	\$21,866

* State accountability rule requires 20 or more students.

** SY19 data not yet available.

SY19 % of Students Demonstrating Academic Proficiency in Math

	EMP ACAD	JCPS	STATE
All Groups	46.7	34.1	44.5
White	*	45.2	54.1
Hispanic	28.0	28.5	28.8
Af-Am	29.3	17.8	23.0
Asian	77.2	64.9	76.5
Ec Disadvantaged	36.5	29.3	26.3
Non-Ec Disadvantaged	61.9	39.8	54.9
SY18 Total Cost Per Pupil**	\$12,604	\$26,028	\$21,866

* State accountability rule requires 20 or more students

** SY19 data not yet available.

The Board is working to achieve its fourth core goal, as well: growing, through the addition of one grade level a year, into a school that spans the entire K-12 grade level continuum. To this end, it has structured an agreement with a non-profit school construction entity to build out, in three phases, the incremental facility space Empowerment Academy will need. The Board anticipates occupying the new facility space to be constructed in the Septembers of 2023, 2024 and 2025.

- 4) **INTERNAL ACCOUNTING CONTROLS:**– Management of the Charter 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 recognized that: (1) the cost of a control should not exceed the benefits like 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 also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also 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.

- 5) **BUDGETARY CONTROLS:** – In addition to internal accounting controls, the school maintains budgetary controls. The objective of these budgetary controls is to ensure

compliance with legal provisions embodied in the annual appropriated budget approved by the school and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2020.

In SY19-20, Empowerment Academy’s expenditures were in line with the total budgeted.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government 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.
- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Proprietary Fund for the fiscal year ended June 30, 2020.

Revenue	Amount	Percent of Total
Local Sources	\$ 2,254,333	22%
State Sources	7,024,175	69%
Federal Sources	450,403	4%
Proprietary	282,364	3%
Miscellaneous Revenues	<u>177,143</u>	<u>2%</u>
	<u>\$ 10,188,418</u>	<u>100%</u>

The following schedule presents a summary of the General Fund and Special Revenue Fund expenditures for the fiscal year ended June 30, 2020.

Expenditures	Amount	Percent of Total
General Fund	\$8,272,613	92%
Proprietary Fund	450,403	5%
Special Revenue Fund	<u>269,379</u>	<u>3%</u>
	<u>\$ 8,992,395</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 3. The school had 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 failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and Contents.

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Gerald D. Longo, CPA was selected by the Charter School.

In addition to meeting the requirements set forth in the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, *"Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Respectfully submitted,



Monica Zaslower
Board President

EMPOWERMENT ACADEMY CHARTER SCHOOL

ROSTER OF TRUSTEES

June 30, 2020

BOARD OF TRUSTEES

TERM EXPIRES

Monica Zaslower

6/22

Jermaine Pharmes

6/22

Lonnie Sobel

6/21

Thomas Gallagher

6/22

Thomas Ogorzalek

6/21

CONSULTANTS AND ADVISORS
June 30, 2020

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OFFICIAL DEPOSITORY

Bank of America

FINANCIAL SECTION

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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Empowerment Academy Charter School
County of Hudson
Jersey City, New Jersey

Report on the Financial Statements

I 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 Board of Trustees of the Empowerment Academy Charter School, County of Hudson, State of New Jersey, as of and for the fiscal year and ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Empowerment Academy Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my 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 Empowerment Academy Charter School as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity 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, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School basic financial statements, The accompanying supplementary information such as the combining and individual fund financial statements and the schedules of expenditures of federal and state awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and New Jersey's OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual fund financial statements and the schedules of expenditures of federal and state awards 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 my opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 29, 2020 on my consideration of the Empowerment Academy Charter School's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Empowerment Academy Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
December 29, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

This section of Empowerment Academy Charter School annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-20 fiscal year include the following:

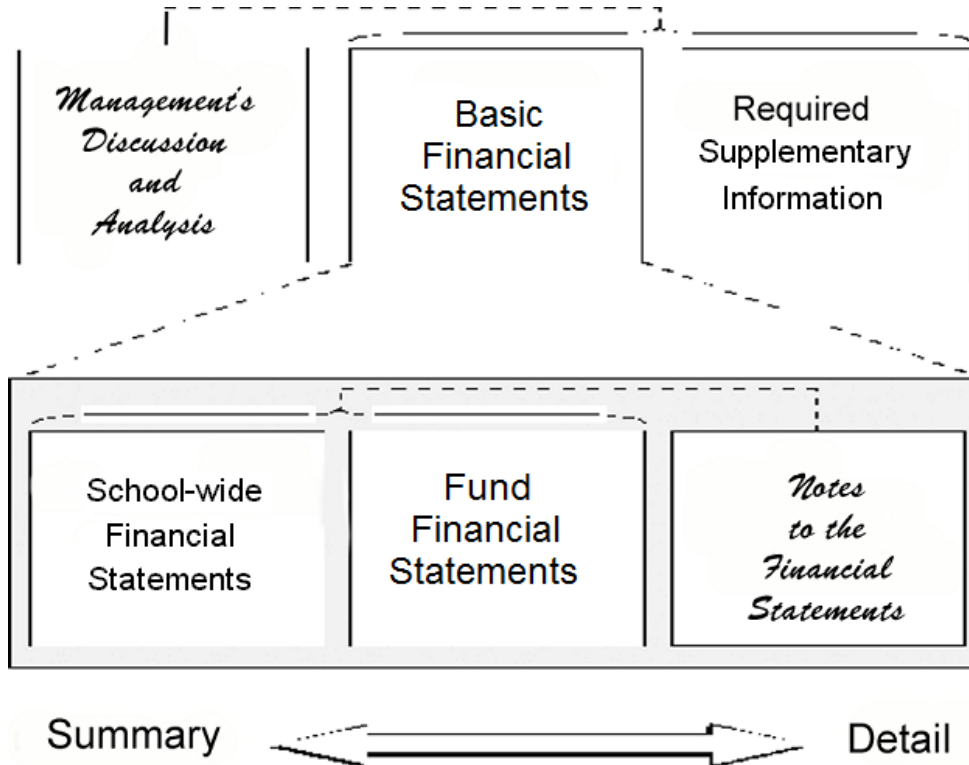
- Total Net Position – School Wide was \$619,291.
- The unassigned General Fund balance at June 30, 2020 is \$1,359,437.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that 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 Empowerment Academy Charter School.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Empowerment Academy Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Empowerment Academy Charter School, reporting the Empowerment Academy Charter School's operation in more detail than the school-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 funds statements offer short- and long-term financial information about the Food Service activities the Empowerment Academy Charter School operates like businesses.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Empowerment Academy Charter School’s financial statements, including the portion of the Empowerment Academy Charter 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-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire school (except fiduciary funds)	The activities of the Empowerment Academy Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Empowerment Academy Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, 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 there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow 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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

School-wide Statements

The school-wide statements report information about the Empowerment Academy Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Empowerment Academy Charter School’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Empowerment Academy Charter School’s net position and how they have changed. Net position – the difference between the Empowerment Academy Charter School’s assets and liabilities – are one way to measure the Empowerment Academy Charter School’s financial health or position.

In the school-wide financial statements, the Empowerment Academy Charter School’s activities are shown in two categories:

- *Governmental activities*- Most of the Empowerment Academy Charter School’s basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The Charter School's Food Service Fund and the after school program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Empowerment Academy Charter School’s funds – focusing on its most significant or “major” funds – not the Empowerment Academy Charter School as a whole.

Funds are accounting devices the Empowerment Academy Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

Empowerment Academy Charter School uses other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The Empowerment Academy Charter School has three kinds of funds:

- **Governmental funds-** Most of the Empowerment Academy Charter 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 Empowerment Academy Charter School’s programs. Because this information does not encompass the additional long-term focus of the school-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 Empowerment Academy Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The Empowerment Academy Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The Empowerment Academy Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Empowerment Academy Charter School’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. I exclude these activities from the Empowerment Academy Charter School’s government-wide financial statements because the Empowerment Academy Charter School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE EMPOWERMENT ACADEMY CHARTER SCHOOL AS A WHOLE

Net position. The Empowerment Academy Charter School’s School Wide net position is \$619,291 as of June 30, 2020. (See Table A-1).

Governmental Net Position	<u>\$590,027</u>
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EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The Empowerment Academy Charter School's financial position is the product of these factors:

- Special Revenues and Expenditures for Federal Activities were \$450,403.
- General Fund Revenues were \$9,455,651.
- General Fund Expenditures were \$8,272,613.

Table A-1
EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2020

	<u>Total</u>
Current and Other Assets	\$2,676,914
Deferred Outflows of Resources	2,201,967
Capital Assets	0
Total Assets	<u>\$4,878,881</u>
Current and Other Liabilities	\$ 371,513
Long-Term Liabilities - Net Pension Liability and Deferred Inflows of Resources	2,971,377
Total Liabilities and Deferred Inflows of Resources	<u>\$ 3,342,890</u>
Net Position:	
Invested In Capital Assets	0
Unrestricted Net Position	619,291
Total Net Position	<u><u>\$619,291</u></u>
Fund Balance - June 30, 2020	\$1,388,701
Invested In Capital Assets, Net	---
Net Position before Pension Adjustment	<u>1,388,701</u>
Less: Pension Adjustment	<u>(769,410)</u>
Net Position - June 30, 2020	<u><u>\$619,291</u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$619,291 as of June 30, 2020.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table A-2
EMPOWERMENT ACADEMY CHARTER SCHOOL
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2020

Revenues	Total
Program revenues	
Charges for services	0
Operating grants and contributions	
General revenues	
Local Share	\$ 2,254,333
Federal and State Aid-Unrestricted	7,024,175
Federal Aid-Restricted	450,403
Enterprise Fund	282,364
Other	177,143
Increase in Capital Outlay	-
Total revenues	\$ 10,188,418
Expenses	
Regular Instruction	4,014,724
General Administrative	1,934,646
School Administrative	1,939,857
Enterprise Fund	269,379
On-behalf TPAF Social Security/Pension/Medical	793,889
Capital Outlay	39,900
Total expenses	\$ 8,992,395
Increase in net position	\$ 1,196,023
Increase in Net Capital Outlay	---
Total Increase in Net Position Before Pension Adjustment	1,196,023
Net Position - Beginning July 1, 2019	(220,656)
Net Position - Before Pension Adjustment	975,367
Less Pension adjustment net	(356,076)
Net Position - End of Year June 30, 2020	\$ 619,291

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

Table A-3 (See Exhibit A-2)
**EMPOWERMENT ACADEMY CHARTER SCHOOL
Total and Net Cost of Services - Governmental
For the Fiscal Year Ended June 30, 2020**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 4,014,724	\$ 3,564,321
Support Services			
General Administrative Services	B-2	1,934,646	1,934,646
School Administrative Services	B-2	1,939,857	1,939,857
On-behalf TPAF Social Security/Pension/Medical	B-2	793,889	793,889
Capital Outlay	B-2	39,900	39,900
Total Governmental Activities		\$ 8,723,016	\$ 8,272,613

FINANCIAL ANALYSIS OF THE EMPOWERMENT ACADEMY CHARTER SCHOOL FUNDS

The financial performance of the Empowerment Academy Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Empowerment Academy Charter School completed the year, it reported a combined fund balance of \$1,388,701.

Revenues for the Empowerment Academy Charter School's school wide funds were \$10,188,418 while total expenses were \$8,992,395. (Table A-4) (Exhibit B-2)

GENERAL FUND

The General Fund includes the primary operations of the Empowerment Academy Charter School in providing educational services to students from grade K through grade 5.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The following schedule presents a summary of Revenues – School Wide.

Table A-4 (See Exhibit B-2)
EMPOWERMENT ACADEMY CHARTER SCHOOL
Changes in Revenues - School Wide
For the Fiscal Years Ended June 30

Revenues	Year Ended 06/30/2020	Year Ended 06/30/2019	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 2,254,333	\$ 1,629,926	\$624,407
Other Local Revenue	177,143	6,857	170,286
Total Local Sources	\$ 2,431,476	\$ 1,636,783	\$794,693
Intergovernmental			
State Sources	\$ 7,024,175	\$ 4,930,792	\$ 2,093,383
Proprietary Fund	282,364	238,004	\$ 44,360
Federal Sources	450,403	423,541	26,862
Total Intergovernmental Sources	7,756,942	5,592,337	\$ 2,164,605
Total Revenue - School Wide	\$ 10,188,418	\$ 7,229,120	\$ 2,959,298

The following schedule presents a summary of Expenditures - School Wide.

Table A-5 (See Exhibit B-2)
EMPOWERMENT ACADEMY CHARTER SCHOOL
Changes in Expenditures - School Wide
For the Fiscal Years Ended June 30

Expenditures	Year Ended 06/30/2020	Year Ended 06/30/2019	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 4,014,724	\$ 3,163,810	\$ 850,914
General Administrative Services	1,934,646	1,446,755	487,891
School Administration	1,939,857	1,720,451	219,406
On-behalf TPAF Social Security/Pension/Medical	793,889	520,380	273,509
Proprietary Fund	269,379	230,528	38,851
Capital outlay	39,900	59,400	(19,500)
Total Expenditures - School Wide	\$ 8,992,395	\$ 7,141,324	\$ 1,851,071

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the School Wide unreserved-unassigned fund balance.

**Table A-6
EMPOWERMENT ACADEMY CHARTER SCHOOL
Changes in Fund Balance
and Expenditures- School Wide
For the Fiscal Years Ended June 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Unreserved-Unassigned Fund Balance	1,388,701	192,678	104,882	5,312	130,411
Expenditures	8,992,395	7,141,324	5,782,930	4,089,249	2,764,419
Percentages	15%	3%	2%	.1%	5%

The Empowerment Academy Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance for the subsequent years budgets \$1,388,701 for the 2020-21 school year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

**Table A-7
EMPOWERMENT ACADEMY CHARTER SCHOOL
Changes in Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2020**

Not Applicable

EMPOWERMENT ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

FACTORS BEARING ON THE SCHOOL'S FUTURE

While many factors influence the Charter School's future, the availability of State funding and the economy will have the most impact on educational and fiscal decisions in the future.

These and many other factors were considered by the Charter School's administration during the process of developing the fiscal year 2020-21 budget. The primary factors were the Charter School's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2020-2021.

CONTACTING THE EMPOWERMENT ACADEMY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Empowerment Academy Charter School's finances and to demonstrate the Empowerment Academy Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Empowerment Academy Charter School, 240 Ege Avenue, Jersey City, New Jersey 07304

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Empowerment Academy Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2020.

SCHOOL-WIDE FINANCIAL STATEMENTS

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,132,467	\$ 50,108	\$ 2,182,575
Receivables - Net	471,880	16,576	488,456
Interfund	(64,320)	(2,734)	(67,054)
Security Deposit	72,937		72,937
Capital assets, net	-	-	-
Total Assets	<u>2,612,964</u>	<u>63,950</u>	<u>2,676,914</u>
Deferred outflows of resources - Pension	2,201,967		2,201,967
Total assets and deferred outflows of resources	<u>\$ 4,814,931</u>	<u>\$ 63,950</u>	<u>\$ 4,878,881</u>
LIABILITIES			
Accounts payable	\$ 352,562	\$ 34,686	\$ 387,248
Deferred Revenue	1,707		1,707
Loan Payable - PPP SBA	899,258		899,258
Net Pension Liability - Noncurrent	2,173,172		2,173,172
Total Liabilities	<u>3,426,699</u>	<u>34,686</u>	<u>3,461,385</u>
Deferred inflows of resources - Pension	798,205	-	798,205
NET POSITION			
Invested in capital assets	-	-	-
Unrestricted (Note 14)	590,027	29,264	619,291
Total Net Position	<u>\$ 590,027</u>	<u>\$ 29,264</u>	<u>\$ 619,291</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,814,931</u>	<u>\$ 63,950</u>	<u>\$ 4,878,881</u>

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (4,014,724)		\$ (450,403)		\$ (3,564,321)		\$ (3,564,321)
Support services:					-		
General administration	(1,934,646)		-		\$ (1,934,646)		\$ (1,934,646)
School administrative services/ operations plant serv.	(1,939,857)				(1,939,857)		(1,939,857)
On - behalf TPAF Social Security/Pension/Medical	(793,889)				(793,889)		(793,889)
Capital Outlay	(39,900)				(39,900)		(39,900)
Total governmental activities	(8,723,016)		(450,403)		(8,272,613)		(8,272,613)
Business-type activities:							
Food Service and After School Program	(269,379)	(269,379)				(269,379)	(269,379)
Total business-type activities	(269,379)	(269,379)				(269,379)	(269,379)
Total primary government	(8,992,395)	\$ (269,379)	\$ (450,403)		\$ (8,272,613)	\$ (269,379)	\$ (8,541,992)
General revenues:							
Local Share					\$ 2,254,333		\$ 2,254,333
State Share					5,126,556		5,126,556
State and Federal Aid					1,897,619	258,932	2,156,551
Miscellaneous Income					177,143	23,432	200,575
Increase in net Capital Outlay					0		0
Total general revenues, special items, extraordinary					9,455,651	282,364	9,738,015
Change in Net Position - Increase					1,183,038	12,985	1,196,023
Net Position - July 1, 2019					(236,935)	16,279	(220,656)
Net Pension Adjustment					(356,076)		(356,076)
Net Position - June 30, 2020					\$ 590,027	\$ 29,264	\$ 619,291

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

EMPOWERMENT ACADEMY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2020

	General Fund	Special Revenue Fund	Total
ASSETS			
Cash and cash equivalents	\$ 2,132,467	\$ -	\$ 2,132,467
Interfund	11,404	(75,724)	(64,320)
Receivables, Net	377,342	94,538	471,880
Security Deposits	72,937		72,937
Total assets	<u>\$ 2,594,150</u>	<u>\$ 18,814</u>	<u>\$ 2,612,964</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 335,455	\$ 17,107	\$ 352,562
Deferred Revenue		1,707	1,707
Loan Payable PPP- SBA	899,258		899,258
Total liabilities	<u>335,455</u>	<u>18,814</u>	<u>1,253,527</u>
Fund Balances:			
Unassigned	1,359,437		1,359,437
Total Fund balances	<u>1,359,437</u>		<u>1,359,437</u>
Total liabilities and fund balances	<u>\$ 1,694,892</u>	<u>\$ 18,818</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation

0

Net position before pension adjustments - Exhibit B-1

1,359,437

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 5)

2,201,967

Deferred Outflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 5)

(798,205)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5)

(2,173,172)

Net position of governmental activities - June 30, 2020

\$ 590,027

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Share	\$ 2,254,333	\$ -	\$ 2,254,333
State Share	5,126,556	-	5,126,556
Miscellaneous	177,143	-	177,143
Total - Local Sources	<u>7,558,032</u>	<u>-</u>	<u>7,558,032</u>
State Sources	1,897,619	-	1,897,619
Federal Sources	-	450,403	450,403
Total Revenues	<u>\$ 9,455,651</u>	<u>\$ 450,403</u>	<u>\$ 9,906,054</u>
EXPENDITURES			
Current:			
Regular instruction	\$ 3,564,321	\$ 450,403	\$ 4,014,724
Support services- General Administrative	1,934,646	-	1,934,646
Support Services- School Admin/ operations plant se	1,939,857	-	1,939,857
On-behalf TPAF Social Security/Pension/Medical	793,889	-	793,889
Capital outlay	39,900	-	39,900
Total expenditures	<u>8,272,613</u>	<u>450,403</u>	<u>8,723,016</u>
Excess (Deficiency) of revenues over expenditures	<u>1,183,038</u>	<u>-</u>	<u>1,183,038</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances - Increase	1,183,038	-	1,183,038
Fund balance - July 1, 2019	176,399	-	176,399
Fund balance - June 30, 2020	<u>\$ 1,359,437</u>	<u>-</u>	<u>\$ 1,359,437</u>

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

	General Fund
Total net change in fund balances - governmental funds (from B-2)	\$ 1,183,038

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

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

Depreciation expense	\$ -	
Capital outlays	-	
	-	\$ -

Pension contributions are reported in governmental funds as expenditures; however, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

	(356,076)
Change in net position of governmental activities for year ending June 30, 2020	\$ 826,962

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

PROPRIETARY FUNDS

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
As of June 30, 2020

	Business-type Activities Enterprise funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 50,108
Accounts receivable	16,575
Total current assets	66,683
Noncurrent assets:	
Total noncurrent assets	
Total assets	\$ 66,683
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 37,419
Total current liabilities	37,419
Total liabilities	37,419
NET POSITION	
Invested in capital assets	
Unrestricted	29,264
Total net position	\$ 29,264

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Business-type Activities Enterprise Funds</u>
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	\$ 23,432
Total operating revenues	<u>23,432</u>
Operating expenses:	
Salaries and Benefits	<u>(269,379)</u>
Total Operating Expenses	<u>(269,379)</u>
Operating income (loss)	<u>(245,947)</u>
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	4,870
Federal sources:	
National school breakfast program	85,347
National school lunch program	165,246
National School Snack Program	3,469
Total nonoperating revenues (expenses)	<u>258,932</u>
Income (loss) before contributions & transfers	12,985
Transfers in (out)	
Change in net position - Increase	<u>12,985</u>
Total net position - July 1, 2019	16,279
Total net position - June 30, 2020	<u><u>\$ 29,264</u></u>

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Exhibit B-6

Business-type
Activities
Enterprise Funds

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Participants	\$ 23,432
Payments to suppliers	(277,739)
Net cash provided by (used for) operating activities	(254,307)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State and Federal Sources	258,663
Net cash provided by non-capital financing activities	258,663

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash provided by (used for) investing activities	4,356
Net increase (decrease) in cash and cash equivalents	45,752
Cash and Cash Equivalents - beginning of year	45,752
Cash and Cash Equivalents - end of year	\$ 50,108

**Reconciliation of operating income (loss) to net cash provided
(used) by operating activities:**

Operating income (loss)	\$ 12,985
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
(Increase) decrease in accounts receivable, net	(269)
Increase (decrease) in accrued compensated absences	(8,360)
Total adjustments	(8,629)
Net cash provided by (Used In) operating activities	\$ 4,356

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

FIDUCIARY FUNDS

Exhibit B-7

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2020**

NOT APPLICABLE

Exhibit B-8

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Empowerment Academy Charter School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board of Trustees (the "Board") consists of appointed officials and are responsible for the fiscal control of the Charter School. A director is appointed by the Board and is the administrative control of the Charter School.

A reporting entity is comprised primary government, component units and other organizations that are included to insure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities for the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, section of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Charter School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do no conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below.

A. Basis of Presentation

The Charter School's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Statements

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

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

GASB Pronouncements

Recent Accounting Pronouncements Not Yet Effective

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 "Fiduciary Activities." This statement, which is effective for fiscal periods beginning after December 15, 2019, could have significant effects on the entity's financial reporting and the provisions of this statement could require significant modifications to disclosure requirements.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases." This statement, which is effective for fiscal periods beginning after December 15, 2019, could have significant effects on the entity's financial reporting and the provisions of this statement could require significant modifications to disclosure requirements.

Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Depreciation of fixed assets used by proprietary funds is charged as an expense against their operations.

Fiduciary Funds

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Charter School are included on the Statement of Net Position.

Fund Financial Statements

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental funds types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Charter School receives a portion of the local tax levy and state aid from school districts based upon the number of enrolled students. The State Department of Education in conjunction with the local Charter School revises the amounts to be received by the Charter School three times a year based upon the enrollment counts on June 1, October 15, and the last day of the school year. The local tax levy and state aid are susceptible to accrual. The Charter School records the entire anticipated local tax levy to be received at the start of the fiscal year based upon the June 1 enrollment count and certification from the New Jersey State Department of Education, since the revenue is both measurable and available. The Charter School is entitled to receive monies under the established payment schedule, which is revised after each enrollment count date, and the unpaid amount is considered to be an "accounts receivable".

At June 30, 2020, the Charter School will have an accounts receivable or accounts payable based upon the current year final enrollment count.

In its accounting and final reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S 1701).

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 (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures 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 Exhibit B-2.

F. Encumbrances

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were \$0 of encumbrances at June 30, 2020

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

G. Cash, Cash Equivalents and Investments

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

New Jersey Charter Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Charter Schools.

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured.

All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Inventories and Prepaid Expenses

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

J. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

No capital assets are reported.

K. Compensated Absences

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

The entire sick leave and vacation liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. The Charter School had a compensated absence liability of \$0 at June 30, 2020.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

L. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of compensated absences and mortgage payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

M. Net Position

GASB 63 provides guidance for reporting net position in the statement of financial position and related disclosures. Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, granters, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The Charter School reports the Capital Reserve, Emergency Reserve, Maintenance Reserve and Excess Surplus as Restricted Fund Balance.

Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the Charter School's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education. The Charter School reports amounts Designated for Capital Project Fund encumbrances as Committed Fund Balance

Assigned - includes amounts that the Charter School intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the Charter School's policy, amounts may be assigned by the Business Administrator. The Charter School reports Year End Encumbrances as Assigned Fund Balance.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

N. Unearned/Deferred Revenue

Unearned/Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

O. Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

uncollateralized. As of June 30, 2020, the Charter School cash balances were insured for \$250,000 by the FDIC and the remaining balance was subject to the provisions of GUDPA.

The Board 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, bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2020, the Charter School had no investments.

4 PENSION PLANS

Description of Plans - Substantially all of the employees of the School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

4 PENISON PLANS (continued)

Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:03B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

Significant Legislation - Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes - Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

4 PENISON PLANS (continued)

Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the School is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and Schools).

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

PERS employer contributions are made annually by the Board 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.

The School's contribution to PERS for the year ended June 30, 2020 was \$119,123.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue \$265,821 for the year ended June 30, 2020 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also the State paid \$528,068 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

4 PENISON PLANS (continued)

These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

5 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$6,708,649 as measured on June 30, 2019 and \$4,379,669 as measured on June 30, 2018.

For the year ended June 30, 2020, the Charter School recognized pension expense of \$395,694 and revenue of \$395,694 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2020 is based upon changes in the collective net pension liability with a measurement period of June 30, 2019 through June 30, 2018. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2018 and June 30, 2019.

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Collective Net Pension Liability

Component of Net Pension Liability

The components of the collective net pension liability of the participating employers as of June 30, 2019 were as follows:

Total pension liability	\$84,215,846,719
Plan fiduciary net position	<u>22,696,734,276</u>
Net pension liability	<u>\$61,519,112,443</u>
Plan fiduciary net position as a percentage of the total pension liability	26.95%

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55% – 4.45%
	based on years of service
Thereafter	2.75 – 5.65%
	based on years of service
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

At 1% decrease (4.60%)	At current discount rate (5.60%)	At 1% increase (6.60%)
\$72,544,649,801	\$61,519,112,443	\$52,371,397,951

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2019:

	Year of deferral	Amortization period	Beginning of year Balance	Additions	Deductions	End of year Balance
Deferred Outflows of Resources:						
Differences between expected and actual experience	2015	8.30 years	\$ 189,214,650	---	44,003,407	145,211,243
	2017	8.30 years	179,419,108	---	28,479,224	150,939,884
	2018	8.29 years	1,051,605,259	---	144,253,122	907,352,137
Subtotal			1,420,239,017	---	216,735,753	1,203,503,264
Changes of assumptions	2014	8.50 years	1,076,424,469	---	307,549,848	768,874,621
	2015	8.30 years	3,063,649,492	---	712,476,627	2,351,172,865
	2016	8.30 years	6,913,685,892	---	1,304,469,036	5,609,216,856
Subtotal			11,053,759,853	---	2,324,495,511	8,729,264,342
Total Deferred Outflows			\$ 12,473,998,870	---	2,541,231,264	9,932,767,606
Deferred Inflows of Resources:						
Differences between expected and actual experience	2014	8.50 years	10,252,211		2,929,202	7,323,009
	2016	8.30 years	85,977,601		16,222,189	69,755,412
	2019	8.04 years	---	155,621,840	19,355,950	136,265,890
Subtotal			96,229,812	155,621,840	38,507,341	213,344,311
Changes of assumptions	2017	8.30 years	10,084,192,916	---	1,600,665,542	8,483,527,374
	2018	8.29 years	5,994,557,085	---	822,298,640	5,172,258,445
	2019	8.04 years	---	4,005,548,119	498,202,502	3,507,345,617
Subtotal			16,078,750,001	4,005,548,119	2,921,166,684	17,163,131,436
Differences between projected on pension plan investments	2015	5 years	(192,642,062)	---	(192,642,062)	---
	2016	5 years	(863,710,385)	---	(431,855,193)	(431,855,192)
	2017	5 years	678,024,787	---	226,008,263	452,016,524
	2018	5 years	384,121,486	---	96,030,371	288,091,115
	2019	5 years	---	(181,103,464)	(36,220,693)	(144,882,771)
Subtotal			5,793,826	(181,103,464)	(338,679,314)	163,369,676
Total Deferred Inflows			\$ 16,180,773,639	3,980,066,495	2,620,994,711	17,539,845,423

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

Year ending June 30:	
2020	\$(272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
Total	<u><u>\$(7,607,077,817)</u></u>

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the year ending June 30, 2019 are as follows:

Service cost	\$1,882,081,572
Interest on total pension liability	4,201,672,382
Member contributions	(846,166,328)
Administrative expense	13,922,385
Expected investment return net of investment expenses	(1,542,884,759)
Pension expense related to specific liabilities of individual employers	(300,112)
Recognition (amortization) of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	178,228,412
Recognition of assumption changes or inputs	(596,671,173)
Recognition of investment gains or losses	338,679,314
Total pension expense	<u><u>\$3,628,561,693</u></u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
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5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Public Employees’ Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2020, the Charter School reported a liability of \$2,173,172 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

The Charter School’s proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2019. At June 30, 2019, the Charter School’s proportion was .012061%.

For the year ended June 30, 2020, the Charter School recognized pension expense of \$590,710. At June 30, 2020, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 39,006	\$ 9,600
Changes of assumptions	216,999	754,301
Net difference between projected and actual earnings on pension plan investments		34,304
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	1,828,646	
Charter School contributions subsequent to the measurement date / other.	117,316	
Total	<hr/> <hr/> \$2,201,967	<hr/> <hr/> \$79,820

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

The Charter School reported \$119,123 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2020, the plan measurement date was June 30, 2019) will be recognized as a reduction of the net pension liability measured as of June 30, 2020.

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

	<u>Year Ended June 30:</u>
2020	(\$32,856)
2021	(84,942)
2022	(76,053)
2023	(146,709)
2024	(287,213)
Total:	<u><u>(\$627,772)</u></u>

Collective Net Pension Liability

Component of Net Pension Liability

The components of the collective net pension liability of the participating employers as of June 30, 2019 are as follows:

	State	Local	Total
Total pension liability	\$29,512,766,255	\$41,491,463,886	\$71,004,230,141
Plan fiduciary net position	6,500,345,915	23,347,631,751	29,847,977,666
Net pension liability	\$23,012,420,340	\$18,143,832,135	\$41,156,252,475

Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% – 6.00%
	based on years of service
Thereafter	3.00 – 7.00%
	based on years of service
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are

EMPOWERMENT ACADEMY CHARTER SCHOOL
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5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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 rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2019 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	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State employers and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
State	\$26,475,719,181	\$23,012,420,340	\$20,102,167,445
Local	22,918,608,260	18,143,832,135	14,120,406,763
Total	\$49,394,327,441	\$41,156,252,475	\$34,222,574,208

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2019:

	Year of deferral	Amortization period	Beginning of year Balance	Additions	Deductions	End of year Balance
Deferred Outflows of Resources:						
State:						
Differences between expected and actual experience	2015	5.72 years	\$ 120,822,485	---	70,245,632	50,576,853
	2016	5.57 years	204,825,863	---	79,698,780	125,127,083
	2017	5.48 years	86,974,603	---	24,992,702	61,981,901
Subtotal			412,622,951	---	174,937,114	237,685,837
Changes of assumptions						
	2014	6.44 years	117,496,263	---	81,594,626	35,901,637
	2015	5.72 years	526,944,282	---	306,362,955	220,581,327
	2016	5.57 years	1,671,733,235	---	650,479,859	1,021,253,376
Subtotal			2,316,173,780	---	1,038,437,440	1,277,736,340
Differences between projected and actual investment earnings on pension plan investments						
	2015	5 years	85,258,264	---	85,258,264	---
	2016	5 years	267,616,692	---	133,808,347	133,808,345
	2017	5 years	(192,255,103)	---	(64,085,035)	(128,170,068)
	2018	5 years	(93,581,177)	---	(23,395,294)	(70,185,883)
	2019	5 years	---	108,525,199	21,705,040	86,820,159
Subtotal			67,038,676	108,525,199	153,291,322	22,272,553
Subtotal State			2,795,835,407	108,525,199	1,366,665,876	1,537,694,730
Local:						
Differences between expected and actual experience	2015	5.72 years	195,150,881	---	113,459,816	81,691,065
	2016	5.57 years	72,386,473	---	28,165,943	44,220,530
	2017	5.48 years	107,944,381	---	31,018,501	76,925,880
	2019	5.21 years	---	149,209,849	28,639,126	120,570,723
Subtotal			375,481,735	149,209,849	201,283,386	323,408,198
Changes of assumptions						
	2014	6.44 years	155,843,811	---	108,224,870	47,618,941
	2015	5.72 years	703,384,183	---	408,944,294	294,439,889
	2016	5.57 years	2,385,275,715	---	928,122,846	1,457,152,869
Subtotal			3,244,503,709	---	1,445,292,010	1,799,211,699
Subtotal Local			3,619,985,444	149,209,849	1,646,575,396	2,122,619,897
Total deferred outflows or resources			\$ 6,415,820,851	257,735,048	3,013,241,272	3,660,314,627

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
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5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	Year of deferral	Amortization period	Beginning of year Balance	Additions	Deductions	End of year Balance
Deferred Outflows of Resources:						
State:						
Differences between expected and actual experience	2018	5.63 years	197,745,433	---	42,709,597	155,035,836
	2019	5.21 years	---	12,049,899	2,312,840	9,737,059
Subtotal			197,745,433	12,049,899	45,022,437	164,772,895
Changes of assumptions	2017	5.48 years	2,820,321,235	---	810,437,137	2,009,884,098
	2018	5.63 years	1,950,565,161	---	421,288,372	1,529,276,789
	2019	5.21 years	---	1,331,575,936	255,580,794	1,075,995,142
Subtotal			4,770,886,396	1,331,575,936	1,487,306,303	4,615,156,029
Subtotal State			4,968,631,829	1,343,625,835	1,532,328,740	4,779,928,924
Local:						
Differences between expected and actual experience	2018	5.63 years	101,525,444	---	21,927,742	79,597,702
Subtotal			101,525,444	---	21,927,742	79,597,702
Changes of assumptions	2017	5.48 years	3,629,610,513	---	1,042,991,527	2,586,618,986
	2018	5.63 years	2,666,045,055	---	575,819,666	2,090,225,389
	2019	5.21 years	---	1,951,972,924	374,658,911	1,577,314,013
Subtotal			6,295,655,568	1,951,972,924	1,993,470,104	6,254,158,388
Differences between projected and actual investment earnings on pension plan investments	2015	5 years	(118,977,340)	---	(118,977,340)	---
	2016	5 years	(665,141,404)	---	(332,570,701)	(332,570,703)
	2017	5 years	598,659,958	---	199,553,320	399,106,638
	2018	5 years	370,147,142	---	92,536,786	277,610,356
	2019	5 years	---	(74,646,907)	(14,929,381)	(59,717,526)
Subtotal			184,688,356	(74,646,907)	(174,387,316)	284,428,765
Subtotal Local			6,581,869,368	1,877,326,017	1,841,010,530	6,618,184,855
Total deferred inflows of resources			11,550,501,197	3,220,951,852	3,373,339,270	11,398,113,779

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

Year ending June 30:	State	Local	Total
2020	\$(402,064,526)	(520,291,557)	(922,356,083)
2021	(1,156,909,505)	(1,687,816,332)	(2,844,725,837)
2022	(1,100,595,185)	(1,507,121,650)	(2,607,716,835)
2023	(528,507,313)	(707,671,269)	(1,236,178,582)
2024	(54,157,665)	(72,664,150)	(126,821,815)
Total	\$(3,242,234,194)	(4,495,564,958)	(7,737,799,152)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
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5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for State and local employers for the year ending June 30 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$526,757,589	\$803,761,000	\$1,330,518,589
Interest on total pension liability	1,701,980,100	2,382,273,210	4,084,253,310
Member contributions	(355,581,371)	(553,610,183)	(909,191,554)
Administrative expense	6,593,343	14,664,098	21,257,441
Expected investment return net of investment expenses	(446,287,688)	(1,478,181,305)	(1,924,468,993)
Pension expense related to specific liabilities of individual employers	(237,877)	(6,923,099)	(7,160,976)
Current period recognition (amortization) of deferred outflows and inflows of resources:			
Differences between expected and actual experience	129,914,677	179,355,644	309,270,321
Changes of assumptions	(448,868,863)	(548,178,094)	(997,046,957)
Differences between projected and actual investment earnings on pension plan investments	153,291,322	174,387,316	327,678,638
Total pension expense	<u>\$1,267,561,232</u>	<u>\$967,548,587</u>	<u>\$2,235,109,819</u>

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2019 and 2018, respectively, calculated using the discount rate of 5.60% and 5.66%, respectively, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
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5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Charter School’s proportionate share of the net pension liability	\$2,332,625	\$1,983,525	\$1,686,671
	2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
Charter School’s proportionate share of the net pension liability	\$2,564,343	\$2,173,172	\$1,782,001

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>

6 POST RETIREMENT BENEFITS

State Health Benefit Program Fund - Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

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 year of service or on a disability retirement. Under the provision of Chapter 126, P .L. 1992, the State also provides employer-paid coverage to members of 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. In Fiscal Year 2019, the State paid PRM benefits for 153,893 State and local retirees.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 POST RETIREMENT BENEFITS (continued)

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2019, the State contributed \$1.908 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's "pay-as-you-go" contributions have remained consistent with Fiscal Year 2018 amounts. The State has appropriated \$1.612 billion in Fiscal Year 2020 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2019 total State OPEB liability to provide these benefits is \$76.0 billion, a decrease of \$14.5 billion or 16 percent from the \$90.5 billion liability recorded in Fiscal Year 2018.

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

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

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that have a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees.

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 POST RETIREMENT BENEFITS (continued)

Total Nonemployer OPEB Liability \$41,729,081,045

Inflation rate 2.50%

	TPAF/ABP	PERS	PFRS
Salary increases:			
Through 2026	1.55 - 3.05%	2.00 - 6.00%	3.25 - 15.25%
	based on service years	based on service years	based on service years
Thereafter	1.55 - 3.05%	3.00 - 7.00%	Applied to all
	based on service years	based on service years	future years

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013 - June 30, 2018 for TPAF, PERS and PFRS, respectively.

(a) Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

(b) Discount rate

The discount rate for June 30, 2019 was 3.5%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 POST RETIREMENT BENEFITS (continued)

(c) Sensitivity of Total Nonemployer OPEB Liability to changes in the discount rate:

The following presents the total nonemployer OPEB liability as of June 30, 2019, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1 -percentage point higher than the current rate:

At 1% decrease (2.50%)	At current rate (3.50%)	At 1% increase (4.50%)
\$49,298,534,898	\$41,729,081,045	\$35,716,321,820

(d) Sensitivity of Total Nonemployer OPEB Liability to changes in the healthcare trend rate:

The following presents the total nonemployer OPEB liability as of June 30, 2018 calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1 -percentage point lower or 1 -percentage point higher than the current rate:

1% decrease	Healthcare cost trend rate	1% increase
\$34,382,902,820	\$41,729,081,045	\$51,453,912,586

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

For the fiscal year ended June 30, 2020 the Charter School recognized OPEB expense of \$590,794 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$1,687,906 there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

7 **COMPENSATED ABSENCES**

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years.

Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. As of June 30, 2020, Charter School-wide compensated absences amounted to \$-0-.

8 **ECONOMIC DEPENDENCY**

The Charter School receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if it were to occur, could have an effect on the Charter School's programs and activities.

9 **CONTINGENT LIABILITIES**

The Charter 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 Charter School may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter 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 Charter School.

The Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School's financial position.

10 **RISK MANAGEMENT**

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

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

10 RISK MANAGEMENT (continued)

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

New Jersey Unemployment Compensation - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State.

11 RECEIVABLES

Receivables as of June 30, 2020 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full.

A summary of the principal items of receivables are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$377,342</u>	<u>\$94,538</u>	<u>\$16,576</u>	<u>\$488,456</u>
Gross Receivables	<u>\$377,342</u>	<u>\$94,538</u>	<u>\$16,576</u>	<u>\$488,456</u>

12. SHARED SERVICES

The School entered into agreements with Beloved Charter School Inc. for certain receipt of operational and custodial services for \$122,040 per annum. Offset by business, educational support, and transportation expenses of \$439,760, net expense to Empowerment Academy Charter School \$317,720. Included in Receivables – Net in the General Fund is \$75,000 due from Beloved Charter School

13. RENTAL COMMITMENTS

Rental Commitments

The school has entered into a non-cancellable lease agreement with an initial 2 ½ year term commencing January 2016 to June 30, 2019 at the former Our Lady of Victories school in Jersey City, NJ with five year renewal options through June 30, 2044. In June 2019, the school exercised its option to extend the lease term to June 2024. Rent expense for year ended June 30, 2020 amounted to \$552,149 under this lease.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

13. RENTAL COMMITMENTS (continued)

Effective July 1, 2020, the school entered a lease with St. Paul of the Cross Church for a location at 211 Sherman Avenue, Jersey City, New Jersey. The initial lease term is for the period July 1, 2020 to June 30, 2024 with renewal options after the expiration of the first term of a four 5-year, one 2-year and one 1 year terms. A security deposit of \$47,938 was paid in FYE 6/30/2020.

Effective May 2018, the School entered into a lease agreement with BelovED Community Charter School to sublease certain premises for operations of its School at 508 Grand St, Jersey City NJ. The rent for year ended June 30, 2020 was \$28,000 per month for a ten-month school year for a total rent expense of \$280,000 under the lease. The lease renews FYE 6-30-21 for \$35,000 monthly.

Amounts of future minimum \$4,582,247 commitments in the next five years are as follows:

Year Ended June 30:	Total Amount	Our Lady of Victories Church	St. Paul of the Cross Church	Beloved Community Charter School
2021	\$1,470,313	\$570,313	\$550,000	\$350,000
2022	1,136,813	570,313	\$566,500	
2023	1,153,808	570,313	\$583,495	
2024	1,171,313	570,313	\$601,000	
Total:	<u>\$4,932,247</u>	<u>\$2,281,252</u>	<u>\$2,300,995</u>	<u>\$350,000</u>

14. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds.

The reconciliation is as follows:

Fund balance per B-1	\$1,359,437
Cost of capital assets net accumulated depreciation	0
Pension deferred outflows	2,201,967
Pension deferred inflows	(798,205)
Deferred pension liability as of June 30, 2020	<u>(2,173,172)</u>
Net position (per A-1) as of June 30, 2020	<u>\$590,027</u>

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

15. PROFESSIONAL SERVICE AGREEMENT

The Charter School entered into a professional services agreement dated June 14, 2019 with a firm to provide consulting and support services. The amount paid for the fiscal year ended June 30, 2020 was \$162,000.

16. LOANS PAYABLE

1. Provident Bank

The Charter School entered into a loan agreement dated June 26, 2018 for a \$250,000 line of credit. Interest at prime plus 1.25% with a floor rate of 6%. Collateral is a priority UCC-1 filing of all the school's business assets. No amounts outstanding at June 30, 2020. Interest expense for the fiscal year ended June 30, 2020 amounted to \$1,825.

17. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring in the Independent Auditors Report of December 29, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements except as noted.

Subsequent to the date of these Financial Statements the COVID-19 Corona Virus has continued to spread across the State of New Jersey and the Nation as a whole. The impact of this virus on the Charter School's operations in Fiscal Year 2021 cannot be reasonably estimated at this time but may negatively affect revenues.

18. LOAN PAYABLE PPP - SBA

The Company received a loan from Bank of America in the amount of \$899,258 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

19. NOTE 19: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2020, there were interfund receivables and payables as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$11,404	\$ -
Special Revenue Fund	-	75,724
Proprietary Fund – Food Service Fund		2,734
Fiduciary Fund	67,054	
Total	<u>\$78,458</u>	<u>\$78,458</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

EMPOWERMENT ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Share	\$ 7,380,889	\$ -	\$ 7,380,889	\$ 2,254,333	\$ 5,126,556
State Share	-		0	5,126,556	\$ (5,126,556)
Miscellaneous	166,040	-	166,040	177,143	(11,103)
Total - Local Sources	<u>7,546,929</u>	<u>-</u>	<u>7,546,929</u>	<u>7,558,032</u>	<u>(11,103)</u>
Special Education Aid	195,217	-	195,217	195,217	-
Security Aid	288,549	-	288,549	288,549	-
Payroll Tax Reimbursement	572,285	-	572,285	572,285	-
Non Public aid	47,679	-	47,679	47,679	-
TPAF Medical (On-Behalf -LTD				1,148	(1,148)
TPAF Medical (On-Behalf -MEDICAL				142,582	(142,582)
TPAF Pension (On-Behalf - PENSION	-		-	384,338	(384,338)
TPAF Social Security (Reimbursed - Non-Budgeted)				265,821	(265,821)
Total State Sources	<u>1,103,730</u>	<u>-</u>	<u>1,103,730</u>	<u>1,897,619</u>	<u>(793,889)</u>
Federal Sources:					
Total - Federal Sources					
Total Revenues	<u>8,650,659</u>	<u>-</u>	<u>8,650,659</u>	<u>9,455,651</u>	<u>(804,992)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	2,672,589	-	2,672,589	2,572,750	\$ 99,839
Other Salaries	701,203	17,494	718,697	704,808	13,889
Prof/Tech Services	76,000	(16,306)	59,694	59,694	-
Other Purchased Services (400-500 series)	72,817	2,127	74,944	74,244	700
General Supplies	129,794	(562)	129,232	129,232	-
Textbooks	-	-	-	-	-
Other Objects	27,300	328	27,628	23,593	4,035
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,679,703</u>	<u>3,081</u>	<u>3,682,784</u>	<u>3,564,321</u>	<u>118,463</u>

EMPOWERMENT ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	917,520	55,667	973,187	973,187	-
Salaries of Secretarial and Clerical Assistants	-	-	-	-	-
Cost of Benefits	744,819	(135,508)	609,311	591,100	18,211
Consultants	227,550	16,738	244,288	241,316	2,972
Other Purchased Services (400-500 series)	20,988	18,904	39,892	38,698	1,194
Communications/Telephone	30,246	27,210	57,456	57,420	36
Supplies and Materials	11,669	2,737	14,406	14,406	-
Other Objects	18,926	(190)	18,736	18,519	217
	<u>1,971,718</u>	<u>(14,442)</u>	<u>1,957,276</u>	<u>1,934,646</u>	<u>22,630</u>
Support Services - School Admin/Operation Plant Services					
Salaries	423,956	(57,945)	366,011	366,011	-
Purchased Professional and Technical Services	203,940	1,419	205,359	190,425	14,934
Other Purchased Services	56,652	28,667	85,319	69,663	15,656
Rental of Land and Building- other than Lease Purchase Agreements	837,946	19,398	857,344	857,344	-
Insurance	140,256	-	140,256	139,495	761
General Supplies	29,126	-	29,126	26,071	3,055
Transportation- Trips	300,420	-	300,420	225,420	75,000
Energy (Energy and Electricity)	76,759	(5,040)	71,719	63,254	8,465
Other Objects	10,000	(5,138)	4,862	2,174	2,688
	<u>2,079,055</u>	<u>(18,639)</u>	<u>2,060,416</u>	<u>1,939,857</u>	<u>120,559</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant					
Food Service and After Care Program					
Other Purchased Services	-	-	-	-	-
Total Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
On-behalf TPAF Medical Contributions (non-budgeted)				1,148	(1,148)
On-behalf TPAF Medical Contributions (non-budgeted)				142,582	(142,582)
On-behalf TPAF pension Contributions (non-budgeted)				384,338	(384,338)
Reimbursed TPAF Social Security Contributions (non-budgeted)				265,821	(265,821)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>793,889</u>	<u>(793,889)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	4,050,773	(33,081)	4,017,692	4,668,392	(642,070)
TOTAL GENERAL CURRENT EXPENSE	<u>7,730,476</u>	<u>(30,000)</u>	<u>7,700,476</u>	<u>8,232,713</u>	<u>(523,607)</u>

EMPOWERMENT ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Non-Instructional Equipment	-				-
Instructional Equipment	-	30,000	30,000	30,000	-
Interest Expense- - Current Loans	-	-	-	-	-
Interest Expense- Mortgages	-	-	-	-	-
Building Improvements	-	-	-	-	-
Lease paymernts	9,900	-	9,900	9,900	-
Total Equipment	<u>9,900</u>	<u>30,000</u>	<u>39,900</u>	<u>39,900</u>	<u>-</u>
TOTAL EXPENDITURES- GENERAL FUND	7,740,376	-	7,740,376	8,272,613	(523,607)
Excess (Deficiency) of Revenues Over (Under) Expenditures	910,283	-	910,283	1,183,038	(281,385)
Other Financing Sources:					
Operating Transfer In:	(910,283)	-	(910,283)	-	(910,283)
Total Other Financing Sources:	<u>(910,283)</u>	<u>-</u>	<u>(910,283)</u>	<u>-</u>	<u>(910,283)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	1,183,038	(1,191,668)
Fund Balance, July 1, 2019	-	-	-	176,399	
Fund Balance, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,359,437</u>	<u>\$ (1,191,668)</u>

EMPOWERMENT ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2020

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources					
State Sources	-		-	-	
Federal Sources	450,403		450,403	450,403	
Total Revenues	<u>450,403</u>		<u>450,403</u>	<u>450,403</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	223,500		223,500	223,500	
Other Salaries for Instruction	-		-	-	
Purchased Professional -Educational Services	114,321		114,321	114,321	
Purchased Professional and Technical Services	-		-	-	
Food Service Subsidy	-		-	-	
Other Purchased Services (400-500 series)	1,503		1,503	1,503	
Textbooks	-		-	-	
General Supplies	85,520		85,520	85,520	
Personal Services- Employee Benefits	20,309		20,309	20,309	
Instructional services	-		-	-	
Equipment- instructional	-		-	-	
Recruitment	-		-	-	
Total Instruction	<u>445,153</u>	<u>-</u>	<u>445,153</u>	<u>445,153</u>	
Support Services					
Salaries of Supervisor of Instruction	5,250		5,250	5,250	
Salaries of Program Directors					
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services					
Supplies	-		-	-	
Field Trips					
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
Total Support Services	<u>5,250</u>		<u>5,250</u>	<u>5,250</u>	

EMPOWERMENT ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	450,403		450,403	450,403	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)					

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2020**

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

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(UNAUDITED)**

Public Employees' Retirement System (PERS)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School Proportion of the net pension liability (asset)	0.012061%	0.0001007%	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)	\$2,173,172	\$1,983,525	N/A	N/A	N/A
Charter School Covered employee payroll	\$740,919	\$740,919	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	293.3%	267.7%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	34.1%	37.3%	N/A	N/A	N/A

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(UNAUDITED)**

Public Employees' Retirement System (PERS)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$117,316	\$100,204	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(\$117,316)	(\$100,204)	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	N/A	N/A	N/A
Charter School Covered employee payroll	<u>\$740,919</u>	<u>\$740,919</u>	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	15.8%	13.5%	N/A	N/A	N/A

*Until a full ten year trend is compiled, information will be presented for those years for which the information is available.

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)
Teachers' Pension and Annuity Fund (TPAF)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	\$6,708,649	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	\$2,409,794	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	26.95%	N/A	N/A	N/A	N/A

**NOTE: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible (employer) for contributions to the plan. Since the charter school does not contribute directly to liability to report in the financial the plan there is no net pension statements of the charter school.

**EMPOWERMENT ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Public Employees' Retirement System (PERS)

Changes of benefit terms. 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

EMPOWERMENT ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (TPAF AND PERS)
(UNAUDITED)
Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>The State of New Jersey's Total OPEB Liability</u>			
Service Cost	\$1,734,404,850	\$1,984,642,729	\$2,391,878,884
Interest	1,827,787,206	1,970,236,232	1,699,441,736
Change in Benefit Terms			
Difference Between Expected and Actual Experience	(7,323,140,818)	(5,002,065,740)	
Benefit Payment	(1,280,958,373)	(1,232,987,247)	(1,242,412,566)
Contributions from Members	37,971,171	42,614,005	45,748,749
Changes of Assumptions or other inputs	622,184,027	(5,291,448,855)	(7,086,599,129)
Net change in total OPEB liability	(\$4,381,751,937)	(\$7,529,008,876)	(\$4,191,942,326)
Total OPEB Liability - Beginning	\$46,110,832,982	\$53,639,841,858	\$57,831,784,184
Total OPEB Liability - Ending	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's total OPEB liability**	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's OPEB liability attributable to the Charter School	\$1,687,906	\$820,581	\$0
The Charter School's proportionate share of the total OPEB liability	0	0	0
Charter School's covered employee payroll	\$3,150,713	\$3,150,713	\$1,844,981
Total Charter School's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Charter School's contribution	None	None	None
State's covered employee payroll	\$13,929,083,479	\$13,640,275,833	\$13,493,400,208
Total State's OPEB liability as a percentage of its covered-employee payroll	300.00%	338.05%	397.53%

**Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

***Based on payroll on the June 30, 2016 and June 30, 2017 census data

*Until a full ten year trend is compiled, information will be presented for those years for which information is available.

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2020

	TOTAL	TITLE IA	Title I Reallocated	TITLE IIA	Title III	Title III Immigrant	IDEA PART B	IDEA Preschool
REVENUES								
Intergovernmental								
State								
Federal	\$450,403	\$265,120	\$10,533	\$39,531	\$12,047	\$3,683	\$113,821	\$2,268
Other Sources								
Miscellaneous								
Total Revenues	<u>450,403</u>	<u>265,120</u>	<u>10,533</u>	<u>39,531</u>	<u>12,047</u>	<u>3,683</u>	<u>113,821</u>	<u>2,268</u>
EXPENDITURES								
Instruction								
Salaries	223,500	223,500			0			
Salaries -Other Instruction			0	0				
Other Purchased Services	1,503				1,503			
Purchased Prof. and Tech.and Edu Services	114,321	0	500				113,821	0
General Supplies	85,520	18,870	10,033	36,722	10,544	3,683		2,268
Recruitment								
Personal Services - Employee Benefits	20,309	17,500		2,809				0
Food Service Subsidy								
Textbooks								
Instructional Services								
Equipment - Instructional								
Total Instruction	<u>445,153</u>	<u>259,870</u>	<u>10,533</u>	<u>39,531</u>	<u>12,047</u>	<u>3,683</u>	<u>113,821</u>	<u>2,268</u>
Support Services								
Salaries of Supervisors of Instruction	5,250	5,250						
Salaries of Program Directors								
Salaries of Other Prof. Staff								
Salaries of Secretarial and Clerical Ass't								
Personal Services - Employee Benefits								
Supplies and Materials	0							
Other Purchased Services								
Purchased Professional/Educational Services	0							
Class- room Improvements								
Building Improvements								
Non instructional Equipment								
Total Support Services	<u>5,250</u>	<u>5,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u><u>\$450,403</u></u>	<u><u>\$265,120</u></u>	<u><u>\$10,533</u></u>	<u><u>\$39,531</u></u>	<u><u>\$12,047</u></u>	<u><u>\$3,683</u></u>	<u><u>\$113,821</u></u>	<u><u>\$2,268</u></u>

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Food Service Fund - The fund provides for the operation of food services in all schools.

Exhibit G-1

EMPOWERMENT ACADEMY CHARTER SCHOOL
 Statement of Net Position
 As of June 30, 2020

	<u>Business-Type Activities</u>
ASSETS	
Current Assets	
Cash	\$50,108
Intergovernmental Receivable	
Federal	13,950
State	2,625
Accounts Receivable - Other	0
Total Current Assets	<u>66,683</u>
Total Assets	<u><u>\$66,683</u></u>
LIABILITIES	
Accounts Payable	<u>37,419</u>
Total Current Liabilities	<u>\$37,419</u>
Net Position	
Unrestricted	29,264
Invested in capital assets, net	
Total Net Position	<u><u>\$66,683</u></u>

Exhibit G-2

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For The Fiscal Year Ended June 30, 2020

	Business-Type Activities
	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	
Special Lunch and Breakfast Program	\$23,432
Special Functions	0
Total Operating Revenues	23,432
 OPERATING EXPENSES	
Cost of sales	(269,379)
Total Operating Expenses	(269,379)
 Income (Loss) From Operations	(245,947)
 Nonoperating Revenues	
State Sources	
State Sources	4,870
Federal Sources	
School Breakfast Program	85,347
National School Lunch Program	165,246
Federal Snack	3,469
Total Nonoperating Revenues	258,932
 Change in Net Position - Increase	12,985
 Total Net Position - Beginning of Year - July 1, 2019	16,279
 Total Net Position - End of Year - June 30, 2020	\$29,264

EMPOWERMENT ACADEMY CHARTER SCHOOL
Statements of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

Cash flows from operating activities	
Cash Received from Customers	\$23,432
Cash Payments to Employee's Salaries and Benefits	
Cash Payments supplies, material and other	(277,739)
Net Cash (Used) by Operating Activities	<u>(254,307)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from Special Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	258,663
Net Cash Provided by Noncapital Financing Activities	<u>258,663</u>
Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	4,356
Cash and Cash Equivalents, Beginning of Year	45,752
Cash and Cash Equivalents, End of Year	<u>\$50,108</u>
Reconciliation of Operating Income to Net Cash	
Used by Operating Activities	
Operating (Income)	\$12,985
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Increase in Accounts Receivable	(269)
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	(8,360)
Total Cash Provided by Operating Activities	<u>(8,629)</u>
Net Cash Provided by Operating Activities	<u>\$4,356</u>

FIDUCIARY FUNDS

EMPOWERMENT ACADEMY CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Agency Fund Net Position
As of June 30, 2020

	<u>Summer Pay</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$209,193	\$1,890	\$211,083
Total Assets	\$209,193	\$1,890	\$211,083
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll deductions and withholdings	209,193	1,890	211,083
Total Liabilities	209,193	1,890	211,083
Net Position			
Total Liabilities and Net Position	\$209,193	\$1,890	\$211,083

Exhibit H-2

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2020**

NOT APPLICABLE

Exhibit H-3

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

EMPOWERMENT ACADEMY CHARTER SCHOOL
Payroll Agency Funds
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS				
Cash and Cash Equivalents		\$3,497,102	\$3,497,102	
Total Liabilities		3,497,102	3,497,102	
LIABILITIES				
Payroll Deductions and Withholdings		1,466,495	1,466,495	
Net Payroll		4,030,607	4,030,607	
Total Liabilities		\$5,497,102	\$5,497,102	

Exhibit H-5

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

STATISTICAL SECTION

This part of the Empowerment Academy Charter School 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 school's overall financial health.

Contents

Exhibits

Financial Trends

J- 1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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.

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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.

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

FINANCIAL TRENDS

EMPOWERMENT ACADEMY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
ACCURAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Governmental activities					
Invested in capital assets, net					
Restricted					
Unrestricted Fund Balance	\$ 1,359,437	\$ 176,399	\$ 96,079	\$ 5,313	\$ 130,411
Total governmental activities net position	<u>\$ 1,359,437</u>	<u>\$ 176,399</u>	<u>\$ 96,079</u>	<u>\$ 5,313</u>	<u>\$ 130,411</u>
Business-type activities					
Invested in capital assets, net of related debt					
Restricted					
Unrestricted	29,264	16,279	8,803	-	-
Total business-type activities net position	<u>\$ 29,264</u>	<u>\$ 16,279</u>	<u>\$ 8,803</u>	<u>\$ -</u>	<u>\$ -</u>
School-wide					
Invested in capital assets, net	-	-	-	-	-
Restricted	-	-	-	-	-
Unrestricted Fund Balance	1,388,701	192,678	104,882	5,313	130,411
Total school net position	<u>\$ 1,388,701</u>	<u>\$ 192,678</u>	<u>\$ 104,882</u>	<u>\$ 5,313</u>	<u>\$ 130,411</u>

Source: School Financial Statements

**EMPOWERMENT ACADEMY CHARTER SCHOOL
CHANGES IN NET POSITION (DEFICIT)
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Expenses					
Governmental activities					
Instruction					
Regular	\$4,014,724	\$3,163,810	\$2,543,885	\$1,996,836	\$1,277,040
Support Services:					
General administration	1,934,646	1,446,755	1,170,691	906,044	607,269
School Administrative Services	1,939,857	1,720,451	1,447,122	1,091,157	375,817
On-behalf TPAF Social Security/Pension/Medical	793,889	520,380	153,533	95,212	0
Capital outlay	39,900	59,400	265,500	0	4,293
Unallocated depreciation	0	0	0	0	0
Total governmental activities expenses	<u>8,723,016</u>	<u>6,910,796</u>	<u>5,580,731</u>	<u>4,089,249</u>	<u>2,264,419</u>
Business-type activities:					
Food service	269,379	230,528	202,199	0	0
Total business-type activities expense	<u>269,379</u>	<u>230,528</u>	<u>202,199</u>	<u>0</u>	<u>0</u>
Total school expenses	<u>\$8,992,395</u>	<u>\$7,141,324</u>	<u>\$5,782,930</u>	<u>\$4,089,249</u>	<u>\$2,264,419</u>
Program Revenues					
Governmental activities:					
Operating grants and contributions	\$450,403	\$423,541	\$450,212	\$276,745	\$389,576
Capital grants and contributions					
Total governmental activities program revenues	<u>450,403</u>	<u>423,541</u>	<u>450,212</u>	<u>276,745</u>	<u>389,576</u>
Business-type activities:					
Charges for services					
Food service	282,364	238,004	211,002	0	0
Operating grants and contributions	0	0	0	0	0
Capital grants and contributions					
Total business type activities program revenues	<u>282,364</u>	<u>238,004</u>	<u>211,002</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>\$732,767</u>	<u>\$661,545</u>	<u>\$661,214</u>	<u>\$276,745</u>	<u>\$389,576</u>
Net (Expense)/Revenue					
Governmental activities	(\$8,272,613)	(\$6,487,255)	(\$5,139,322)	(\$3,812,504)	(\$1,874,843)
Business-type activities	\$12,985	\$7,476	\$8,803	\$0	\$0
Total school-wide net expense	<u>(\$8,259,628)</u>	<u>(\$6,479,779)</u>	<u>(\$5,130,519)</u>	<u>(\$3,812,504)</u>	<u>(\$1,874,843)</u>
Governmental activities:					
Local share	\$2,254,333	\$1,629,926	\$4,205,353	\$3,056,989	\$1,804,579
State Share	5,126,556	3,970,828	409,159	482,940	108,577
State and Federal Aid aid	1,897,619	959,964	372,154	95,212	75,417
Miscellaneous income	177,143	6,857	234,620	52,264	16,681
Increase (Decrease) in Net Capital Outlay			0	0	0
Transfers					
Total governmental activities	<u>\$9,455,651</u>	<u>\$6,567,575</u>	<u>\$5,221,286</u>	<u>\$3,687,405</u>	<u>\$2,005,254</u>
Business-type activities:					
Investment earnings					
Transfers	0	0	0	0	0
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>\$9,455,651</u>	<u>\$6,567,575</u>	<u>\$5,221,286</u>	<u>\$3,687,405</u>	<u>\$2,005,254</u>
Change in Net Position					
Governmental activities	\$1,183,038	\$80,320	\$90,767	(\$125,099)	\$130,411
Business-type activities	\$12,985	\$7,476	\$8,803	\$0	\$0
Total school	<u>\$1,196,023</u>	<u>\$87,796</u>	<u>\$99,570</u>	<u>(\$125,099)</u>	<u>\$130,411</u>

Source: School Financial Statements

**EMPOWERMENT ACADEMY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund					
Reserved					
Unreserved Fund Balance	\$ 1,388,701	\$ 176,399	\$ 104,882	\$ 5,313	\$ 130,411
Total general fund	\$ 1,388,701	\$ 176,399	\$ 104,882	\$ 5,313	\$ 130,411
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue fund					
Total all other governmental funds					

Source: School Financial Statements

**EMPOWERMENT ACADEMY CHARTER SCHOOL
GOVERNMENTAL REVENUES AND EXPENDITURES
MODIFIED ACCRUAL BASIS OF ACCOUNTING
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues					
Local tax Levy	\$2,254,333	\$5,600,754	\$4,205,353	\$3,056,989	\$1,804,579
Other local revenue	177,143	6,857	234,620	52,264	16,681
Enterprise Fund	282,364	238,004	211,002		
State sources	7,024,175	959,964	781,313	578,152	183,994
Federal sources	450,403	423,541	450,212	276,745	389,576
Total revenue	<u>10,188,418</u>	<u>7,229,120</u>	<u>5,882,500</u>	<u>3,964,150</u>	<u>2,394,830</u>
Expenditures					
Instruction					
Regular Instruction	3,564,321	2,740,269	2,093,673	1,720,091	889,684
Support Services:					
General administration	1,934,646	1,446,755	1,170,691	906,044	605,049
School administrative services/Plant	1,939,857	1,720,451	1,447,122	1,091,157	375,817
TPAF Social Security/Pension/Medical	793,889	520,380	153,533	95,212	0
Food Service	269,379	230,528	202,199		
Capital outlay	39,900	59,400	265,500		4,293
Special Revenue	450,403	423,541	450,212	276,745	389,576
Total expenditures	<u>8,992,395</u>	<u>7,141,324</u>	<u>5,782,930</u>	<u>4,089,249</u>	<u>2,264,419</u>
Excess (Deficiency) of revenues over (under) expenditures					
Other Financing sources (uses)					
Transfers in					
Transfers out					
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 1,196,023</u>	<u>\$ 87,796</u>	<u>\$ 99,570</u>	<u>\$ (125,099)</u>	<u>\$ 130,411</u>

Source: School Financial Statements

REVENUE CAPACITY

EMPOWERMENT ACADEMY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
Modified Accrual Basis of Accounting
For the Fiscal Years Ended June 30
(UNAUDITED)

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other</u>	<u>Totals</u>
2016						\$16,681	\$16,681
2017						52,264	52,264
2018						147,498	147,498
2019						6,857	6,857
2020						177,143	177,143

Source: School Financial Statements

Exhibit J-6

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

Exhibit J-7

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

Exhibit J-8

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

Exhibit J-10

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

Exhibit J-11

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

Exhibit J-12

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

Exhibit J-14

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2020**

Year	Population	Personal Income	County Per Capita Personal Income	Unemployment Rate
2008	239,658	7,472,536,440	31,180	6.2%
2009	242,503	8,088,930,068	33,356	10.9%
2010	248,623	7,153,380,956	28,772	9.6%
2011	253,983	7,743,941,670	30,490	9.5%
2012	257,884	8,283,234,080	32,120	9.3%
2013	259,729	8,386,389,681	32,289	8.3%
2014	262,327	8,591,471,577	32,751	6.3%
2015	264,290	8,666,333,390	32,791	5.7%
2016	264,152	8,829,544,752	33,426	5.0%
2017	(1)	(1)	(1)	4.2%
2018	(1)	(1)	(1)	(1)
2019	(1)	(1)	(1)	(1)
2020	(1)	(1)	(1)	(1)

Sources: Unemployment information provided by the NJ Department of Labor
Population and per capita income is estimated based upon the American Community
Surveys published by the US Bureau of Economic Analysis. Personal income has been
estimated based upon the municipal population and per capita personal income presented.

(1) Information was not available at the time of the audit.

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

EMPOWERMENT ACADEMY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(Unaudited)

<u>Function/Program</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Instruction					
Regular	44	37	32	20	14
Special education	7	6	4	4	1
Other special education					
Vocational					
Other instruction	14	9	9	5	5
Nonpublic school programs					
Adult/continuing education programs					
Support Services:					
Student & instruction related services					
General administration	6	6	6	6	5
School administrative services	2	2	2		
Other administrative services	1	1			
Central services	4	4		2	
Administrative Information Technology	1				
Plant operations and maintenance	6	5	5	5	
Pupil transportation					
Other support services					
Special Schools					
Food Service					
Child Care					
Total	<u>85</u>	<u>70</u>	<u>58</u>	<u>42</u>	<u>25</u>

Source: School Personnel Records

**EMPOWERMENT ACADEMY CHARTER SCHOOL
Operating Statistics
For the Fiscal Year Ended June 30
(Unaudited)**

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2016	188	2,264,426	12,045	0.00%	14	13.42	N/A	186.9	177.3	0%	94.35%
2017	331	3,991,301	12,058	0.01%	20	16.55	N/A	331.0	324.1	77%	94.88%
2018	452	5,493,609	12,154	0.70%	30	15.07	N/A	451.9	430.8	37%	95.31%
2019	575	6,390,417	11,114	-8.60%	37	15.54	N/A	575.2	546.3	27%	94.97%
2020	718	7,478,724	10,416	-6.30%	52	13.80	N/A	717.7	692.7	25%	96.52%

Sources: School records

EMPOWERMENT ACADEMY CHARTER SCHOOL
School Building Information
For the Fiscal Year Ended June 30
(Unaudited)

<u>School Building</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Main Campus					
Square Feet	40,000	40,000	40,000	40,000	40,000
Capacity (students)	480	455	455	455	455
Enrollment	480	455	452	331	186
Second Campus					
Square Feet	16,000	2,500			
Capacity (students)	240	120			
Enrollment	240	120			
Number of Schools at June 30					
Elementary	2	2	1	1	1

Source: School Office

Exhibit J-19

**EMPOWERMENT ACADEMY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

EMPOWERMENT ACADEMY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2020
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property		
Each Occurrence	\$ 1,000,000	\$ 5,000
Damages/Rented Premises	500,000	0
Medical	20,000	0
Personal & Adv Injury	1,000,000	5,000
General Aggregate	3,000,000	5,000
Products -Comp/OP/AGG	3,000,000	5,000
Business Personal Property	650,000	2,500
Automobile	1,000,000	-
Umbrella	2,000,000	-
Workers' Compensation		
Each Accident	1,000,000	-
Disease - Each Employee	1,000,000	
Disease - Policy Limiy	1,000,000	

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**EMPOWERMENT ACADEMY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

**Charter School Performance Framework Financial Indicators
Near Term Indicators**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$2,182,575	\$155,677	\$280,308	\$180,130	\$179,711
Current Assets	2,676,914	564,191	845,932	400,168	313,597
Capital Assets-Net	0	0	0	0	0
Total Assets	<u>2,676,914</u>	<u>564,191</u>	<u>845,932</u>	<u>400,168</u>	<u>313,597</u>
Current Liabilities	1,288,213	371,513	741,050	394,856	183,186
Long Term Liabilities	0	0	0	0	0
Total Liabilities	<u>1,288,213</u>	<u>371,513</u>	<u>741,050</u>	<u>394,856</u>	<u>183,186</u>
Net Position	<u>1,388,701</u>	<u>192,678</u>	<u>104,882</u>	<u>5,312</u>	<u>130,411</u>
Total Revenue	10,188,418	7,229,120	5,882,500	3,964,150	2,394,830
Total Expenses	<u>8,992,395</u>	<u>7,141,324</u>	<u>5,782,930</u>	<u>4,089,249</u>	<u>2,264,419</u>
Change in Net Position	<u>\$1,196,023</u>	<u>\$87,796</u>	<u>\$99,570</u>	<u>(\$125,099)</u>	<u>\$130,411</u>
Depreciation	0	0	0	0	0
Principal Payments	0	0	0	0	0
Interest payments	0	0	0	0	0
Final average daily enrollment	718	576	452	336	192
March 30th budgeted Enrollment	718	576	452	336	192
Near term indicators	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
CURRENT RATIO	2.07	1.52	1.15	1.01	5.84
Unrestricted days cash	89.5	7.96	17.69	16.07	28.96
Enrollment variance	0%	0%	0%	0%	0%
Default	N/A	N/A	N/A	N/A	N/A

**EMPOWERMENT ACADEMY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

**Charter School Performance Framework Financial Indicators
Sustainability Indicators**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$2,182,575	\$155,677	\$280,308	\$180,130	\$179,711
Current Assets	2,676,914	564,191	845,932	400,168	313,597
Capital Assets-Net	0	0	0	0	0
Total Assets	<u>2,676,914</u>	<u>564,191</u>	<u>845,932</u>	<u>400,168</u>	<u>313,597</u>
Current Liabilities	1,288,213	371,513	741,050	394,856	183,186
Long Term Liabilities	0	0	0	0	0
Total Liabilities	<u>1,288,213</u>	<u>371,513</u>	<u>741,050</u>	<u>394,856</u>	<u>183,186</u>
Net Position	<u>1,388,701</u>	<u>192,678</u>	<u>104,882</u>	<u>5,312</u>	<u>130,411</u>
Total Revenue	10,188,418	7,229,120	5,882,500	3,964,150	2,394,830
Total Expenses	<u>8,992,395</u>	<u>7,141,324</u>	<u>5,782,930</u>	<u>4,089,249</u>	<u>2,264,419</u>
Change in Net Position	<u>\$1,196,023</u>	<u>\$87,796</u>	<u>\$99,570</u>	<u>(\$125,099)</u>	<u>\$130,411</u>
Depreciation	0	0	0	0	0
Principal Payments	0	0	0	0	0
Interest payments	0	0	0	0	0
Final average daily enrollment	718	576	452	336	192
March 30th budgeted Enrollment	718	576	452	336	192
Sustainability Indicators	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Margin	11.7%	1.2%	1.7%	0.0%	5.4%
Debt to Asset	N//A	N//A	N//A	N//A	N//A
Cash Flow	2,026,898	(124,631)	185,683	419	179,711
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
Empowerment Academy Charter School
County of Hudson
Jersey City, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Empowerment Academy Charter School ("the Charter School"), in the County of Hudson, State of New Jersey, as of and for the fiscal year ending June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated December 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
December 29, 2020

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EXHIBIT K-2

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

The Honorable Chairman and
Members of the Board of Trustees
Empowerment Academy Charter School
County of Hudson
Jersey City, New Jersey

Compliance

I have audited the Empowerment Academy Charter School, in the County of Hudson, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the State of New Jersey Department of Treasury Circular 15-08-OMB Compliance Supplement that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2020. The Charter School's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of New Jersey Department of Treasury Circular 15-08-OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Those standards, and State of New Jersey Circular 15- 08-OMB, and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major State Program

In my opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

My 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 have not been identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Licensed Public School Accountant No. 20CS00206400

A handwritten signature in black ink, appearing to read "Gerald D. Longo". The signature is written in a cursive style with a large initial "G".

Gerald D. Longo
Certified Public Accountant
December 29, 2020

EMPOWERMENT ACADEMY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

<u>Federal/Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award Identification Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2019</u>	<u>Prior Carry-over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjust</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2020</u>	<u>Due to Grantor at June 30, 2020</u>
Enterprise Fund:												
U.S. Department of Agriculture												
Pass-Through Programs:												
Passed-Through New Jersey												
State Department of Agriculture												
National School Lunch	10.555	191NJ304N1099	07/01/19-06/30/20	166,000	(9,681)		\$ 167,197	\$ 166,000			(\$8,484)	
National School Breakfast	10.553	191NJ304N1099	07/01/19-06/30/20	85,347	(6,179)		86,193	85,347			(5,333)	
National After School Snack	10.558	191NJ304N1099	07/01/19-06/30/20	2,814	(136)		2,950	2,814			0	
Total Enterprise Fund/US Dept. of Agriculture, Pass Through Programs					<u>(15,996)</u>		<u>\$ 256,340</u>	<u>\$ 254,161</u>			<u>(\$13,817)</u>	
Special Revenue Fund:												
U.S. Department of Education												
Pass-Through Programs:												
Passed-Through New Jersey												
State Department of Education												
Title I PART A	84.01A	S010A190030	07/01/19-06/30/20	265,120	(145,234)		345,405	265,120			(64,949)	
Title I PART A	84.01A	S010A190030	07/01/19-06/30/20	10,533	0		0	10,533			(10,533)	
Title II PART A	84.367A	S367A190029	07/01/19-06/30/20	39,531	(2,804)		39,008	39,531			(3,327)	
Title III Immigrant	84.365A	S365A190030	07/01/19-06/30/20	3,683	(2,955)		2,955	3,683			(3,683)	
Cares Act	84.425A	S425A190031	07/01/19-06/30/20	233,638	0		3,400	3,400			0	
Title III PART A	84.365A	S365A190030	07/01/19-06/30/20	16,556	(7,405)		7,406	12,047			(12,046)	
IDEA Preschool	84.173A	H173A190114	07/01/19-06/30/20	2,268	(1,916)		4,184	2,268			0	
IDEA BASIC PART B	84.027A	H027A190100	07/01/19-06/30/20	113,821	0		113,821	113,821			0	
Total Special Revenue					<u>(160,314)</u>		<u>516,179</u>	<u>450,403</u>		<u>0</u>	<u>(94,538)</u>	
Total Expenditures of Federal Awards					<u>(\$176,310)</u>		<u>\$772,519</u>	<u>\$704,564</u>		<u>\$0</u>	<u>(\$108,355)</u>	

See accompanying notes to Schedules of Expenditures of Federal and State award programs.

EMPOWERMENT ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2020

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2019</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2020</u>
NJ DEPARTMENT OF EDUCATION									
GENERAL FUND									
TPAF Social Security	20-495-034-5095-003	7/1/19-06/30/20	265,821		265,821	265,821			
Equalization Aid - Local	20-495-034-5120-078	7/1/19-06/30/20	2,254,333		2,254,333	2,254,333			
Equalization Aid - State	20-495-034-5120-078	7/1/19-06/30/20	5,126,556		5,126,556	5,126,556			
Jerrsey City Payroll Reimbursement	N/A	7/1/19-06/30/20	572,285		572,285	572,285			
Special Education Aid	20-495-034-5120-089	7/1/19-06/30/20	195,217		195,217	195,217			
Security Aid	20-495-034-5020-084	7/1/19-06/30/20	288,549		288,549	288,549			
Non Public Aid	20-100-034-5120-509	7/1/19-06/30/20	47,679		47,679	47,679			
TPAF LT Disability (On-Behalf - Non-Budgeted)	20-495-034-5094-002	7/1/19-06/30/20	1,148		1,148	1,148			
TPAF Medical (On-Behalf - Non-Budgeted)	20-495-034-5094-001	7/1/19-06/30/20	142,582		142,582	142,582			
TPAF Pension (On-Behalf - Non-Budgeted)	20-495-034-5094-004	7/1/19-06/30/20	384,338		384,338	384,338			
Total General Fund/Total State Department of Education					--	9,278,508	9,278,508		
ENTERPRISE FUND									
State School Lunch	20-100-010-3350-023	7/1/19-06/30/20	2,982	(190)	3,039	2,982			(\$133)
Total Enterprise				(190)	3,039	2,982			(133)
Total State Financial Assistance subject to Single Audit					--	9,281,547	9,281,490		(133)
On Behalf Medical and Pension	20-495-034-5094-001/002/004	7/1/19-06/30/20			(528,068)	(528,068)			
Total State Financial Assictance						8,753,479	8,753,422		

See accompanying notes to schedules of expenditures of Federal and State Awards

**EMPOWERMENT ACADEMY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1. GENERAL

The accompanying schedules present the activity of all federal and state assistance programs of the Empowerment Academy Charter School. The Board of Trustees is defined in the Notes to the school's basic financial statements. All federal and state assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**EMPOWERMENT ACADEMY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Federal	State	Total
General Fund	\$ -0-	\$ 9,278,508	\$ 9,278,508
Special Revenue Fund	450,403	-0-	450,403
Enterprise Fund	<u>254,161</u>	<u>2,982</u>	<u>257,143</u>
Total Awards and Financial Assistance	<u>\$ 704,564</u>	<u>\$ 9,281,490</u>	<u>\$ 9,986,054</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The TPAF Social Security Contributions of \$265,821 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2020.

The amount reported as TPAF Pension System Contributions in the amount of \$384,338 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$142,582 and \$1,148 TPAF LT Disability Contributions represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2020.

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

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

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Noncompliance material to financial statements noted?		X

Federal Awards

N/A

Internal control over compliance:

 Material weakness(es) identified?

 Significant deficiencies identified not considered to be material weakness(es)?

Type of auditor’s report on compliance for major programs:

Any audit findings disclosed that are required to be Reported in accordance with Uniform Guidance?

Identification of major programs:

<u>C DFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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Dollar threshold used to distinguish between type A and type B programs.

Auditee qualified as low risk auditee:

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000	
Auditee qualified as low risk auditee:	X	
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?		X None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X
Identification of major programs:		
<u>CDEA Number(s)</u>		<u>Name of State Cluster</u>
20-495-034-5120-078		Equalization School Aid
20-495-034-5120-084		Security Aid
20-495-034-5120-089		Special Education Aid

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND
QUESTIONED COSTS**

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

No federal and state award findings and questioned costs noted that are required to be reported in accordance of U.S. Uniform Guidance or with NJOMB Circular 15-08.

**EMPOWERMENT ACADEMY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.