

Principle Academy Charter School



Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

PRINCIPLE ACADEMY CHARTER SCHOOL
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INTRODUCTORY SECTION



January 21, 2021

The Honorable President and Members
of the Board of Trustees
Principle Academy Charter School
Egg Harbor Township, New Jersey

Dear Board Members:

The comprehensive annual financial report of Principle Academy Charter School (the "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 Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart, roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the Charter School's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the Charter School, generally presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

Principle Academy Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. Principle Academy Charter School constitutes the Charter School's reporting entity.

1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

The mission of the Principle Academy Charter School is to show mastery of a standards driven, international, college preparatory curriculum, delivered through proven, research based instruction. Students will develop positive values and social behaviors through a nurturing school climate and student culture activities. We will accomplish this mission by providing any child who enrolls in our school regardless of his or her background, socio-economic status, prior academic experience, or other factors with a college-preparatory public education in a student centered setting that emphasizes community, civic responsibility, and personal development as well as academic rigor.

The Charter School completed the 2019-2020 period; its fifth year of operation, with an enrollment of 475 students.

2) ECONOMIC CONDITION AND OUTLOOK:

Enrollment at the Charter School in 2019-2020 was 475 students. The school is serving 530 students in 2020-2021.

3) MAJOR INITIATIVES:

- **Standards-Driven Curriculum with Clear Student Learning Objectives (SLOs):** Our school will implement standards-driven curriculum that contains clearly defined student-learning objectives aligned to the NJ Performance Framework at both the grade level and content level. Our curriculum will be aligned with the Common Core State Standards and the New Jersey Core Curriculum Content Standards (CCCS), as well as with International standards. Our curriculum will not only ensure students are prepared for success in college but life beyond college as well.
- **Clear goals, high expectations, and strong accountability for performance:** Our staff, students, and parents will know and support our goals and our expectations. Stakeholders across all levels of the school will be held accountable for high student performance—from the school director to the classroom teacher and all other staff in between.
- **Effective Assessment & Intervention Strategies:** At our school, weekly assessment will be a key factor to improving student performance. Our assessments will drive classroom instruction, professional development, intervention, and enrichment. We will utilize various intervention strategies such as teacher tutoring and peer tutoring through student prefects, etc.
- **Research-based Effective Instructional Methods:** Teachers at our school will implement research-based, instructional methods. Teachers will receive extensive, job-embedded professional development concerning instructional delivery and class management techniques.
- **Intentional Use of Time:** Our school will maximize every minute within our school day. We understand that the efficient use of time is an extremely important driver of school success. Accordingly, we have created a school schedule that is very intentional and focuses heavily on ensuring students are proficient in reading and math in the lower grades. Students will have seven to ten periods of both English language arts and math each week in addition to other subjects.

3) MAJOR INITIATIVES: (Cont'd)

- **Student Life Organization:** Our school will have a student life organization, which will be an integral part of our educational model and an important part of every school day. Emphasizing the acquisition of “life skills” through real-life experiences.
- **Home-to-school links:** We will encourage meaningful parent/guardian involvement and establish strong partnerships with a wide range of agencies that provide social, emotional, educational, and practical support for students.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the General, Special Revenue and Debt Service Funds. Project length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the period is reflected in the financial section.

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

6) ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT:

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

8) RISK MANAGEMENT:

The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of the Charter School's insurance coverage is found on Exhibit J-20.

9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company LLP was selected by the Board of Trustees.

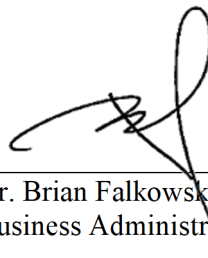
In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

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

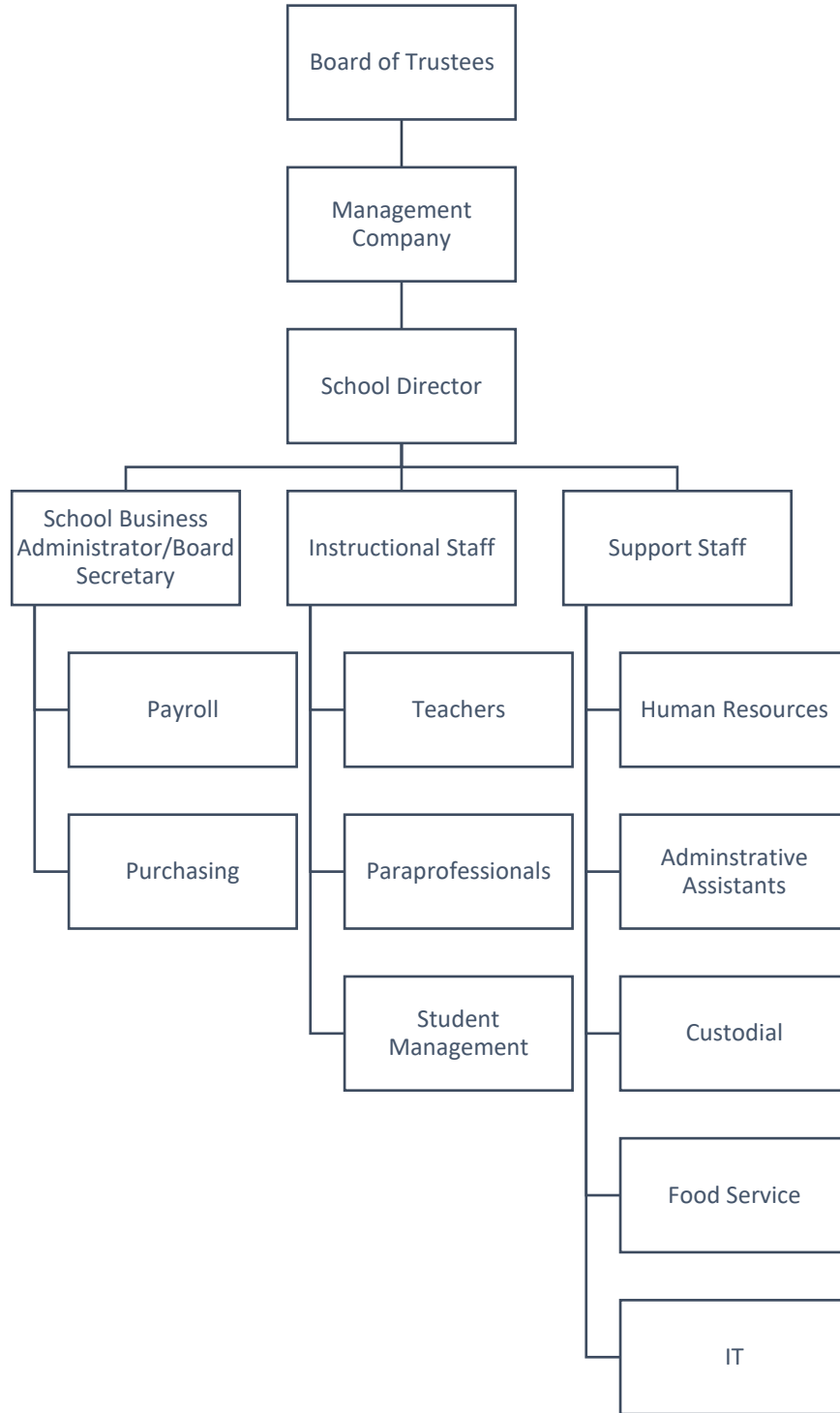
Dirk DaCosta

Dirk DaCosta
Board President



Dr. Brian Falkowski
Business Administrator/Board Secretary

PRINCIPLE ACADEMY CHARTER SCHOOL
ORGANIZATION CHART



PRINCIPLE ACADEMY CHARTER SCHOOL

ROSTER OF OFFICIALS

JUNE 30, 2020

Board of Trustees	Position	Term Expires
Dirk DaCosta	President	2/2022
Gary Hill	Trustee	11/2021
Jeanne Eisele	Trustee	11/2021
Dr. Albert Monillas	Trustee	4/2022
Joseph Stevenson	Trustee	6/2022

Other Officials	Title
Alvaro Cores	School Director
Dr. Brian Falkowski	School Business Administrator/Board Secretary

PRINCIPLE ACADEMY CHARTER SCHOOL
CONSULTANTS AND ADVISORS

AUDIT FIRM

BOWMAN & COMPANY LLP
601 White Horse Road
Voorhees, NJ 08043-2493

ATTORNEY

COOPER LEVENSON, P.A.
1112 Atlantic Avenue
Atlantic City, New Jersey 08401

OFFICIAL DEPOSITORY

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Principle Academy Charter School
Egg Harbor Township, New Jersey 08234

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Principle Academy Charter School, in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Principle Academy Charter School, in the County of Atlantic, State of New Jersey, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Principle Academy Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2021 on our consideration of the Principle Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Principle Academy Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Principle Academy Charter School's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Scott P. Barron
Certified Public Accountant
Public School Accountant No. CS 02459

Voorhees, New Jersey
February 2, 2021

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Principle Academy Charter School
Egg Harbor Township, New Jersey 08234

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Principle Academy Charter School, in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated February 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Principle Academy Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Principle Academy 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Principle Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and state awarding agencies and pass-through entities, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Scott P. Barron
Certified Public Accountant
Public School Accountant No. CS 02459

Voorhees, New Jersey
February 2, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

PRINCIPLE ACADEMY CHARTER SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2020

(Unaudited)

As management of the Principle Academy Charter School Charter School (hereafter referred to as the "Charter School"), we offer readers of the Charter School's annual financial report this narrative overview and analysis of the financial activities for the fiscal year that ended on June 30, 2020. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the information furnished in our letter of transmittal, notes to the basic financial statements, and financial statements to enhance their understanding of the Charter School's financial performance.

FINANCIAL HIGHLIGHTS

- The net position of the Charter School, which represents the difference between assets and liabilities, totaled (\$299,545.42) at the close of the Charter School's fiscal year. The amount of (\$299,545.42) represents the net position of governmental activities. The net position of Business-Type activities was \$7,189.54.
- As of the close of fiscal year, the Charter School's governmental funds reported combined ending fund balances of \$133,330.65. Of this combined balance, the \$108,333.34 was designated as non-spendable, and the remaining \$24,997.31 was unassigned in the general fund.
- The Charter School was temporarily closed due to COVID-19 in March 2020. They re-opened for remote learning beginning in April 2020. This created an overall decrease revenues and expenditures in the Business-Type funds and an increase in expenditures in the general fund.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Charter School as a whole and present a longer-term view of the Charter School's finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Charter School's operations in more detail than the government-wide statements by providing information about the Charter School's most significant funds.

Reporting the Charter School as a Whole

One of the most important questions asked about the Charter School's finances is, "Is the Charter School as a whole better off or worse off as a result of the fiscal year's activities?" The statement of net position and the statement of activities report information about the Charter School as a whole and about its activities in a way that helps answer this question.

These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Charter School's *net position* and changes in it. You can think of the Charter School's net position - which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources - as one way to measure the Charter School's financial health, or *financial position*. Over time, *increases or decreases* in the Charter School's net position is one indicator of whether its *financial health* is improving or deteriorating.

PRINCIPLE ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020
(Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

You will need to consider other nonfinancial factors, however, such as changes in the condition of the Charter School's capital assets, to assess the *overall health* of the Charter School.

Reporting the Charter School's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the Charter School as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Charter School can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund, which are all considered major funds.

The Charter School adopts an annual budget for its general fund and special revenue fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Proprietary Fund - The Charter School maintains one type of proprietary fund; that being an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Charter School uses an enterprise fund to account for its food service and aftercare programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the food service and aftercare programs, which are considered major funds.

Fiduciary Funds - fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Charter School's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements - the notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

PRINCIPLE ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020
(Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

THE CHARTER SCHOOL AS A WHOLE

During the fiscal year, the Charter School decreased its net position by \$402,384.28. In the analysis that follows, the focus is on the net position (Table A-1) and changes in net position (Table A-2) of the Charter School's governmental activities and business-type activities.

Table A-1
STATEMENTS OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-Type Activities June 30, 2020</u>	<u>Totals</u>	<u>Governmental Activities</u>	<u>Business-Type Activities June 30, 2019</u>	<u>Totals</u>
ASSETS:						
Current and Other Assets	\$ 1,002,912.09	\$ 10,191.11	\$ 1,013,103.20	\$ 207,464.50	\$ 25,251.98	\$ 232,716.48
Capital Assets, net	404,948.59		404,948.59	348,140.90		348,140.90
Total Assets	<u>1,407,860.68</u>	<u>10,191.11</u>	<u>1,418,051.79</u>	<u>555,605.40</u>	<u>25,251.98</u>	<u>580,857.38</u>
Deferred Outflows of Resources	<u>1,726,036.00</u>		<u>1,726,036.00</u>	<u>1,910,977.00</u>		<u>1,910,977.00</u>
LIABILITIES:						
Long-term Liabilities	2,671,782.66		2,671,782.66	1,634,009.56		1,634,009.56
Other Liabilities	139,511.44	3,001.57	142,513.01	189,507.98	18,062.44	207,570.42
Total Liabilities	<u>2,811,294.10</u>	<u>3,001.57</u>	<u>2,814,295.67</u>	<u>1,823,517.54</u>		<u>1,841,579.98</u>
Deferred Inflows of Resources	<u>622,148.00</u>		<u>622,148.00</u>	<u>540,226.00</u>		<u>540,226.00</u>
NET POSITION						
Net Investment in Capital Assets	318,040.07		318,040.07	348,140.90		348,140.90
Unrestricted (Deficit)	<u>(617,585.49)</u>	<u>7,189.54</u>	<u>(610,395.95)</u>	<u>(245,302.04)</u>	<u>7,189.54</u>	<u>(238,112.50)</u>
Total Net Position	<u>\$ (299,545.42)</u>	<u>\$ 7,189.54</u>	<u>\$ (292,355.88)</u>	<u>\$ 102,838.86</u>	<u>\$ 7,189.54</u>	<u>\$ 110,028.40</u>

Total assets were \$1,418,051.79 at June 30, 2020. This was an increase from the prior year of \$580,857.38. The cash position increased \$780,386.72 as a result of operations in the governmental and business-type activities. In addition, capital assets (net) increased \$56,807.69 due to the school purchasing chrome books and accessories for the students.

Liabilities were \$2,814,295.67 at June 30, 2020 which was an overall increase of \$972,715.69 from the prior year. This was mainly due to the Charter School applying and receiving a Paycheck Protection Program Loan (PPP) of \$844,642.00. At June 30, 2020 the loan is considered a long-term liability. Accounts payable other totaled \$7,517.85, accounts payable related to pensions totaled \$114,572.00, intergovernmental accounts payable was \$20,423.16; and noncurrent liabilities were \$2,671,782.66.

The largest portion of net position at the close of the fiscal year is net investment in capital assets. This component represents the Charter School's investment in capital assets net of accumulated depreciation. At June 30, 2020, the Charter School's net investment in capital assets was \$318,040.07. The Charter School uses these assets to provide educational services to students; consequently, these assets are not available for future spending.

The last component of the Charter School's net position, represents resources that are unrestricted, which was a deficit of (\$610,395.95). Total net position decreased by (\$402,384.28) compared to the prior year.

PRINCIPLE ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020
(Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

THE CHARTER SCHOOL AS A WHOLE (CONT'D)

Table A-2 provides an illustration of the impact of the Charter School's Net Position for the implementation of GASB 68. For more information refer to Note 9 in the report for details.

Table A-2
Statement of Net Position - Effect of Pension Related Items

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Deferred Outflows Related to Pensions	\$ 1,726,036.00	\$ 1,910,977.00	\$ (184,941.00)
Less: Net Pension Liability	(1,693,843.00)	(1,616,073.00)	(77,770.00)
Less: Deferred Inflows Related to Pensions	<u>(622,148.00)</u>	<u>(540,226.00)</u>	<u>(81,922.00)</u>
	<u>\$ (589,955.00)</u>	<u>\$ (245,322.00)</u>	<u>\$ (344,633.00)</u>

Table A-3 reflects changes in net position for the Charter School's fiscal year which ended June 30, 2020, and its prior year June 30, 2019.

Table A-3
STATEMENTS OF ACTIVITIES

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activites</u>	<u>Activities</u>		<u>Activites</u>	<u>Activities</u>	
	<u>June 30, 2020</u>			<u>June 30, 2019</u>		
Revenues:						
Program Revenues:						
Charges for Services		\$ 7,821.85	\$ 7,821.85		\$ 26,566.50	\$ 26,566.50
Operating Grants and Contributions	\$ 1,514,476.51	228,878.67	1,743,355.18	\$ 818,797.30	317,287.94	1,136,085.24
General Revenues:						
Charter School Aid	7,096,001.00		7,096,001.00	5,484,875.00		5,484,875.00
Miscellaneous Income	13,031.07		13,031.07	42,670.08		42,670.08
Transfers	<u>(80,933.28)</u>	<u>80,933.28</u>				
Total Revenues	<u>8,542,575.30</u>	<u>317,633.80</u>	<u>8,860,209.10</u>	<u>6,346,342.38</u>	<u>343,854.44</u>	<u>6,690,196.82</u>
Expenses:						
Regular Instruction	3,140,560.36		3,140,560.36	2,654,886.10		2,654,886.10
Special Education Instruction	337,246.40		337,246.40	249,331.33		249,331.33
Support Services and Undistributed Costs:						
Student and Instruction Related Services	231,044.86		231,044.86	288,704.71		288,704.71
School Administrative Services	1,927,254.75		1,927,254.75	1,377,773.09		1,377,773.09
Plant Operation and Maintenance	1,002,053.33		1,002,053.33	1,023,980.41		1,023,980.41
Transportation	25,060.00		25,060.00			
Unallocated Benefits	2,269,575.76		2,269,575.76	1,443,297.19		1,443,297.19
Unallocated Depreciation	12,164.12		12,164.12	5,170.40		5,170.40
After Care Program		7,821.85	7,821.85		26,566.50	26,566.50
Food Service		<u>309,811.95</u>	<u>309,811.95</u>		<u>363,095.48</u>	<u>363,095.48</u>
Total Expenses	<u>8,944,959.58</u>	<u>317,633.80</u>	<u>9,262,593.38</u>	<u>7,043,143.23</u>	<u>389,661.98</u>	<u>7,432,805.21</u>
Change in Net Position	(402,384.28)	-	(402,384.28)	(696,800.85)	(45,807.54)	(742,608.39)
Net Position, Beginning	102,838.86	7,189.54	110,028.40	799,639.71	52,997.08	852,636.79
Net Position, June 30	<u>\$ (299,545.42)</u>	<u>\$ 7,189.54</u>	<u>\$ (292,355.88)</u>	<u>\$ 102,838.86</u>	<u>\$ 7,189.54</u>	<u>\$ 110,028.40</u>

PRINCIPLE ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020
(Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

THE CHARTER SCHOOL AS A WHOLE (CONT'D)

During the fiscal years 2020 and 2019, the Charter School's total revenues were \$8,860,209.10 and \$6,690,196.82 respectively. Key elements of the revenues for fiscal year 2020 were attributable to the following:

- Operating grants and contributions were \$1,743,355.18 or 19.68%. These were grants in the governmental activities of \$1,514,476.51 and in the business-type activities of \$228,878.67.
- Charter School Aid totaled \$7,096,001.00 or 80.09% which was \$6,208,117.00 from local education agencies and \$928,648.51 direct from the state.
- Other revenue was miscellaneous revenue sources of \$13,031.07 or .15% in the governmental activities.
- Charges for services in the business-type activities totaled \$7,821.85, or .09% of total revenues.

During the fiscal year ending June 30, 2020, the Charter School's total expenses were \$9,262,593.38. This was an increase of \$1,829,788.17 compared to the prior year. Key elements of fiscal year 2020 expenditures were attributable to the following:

- Instructional expense for regular instruction total, and special education instruction totaled \$3,477,806.76 or 37.55% of all expenditures.
- Support services and undistributed costs which included student and instruction related services, administrative services, plant operations and maintenance, unallocated benefits, and unallocated depreciation totaled \$5,467,152.82 or 59.02% of all expenditures.
- Food services and Aftercare expenditures were \$317,633.80 or 3.43% of all expenditures.

The net cost of governmental activities is shown in Table A-4.

Table A-4
NET COST OF GOVERNMENTAL ACTIVITIES

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Regular Instruction	\$ 3,140,560.36	\$ 2,923,711.36	\$ 2,654,886.10	\$ 2,472,972.10
Special Education Instruction	337,246.40	337,246.40	249,331.33	249,331.33
Support Services and Undistributed Costs:				
Student and Instruction Related Services	231,044.86	154,296.86	288,704.71	218,512.71
School Administrative Services	1,927,254.75	1,927,254.75	1,377,773.09	1,377,773.09
Plant Operation and Maintenance	1,002,053.33	1,002,053.33	1,023,980.41	1,023,980.41
Transportation	25,060.00	25,060.00		
Unallocated Benefits	2,269,575.76	1,048,696.25	1,443,297.19	876,605.89
Unallocated Depreciation	12,164.12	12,164.12	5,170.40	5,170.40
Aftercare Program	7,821.85		26,566.50	
Food Service	309,811.95	80,933.28	363,095.48	45,807.54
Total Expenses	\$ 9,262,593.38	\$ 7,511,416.35	\$ 7,432,805.21	\$ 6,270,153.47

PRINCIPLE ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020
(Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

THE CHARTER SCHOOL'S FUNDS

Governmental Funds

As the Charter School completed the fiscal year, its governmental funds reported a *combined* fund balances of \$133,330.65.

General Fund - The general fund is the general operating fund of the Charter School and is used to account for the inflows and outflows its of financial resources. The acquisition of certain capital assets, such as equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

During the fiscal year, the fund balance of the Charter School's general fund increased by \$23,934.13. The primary factors affecting the fund balance of the general fund are as follows:

- Total revenues (Table A-5) for fiscal years 2020 and 2019 were \$7,540,040.58, and \$5,952,492.38 respectively. These revenues consisted of unrestricted miscellaneous revenues of \$13,031.07 in 2020 and \$42,670.08 in 2019; Charter School Aid for 2020 and 2019 were \$6,208,117.00 and \$4,611,480.00 respectively; categorical state aid of \$390,244.00 in 2020 and \$237,373.00 in 2019. In fiscal year 2020 the Charter received state adjustment aid, TPAF social security contribution reimbursements and On-Behalf payments in the amount of \$928,648.51.

Table A-5
SUMMARY OF GENERAL FUND REVENUE

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues:		
Local Sources:		
Unrestricted Miscellaneous Revenue	\$ 13,031.07	\$ 42,670.08
State Sources:		
Charter School Aid	6,208,117.00	4,611,480.00
Categorical Aid	390,244.00	237,373.00
Other State Sources	928,648.51	1,060,969.30
Total State Sources	7,527,009.51	5,909,822.30
Total Revenues	\$ 7,540,040.58	\$ 5,952,492.38

PRINCIPLE ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020
(Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

THE CHARTER SCHOOL'S FUNDS (CONT'D)

Governmental Funds (Cont'd)

General Fund (Cont'd)

- Total expenditures (Table A-6) were \$7,546,912.65 in fiscal year 2020 and \$6,437,162.72 in fiscal year 2019. The expenditures for fiscal year 2020 included regular and special education instruction which totaled \$3,239,807.51; student and instruction related services of \$154,296.86; administrative services of \$1,897,784.83; plant operations and maintenance of \$1,001,591.15; transportation-services of \$25,060.00; unallocated benefits of \$678,909.31; TPAF and social security of \$431,008.51, and capital outlay of \$118,454.48.

Table A-6
SUMMARY OF GENERAL FUND EXPENDITURES

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Regular Instruction	\$ 2,902,561.11	\$ 2,454,925.75
Special Education Instruction	337,246.40	249,331.33
Support Services and Undistributed Costs:		
Student and Instruction Related Services	154,296.86	218,381.96
School Administrative Services	1,897,784.83	1,367,986.57
Plant Operations and Maintenance	1,001,591.15	1,023,019.42
Transportation Services	25,060.00	
Unallocated Benefits	678,909.31	539,843.89
TPAF and Social Security	431,008.51	424,947.30
Capital Outlay	118,454.48	158,726.50
Total General Fund Expenditures	<u>\$ 7,546,912.65</u>	<u>\$ 6,437,162.72</u>

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The activity in the Charter School's fiscal year resulted from the Charter School administering and operating programs funded by the following federal awards: Title I, Part A and Improving Teacher Quality, I.D.E.A. Part B, Basic, and I.D.E.A. Preschool. Total revenues were \$326,538.00 and total expenditures were \$326,538.00 from these programs.

Proprietary Funds

Food Service Fund - the Charter School completed the fiscal year with a net position of \$7,189.54. The key elements that resulted in this net position were the following:

- Total revenues and other financing sources were \$309,811.95 which included \$2,530.80 state school lunch program; \$148,746.49 federal school lunch program; \$76,766.66 federal school breakfast program, and \$834.72 after school snack program.
- Total expenditures were \$309,811.95

PRINCIPLE ACADEMY CHARTER SCHOOL
 Management's Discussion and Analysis (continued)
 Fiscal Year Ended June 30, 2020
 (Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

THE CHARTER SCHOOL'S FUNDS (CONT'D)

Proprietary Funds (Cont'd)

Aftercare Program Fund - the Charter School completed its fiscal year with a net position of \$0.00. The key elements that resulted in this net position were the following:

- Total revenues from program fees were \$7,821.85
- Total expenditures were \$7,821.85

General Fund Budgetary Highlights

The final budgetary basis revenue estimate was \$7,096,001.00, which was an increase of \$3,645.00 over the original budgeted estimate. Total budgeted revenues realized equaled \$7,540,040.58.

The final budgetary basis expenditure appropriation estimate was \$7,171,343.74, which was an increase of \$659,555.74 over the original budgeted estimate. Actual expenditures were more than the final budget estimate by \$456,502.19.

Special Revenue Fund Budgetary Highlights

The final budget estimate in the special revenue fund was \$326,538.00. Realized revenues and actual expenditures were \$326,538.00.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Charter School's capital asset balance for its governmental activities as of June 30, 2020 amounted to a historical cost of \$543,754.03, or \$404,948.59 net of accumulated depreciation (see Table A-7). This balance of capital assets includes equipment. At June 30, 2020, business-type activities had no capital assets.

Table A-7
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	Governmental Activities	
	2020	2019
Building and Improvements	\$ 178,044.00	\$ 178,044.00
Equipment	221,011.47	102,556.99
Furniture	144,698.56	144,698.56
Less Accumulated Depreciation	(138,805.44)	(77,158.65)
Net Capital Assets	\$ 404,948.59	\$ 348,140.90

PRINCIPLE ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis (continued)
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(Unaudited)

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONT'D)

Capital Assets (Cont'd)

Additional information on the Charter School's capital assets can be found in note 5.

Long-term Debt

Compensated Absences. The Charter School has no debt; however, at the end of the fiscal year, the Charter Schools had a liability of \$46,389.14 in the governmental activities for compensated absences. These liabilities represent the Charter School's contractual obligation to compensate employees for accumulated unused vacation time.

THE FUTURE OUTLOOK

The Charter School maintained its budget through the revenues that flow through students' district of residence, state and federal grants and revenues from local sources. As a charter school, revenues are driven by the residency of its student population and the level of enrollment of students in those districts. The Charter School expects to increase its enrollment in the next fiscal year.

CONTACTING THE CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our parents, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the revenues it receives. If you have any questions about this report or need additional information, contact Dr. Brian Falkowski, School Business Administrator, at Principle Academy Charter School, c/o School Business Office, LLC. 158 South Main Street, Hightstown, New Jersey 08520.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PRINCIPLE ACADEMY CHARTER SCHOOL
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 610,353.28	\$ 32,048.97	\$ 642,402.25
Accounts Receivable, net (Note 3)	262,367.61		262,367.61
Internal Balances	21,857.86	(21,857.86)	
Prepaid Expenses	108,333.34		108,333.34
Capital Assets, net (Note 5)	404,948.59		404,948.59
Total Assets	<u>1,407,860.68</u>	<u>10,191.11</u>	<u>1,418,051.79</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	1,726,036.00		1,726,036.00
LIABILITIES:			
Accounts Payable:			
Related to Pensions	114,572.00		114,572.00
Other	4,516.28	3,001.57	7,517.85
Payable to Local Government	20,423.16		20,423.16
Noncurrent Liabilities (Note 7):			
Due within One Year	80,339.00		80,339.00
Due beyond One Year	2,591,443.66		2,591,443.66
Total Liabilities	<u>2,811,294.10</u>	<u>3,001.57</u>	<u>2,814,295.67</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	622,148.00		622,148.00
NET POSITION:			
Net Investment in Capital Assets	318,040.07		318,040.07
Unrestricted (Deficit)	(617,585.49)	7,189.54	(610,395.95)
Total Net Position (Deficit)	<u>\$ (299,545.42)</u>	<u>\$ 7,189.54</u>	<u>\$ (292,355.88)</u>

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

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

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:						
Regular Instruction	\$ 3,140,560.36		\$ 216,849.00		\$ (2,923,711.36)	\$ (2,923,711.36)
Special Education Instruction	337,246.40				(337,246.40)	(337,246.40)
Support Services and Undistributed Costs:						
Student and Instruction Related Services	231,044.86		76,748.00		(154,296.86)	(154,296.86)
School Administrative Services	1,927,254.75				(1,927,254.75)	(1,927,254.75)
Plant Operations and Maintenance	1,002,053.33				(1,002,053.33)	(1,002,053.33)
Transportation	25,060.00				(25,060.00)	(25,060.00)
Unallocated Benefits	2,269,575.76		1,220,879.51		(1,048,696.25)	(1,048,696.25)
Unallocated Depreciation	12,164.12				(12,164.12)	(12,164.12)
Total Governmental Activities	8,944,959.58		1,514,476.51		(7,430,483.07)	(7,430,483.07)
Business-Type Activities:						
After Care Program	7,821.85	\$ 7,821.85				
Food Service	309,811.95		228,878.67		\$ (80,933.28)	(80,933.28)
Total Business-Type Activities	317,633.80	7,821.85	228,878.67		(80,933.28)	(80,933.28)
Total Government	\$ 9,262,593.38	\$ 7,821.85	\$ 1,743,355.18	\$ -	(7,430,483.07)	(80,933.28)
General Revenues and Transfers:						
Charter School Aid				7,096,001.00		7,096,001.00
Miscellaneous Income				13,031.07		13,031.07
Transfers				(80,933.28)	80,933.28	
Total General Revenues and Transfers				7,028,098.79	80,933.28	7,109,032.07
Change in Net Position				(402,384.28)		(402,384.28)
Net Position -- July 1				102,838.86	7,189.54	110,028.40
Net Position -- June 30				\$ (299,545.42)	\$ 7,189.54	\$ (292,355.88)

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

FUND FINANCIAL STATEMENTS

PRINCIPLE ACADEMY CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 610,353.28		\$ 610,353.28
Interfund Accounts Receivable:			
Enterprise Fund	21,857.86		21,857.86
Fiduciary Fund	102,264.48		102,264.48
Intergovernmental Accounts Receivable:			
State	20,844.13		20,844.13
Other LEAs - State Aid	139,259.00		139,259.00
Prepaid Expenses	108,333.34		108,333.34
Total Assets	<u>\$ 1,002,912.09</u>	<u>\$ -</u>	<u>\$ 1,002,912.09</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 4,516.28		\$ 4,516.28
Loans Payable	844,642.00		844,642.00
Intergovernmental Accounts Payable:			
Other LEAs - State Aid	20,423.16		20,423.16
Total Liabilities	<u>869,581.44</u>		<u>869,581.44</u>
Fund Balances:			
Non Spendable:			
Prepaid Expenses	108,333.34		108,333.34
Unassigned:			
General Fund	24,997.31		24,997.31
Total Fund Balances	<u>133,330.65</u>		<u>133,330.65</u>
Total Liabilities and Fund Balances	<u>\$ 1,002,912.09</u>	<u>\$ -</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 \$543,754.03 and the accumulated depreciation is \$138,805.44	404,948.59
Deferred outflows of resources related to pensions	1,726,036.00
Deferred inflows of resources related to pensions	(622,148.00)
Accounts payable related to the April 1, 2021 required PERS pension contribution that is not to be liquidated with current financial resources	(114,572.00)
Noncurrent liabilities, including capital leases, compensated absences and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(1,827,140.66)</u>
	<u>\$ (299,545.42)</u>

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

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

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Local Sources	\$ 13,031.07		\$ 13,031.07
State Sources	7,527,009.51		7,527,009.51
Federal Sources		\$ 326,538.00	326,538.00
Total Revenues	7,540,040.58	326,538.00	7,866,578.58
EXPENDITURES:			
Regular Instruction	2,902,561.11	216,849.00	3,119,410.11
Special Education Instruction	337,246.40		337,246.40
Support Services and Undistributed Costs:			
Student and Instruction Related Services	154,296.86	76,748.00	231,044.86
School Administrative Services	1,897,784.83		1,897,784.83
Plant Operations and Maintenance	1,001,591.15		1,001,591.15
Transportation Services	25,060.00		25,060.00
Unallocated Benefits	678,909.31	32,941.00	711,850.31
TPAF Social Security and Pension	431,008.51		431,008.51
Capital Outlay	118,454.48		118,454.48
Total Expenditures	7,546,912.65	326,538.00	7,873,450.65
Excess (Deficiency) of Revenues over Expenditures	(6,872.07)		(6,872.07)
OTHER FINANCING SOURCES (USES):			
Transfer to Enterprise Fund	(80,933.28)		(80,933.28)
Assets Acquired by Capital Lease	111,739.48		111,739.48
Total Other Financing Sources and Uses	30,806.20		30,806.20
Net Change in Fund Balances	23,934.13		23,934.13
Fund Balance -- July 1	109,396.52		109,396.52
Fund Balance -- June 30	\$ 133,330.65	\$ -	133,330.65

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

PRINCIPLE 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

Total Net Change in Fund Balances - Governmental Funds	\$	23,934.13
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	\$ (61,646.79)	
Capital Outlays	<u>118,454.48</u>	56,807.69
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		
Capital Lease Proceeds		(111,739.48)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		24,830.96
In the statement of activities, certain operating expenses, (e.g., compensated absences; insurance) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		(28,452.58)
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		
		<u>(367,765.00)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(402,384.28)</u></u>

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

PRINCIPLE ACADEMY CHARTER SCHOOL
Combining Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities -- Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 24,227.12	\$ 7,821.85	\$ 32,048.97
Total Current Assets	<u>24,227.12</u>	<u>7,821.85</u>	<u>32,048.97</u>
Total Assets	<u>24,227.12</u>	<u>7,821.85</u>	<u>32,048.97</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - NSLP	3,001.57		3,001.57
Interfund Payable - General Fund	<u>14,036.01</u>	<u>7,821.85</u>	<u>21,857.86</u>
Total Liabilities	<u>17,037.58</u>	<u>7,821.85</u>	<u>24,859.43</u>
NET POSITION:			
Unrestricted	<u>7,189.54</u>		<u>7,189.54</u>
Total Net Position	<u>\$ 7,189.54</u>	<u>\$ -</u>	<u>\$ 7,189.54</u>

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

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

	Business-Type Activities -- Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for Services:			
Program Fees		\$ 7,821.85	\$ 7,821.85
Total Operating Revenues		7,821.85	7,821.85
OPERATING EXPENSES:			
Cost of Sales Reimbursable Programs	\$ 237,997.97		237,997.97
Salaries	71,813.98	7,821.85	79,635.83
Total Operating Expenses	309,811.95	7,821.85	317,633.80
Operating Income (Loss)	(309,811.95)		(309,811.95)
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	2,530.80		2,530.80
Federal Sources:			
National School Lunch Program	148,746.49		148,746.49
National School Breakfast Program	76,766.66		76,766.66
After School Snack Program	834.72		834.72
Total Nonoperating Revenues	228,878.67		228,878.67
Income (Loss) before Contributions and Transfers	(80,933.28)		(80,933.28)
Operating Transfer In - General Fund	80,933.28		80,933.28
Change in Net Position	-	-	-
Net Position, July 1	7,189.54		7,189.54
Net Position, June 30	\$ 7,189.54	\$ -	\$ 7,189.54

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

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

	Business-Type Activities -- Enterprise Funds		
	Food Service	After Care Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers		\$ 7,821.85	\$ 7,821.85
Payments to Employees	\$ (71,813.98)		(71,813.98)
Payments to Suppliers	(249,022.83)		(249,022.83)
Net Cash Provided by (used for) Operating Activities	(320,836.81)	7,821.85	(313,014.96)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Federal Sources	251,355.59		251,355.59
State Sources	2,773.74		2,773.74
Subsidies and Transfers	80,933.28		80,933.28
Net Cash Provided by (used for) Non-Capital Financing Activities	335,062.61		335,062.61
Net Increase (Decrease) in Cash and Cash Equivalents	14,225.80	7,821.85	22,047.65
Cash and Cash Equivalents, July 1	10,001.32		10,001.32
Cash and Cash Equivalents, June 30	\$ 24,227.12	\$ 7,821.85	\$ 32,048.97
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (309,811.95)		\$ (309,811.95)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Increase (Decrease) in Other Liabilities	4,036.01	\$ 7,821.85	11,857.86
Total Adjustments	(11,024.86)	7,821.85	(3,203.01)
Net Cash Provided by (used for) Operating Activities	\$ (320,836.81)	\$ 7,821.85	\$ (313,014.96)

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

PRINCIPLE ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2020

	Agency Funds	
	Student Activity	Payroll
ASSETS:		
Cash and Cash Equivalents	\$ 9,534.56	\$ 136,050.68
Total Assets	\$ 9,534.56	\$ 136,050.68
LIABILITIES:		
Payroll Deductions and Withholdings		\$ 33,786.20
Interfund Accounts Payable:		
Due to General Fund		102,264.48
Payable to Student Groups	\$ 9,534.56	
Total Liabilities	\$ 9,534.56	\$ 136,050.68

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Principle Academy Charter School (the "Charter School") have been prepared to conform with accounting principles generally accepted in the United States of America ("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 following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The Charter School is a K-6 charter school located in the County of Atlantic, State of New Jersey. It was created on October 15, 2014 and subsequently received approval of its New Jersey Charter Schools Application by the State of New Jersey, Department of Education. The Charter School was originally named International Academy of Atlantic City Charter School, but received approval in September 2018 to amend their charter agreement and change the school's name to Principle Academy Charter School. As a charter school, the Principle Academy Charter School functions independently through a Board of Trustees (the "Board"). In accordance with the bylaws of the Charter School, the Board is to consist of no less than five and no more than nine individuals. The number of ex-officio members shall be no more than four members including the school principal. Ex-officio members do not have a right to vote. The Board's responsibility is to supervise and control the operations of the Charter School. The purpose of the Charter School is to educate students in grades Kindergarten through Third at its elementary school. The Charter School has an approximate enrollment at June 30, 2020 of 474.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The financial statements include all funds of the Charter School over which the Board exercises operating control.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues from the Charter School's student's district of residence are recognized as revenues in the year for which they are established based on enrollment. In accordance with New Jersey State Statute, the Charter School is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from the Charter School's student's district of residence, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

The Charter School reports the following major governmental funds:

General Fund - The general fund is the primary 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 non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, 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 and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

Charter Schools do not maintain debt service funds, therefore expenditures for principal and interest are accounted for in the general fund.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Proprietary funds are used to account for the Charter School's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The Charter School reports the following major proprietary funds:

Enterprise Funds

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the Charter School.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

The Charter School reports the following major proprietary funds (cont'd):

Enterprise Funds (Cont'd)

After Care Fund - This fund accounts for the financial activity related to providing care to students during hours outside the regular school program.

Additionally, the Charter School reports the following fund types.

Fiduciary funds are used to account for assets held by the Charter School on behalf of outside related organizations or on behalf of other funds within the Charter School. The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The Charter School maintains the following fiduciary funds:

Agency Funds - 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 (i.e., payroll and student activities). The Charter School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Charter School maintains the following agency funds: student activity fund and payroll fund.

As a general rule, the effect of internal/interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all Revenues from the Charter School's student's district of residence.

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general and special revenue and are submitted to the New Jersey Department of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2(f)1. Transfers of appropriations may be made by board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund. 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 budgetary basis. The budgetary basis differs from GAAP in that the 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets / Budgetary Control (Cont'd)**

The budget, as detailed on exhibit C-1 and exhibit C-2, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the Charter School does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the Charter School has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. 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. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Charter Schools.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 amount of their deposits to the governmental units.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Inventories**

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when purchased rather than when consumed.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Tuition Receivable

The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the district of residence of the Charter School or are non-resident students.

Revenues from District of Residence, Region of Residence and Non-Resident Districts

The Charter School's primary source of revenue is from the district of residence, region of residence or non-resident districts from which its students are enrolled in the Charter School. The amounts are calculated from the most recent budget data of the student's district.

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

Special Education / Security Aid – The school district of residence shall pay directly to the charter school the security aid attributable to the student and a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the charter school.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and governmental fund financial statements represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the Charter School, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable or accounts payable.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the Charter School. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The Charter School's capitalization threshold is \$2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	5 - 50 Years
Furniture	3 - 15 Years
Equipment	3 - 15 Years

The Charter School does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Charter School is required to report the following as deferred outflows of resources and deferred inflows of resources: defined benefit pension plans, and postemployment benefit plans.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Charter School is eligible to realize the revenue.

Accrued Salaries and Wages

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2020, the amounts earned by these employees were disbursed to the employees' own individual financial institutions.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Compensated Absences**

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is 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 Charter School uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions 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. Bonds are recognized as a liability on the governmental fund financial statements when due.

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - 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, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The Charter School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

The Charter School reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Charter School's classifications, and policies for determining such classifications, are as follows:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance (Cont'd)**

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's highest level of decision-making authority, which, for the Charter School, is the Board of Trustees. Such formal action consists of an affirmative vote by the Board of Trustees, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Trustees removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Trustees or by the business administrator, to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Trustees.

Unassigned - The unassigned fund balance classification 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 is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the Charter School to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the Charter School to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements that will become effective for the Charter School for fiscal years ending after June 30, 2020:

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments.

The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Charter School in the fiscal year ending June 30, 2021. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Charter School.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the Charter School in the fiscal year ending June 30, 2022. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the Charter School.

Note 2: CASH AND CASH EQUIVALENTS

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 \$250,000.00 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 uncollateralized. As of June 30, 2020, none of the Charter School's bank balances of \$1,032,403.26 were exposed to custodial credit risk.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consisted intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the Charter School's individual major and fiduciary funds, in the aggregate, are as follows:

<u>Description</u>	<u>Governmental Funds</u>		<u>Proprietary Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>After Care Program</u>	
State Awards	\$ 20,844.13		\$ 20,844.13			\$ 20,844.13
Fiduciary Fund	102,264.48		102,264.48			102,264.48
Other LEAs - State Aid	139,259.00		139,259.00			139,259.00
	<u>\$ 262,367.61</u>	<u>\$ -</u>	<u>\$ 262,367.61</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,367.61</u>

Note 4: INVENTORY

As of June 30, 2020 the Charter School did not maintain any inventory.

Note 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 is as follows:

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Governmental Activities:				
Capital Assets, being Depreciated:				
Building and Improvements	\$ 178,044.00			\$ 178,044.00
Equipment	102,556.99	\$ 118,454.48		221,011.47
Furniture	144,698.56			144,698.56
Total Capital Assets, being Depreciated	<u>425,299.55</u>	<u>118,454.48</u>		<u>543,754.03</u>
Total Capital Assets, Cost	<u>425,299.55</u>	<u>118,454.48</u>		<u>543,754.03</u>
Less Accumulated Depreciation for:				
Building and Improvements	(3,709.25)	(8,902.20)		(12,611.45)
Equipment	(24,704.57)	(38,274.73)		(62,979.30)
Furniture	(48,744.83)	(14,469.86)		(63,214.69)
Total Accumulated Depreciation	<u>(77,158.65)</u>	<u>(61,646.79)</u>		<u>(138,805.44)</u>
Total Capital Assets, being Depreciated, Net	<u>348,140.90</u>	<u>56,807.69</u>		<u>404,948.59</u>
Governmental Activities Capital Assets, Net	<u>\$ 348,140.90</u>	<u>\$ 56,807.69</u>	<u>\$ -</u>	<u>\$ 404,948.59</u>

Note 5: CAPITAL ASSETS (CONT'D)

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

Governmental Activities:	
Regular Instruction	\$ 45,981.21
Other Administrative Services	3,501.46
Unallocated	<u>12,164.12</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 61,646.79</u>

Note 6: SHORT-TERM OBLIGATIONS

The following represents short-term debt activity for the fiscal year ended June 30, 2020:

<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
New Jersey Community Capital	\$ -	\$ 400,000.00	\$ (400,000.00)	\$ -

New Jersey Community Capital is a third party lender. The purpose of this short term obligation was for cash flow operations. The obligation was issued at a 7.5% fixed interest rate with a term of 12 months not to exceed June 30, 2020.

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>	<u>Due within One Year</u>
Governmental Activities:					
Other Liabilities:					
Obligations under Capital Lease		\$ 111,739.48	\$ (24,830.96)	\$ 86,908.52	\$ 37,246.44
Compensated Absences	\$ 17,936.56	28,764.44	(311.86)	46,389.14	43,092.56
Paycheck Protection Program Loan		844,642.00		844,642.00	
Net Pension Liability (note 9)	<u>1,616,073.00</u>	<u>2,610,895.00</u>	<u>(2,533,125.00)</u>	<u>1,693,843.00</u>	
Total Other Liabilities	<u>1,634,009.56</u>	<u>3,596,040.92</u>	<u>(2,558,267.82)</u>	<u>2,671,782.66</u>	<u>80,339.00</u>
Governmental Activities Long-Term Liabilities	<u>\$ 1,634,009.56</u>	<u>\$ 3,596,040.92</u>	<u>\$ (2,558,267.82)</u>	<u>\$ 2,671,782.66</u>	<u>\$ 80,339.00</u>

The loans, obligations under capital lease, and net pension liability are liquidated by the general fund, while the compensated absences are liquidated by the fund from which salaries are paid which could be the general or special revenue funds.

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 14 for a description of the Charter School's policy.

Net Pension Liability - For details on the net pension liability, refer to note 9. The Charter School's annual required contribution to the Public Employees' Retirement System is budgeted and paid from the general fund on an annual basis.

Note 7: LONG-TERM LIABILITIES (CONT'D)

Paycheck Protection Program Loan ("PPP") – On April 28, 2020, the Board of Trustees authorized application for a \$844,642.00 loan under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and administered by the Small Business Administration (SBA). The PPP loan was designed to provide a direct incentive for qualifying businesses to keep their workers on the payroll during the global health emergency that resulted from COVID-19. The loan is forgivable if the borrower uses the loan proceeds for eligible expenses. The original loan agreement with TD Bank, N.A. was issued prior to the PPP Flexibility Act of 2020 (June 5, 2020) and included a maturity of two years at an interest rate of 1%. The provisions of the PPP Flexibility Act of 2020 supersede the original loan agreement and allows for the payment of principal and interest to be deferred until the date on which the amount of forgiveness is remitted to the lender by the SBA or the SBA notifies the lender that no loan forgiveness is allowed. Subsequent to June 30, 2020, the Charter School submitted a loan forgiveness application to TD Bank, N.A., and as of the date of the audit, the Charter School has not received a determination regarding the forgiveness of the loan.

Obligations under Capital Lease - The Charter School is leasing Chromebooks, charging storage carts, and Google Chrome Management Console Licenses with a total cost of \$111,739.48 under a capital lease. The capital lease is for a term of three years.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2020.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 37,246.44	\$ 5,386.80	\$ 42,633.24
2022	37,246.56	5,386.68	42,633.24
2023	12,415.52	1,346.67	13,762.19
Total	<u>\$ 86,908.52</u>	<u>\$ 12,120.15</u>	<u>\$ 99,028.67</u>

Note 8: OPERATING LEASES

During the year ended June 30, 2020, the Charter School had lease agreements in effect for the school's building location and copy machines. The lease agreement for the school's building extends for 10 years beginning on September 1, 2017 with an option to renew another 10 years. The copy machines lease agreement extends for 36 months beginning September 1, 2019.

The present value of the future minimum rental payments under the operating lease agreements are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2021	\$ 656,216.04
2022	656,216.04
2023	718,744.34
2024	731,250.00
2025	731,250.00
2026-2028	<u>1,584,375.00</u>
	<u>\$ 5,078,051.42</u>

Rental payments under operating leases for the fiscal year ended June 30, 2020 were \$650,000.04.

Note 9: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several Charter School employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. The DCRP is administered by Prudential Financial for the Division.

Each of the aforementioned plans have a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the PERS and TPAF plans' fiduciary net position that can be obtained by writing to or at the following website:

State of New Jersey, Department of the Treasury
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans**Plan Descriptions**

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey ("State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF Board of Trustees is primarily responsible for the administration of the Plan.

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan that was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Charter School, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS Board of Trustees is primarily responsible for the administration of the Plan.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

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

The following represents the membership tiers for TPAF:

Tier Definition

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 years or more of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier.

Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Public Employees' Retirement System - 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 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

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

Note 9: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Charter School and all other related non-contributing employers. No normal or accrued liability contribution by the Charter School has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The Charter School's contractually required contribution rate for the fiscal year ended June 30, 2020 was 13.13% of the Charter School's covered payroll, of which 0.00% of payroll was required from the Charter School and 100.00% of payroll was required from the State of New Jersey. The Charter School was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2020 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2019, the State's contractually required contribution, on-behalf of the Charter School, to the pension plan for the fiscal year ended June 30, 2020 was \$224,766.00, and was paid by April 1, 2020. Charter School employee contributions to the Plan during the fiscal year ended June 30, 2020 were \$161,822.37.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10% in State fiscal year 2019. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Charter School's contractually required contribution rate for the fiscal year ended June 30, 2020 was 14.83% of the Charter School's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2019, the Charter School's contractually required contribution to the pension plan for the fiscal year ended June 30, 2020 was \$91,440.00, and was paid by April 1, 2020. Charter School employee contributions to the Plan during the fiscal year ended June 30, 2020 were \$64,869.43.

Note 9: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Contributions (Cont'd)**

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with P.L. 2007, C. 92, and P.L. 2007, C. 103, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School contributes 3% of the employees' base salary, for each pay period, to Prudential Financial no later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2020, employee contributions totaled \$952.93, and the Charter School recognized pension expense, which equaled the required contributions, of \$519.84. There were no forfeitures during the fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**Teachers' Pension and Annuity Fund**

Pension Liability - At June 30, 2020, the Charter School was not required to report a liability for its proportionate share of the net pension liability for TPAF because of the 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, however, attributable to the Charter School is as follows:

Charter School's Proportionate Share of Net Pension Liability	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Charter School	6,860,538.00
	<u>\$ 6,860,538.00</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated using updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. For the June 30, 2019 measurement date, the Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At the June 30, 2019 measurement date, the Charter School proportion was 0.00% due to the 100% special funding situation with the State of New Jersey; however, the State's proportionate share of the TPAF net pension liability associated with the Charter School was .0111788043%, which was an increase of .0111788043% from its proportion measured as of June 30, 2018.

Pension Expense - For the fiscal year ended June 30, 2020, the Charter School recognized \$404,653.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plan's June 30, 2019 measurement date.

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System**

Pension Liability - At June 30, 2020, the Charter School reported a liability of \$1,693,843.00 for its proportionate share of the net pension liability for PERS. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The total pension liability was calculated using updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the Charter School's proportion was .0094005849%, which was an increase of .0011927942% from its proportion measured as of June 30, 2018.

Pension Expense - For the fiscal year ended June 30, 2020, the Charter School recognized pension expense of \$459,204.00, in the government-wide financial statements. This pension expense was based on the pension plan's June 30, 2019 measurement date.

Deferred Outflows and Inflows of Resources - At June 30, 2020, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 30,402.00	\$ 7,483.00
Changes of Assumptions	169,136.00	587,927.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	26,738.00
Changes in Proportion and Differences between Charter School Contributions and Proportionate Share of Contributions	1,411,926.00	-
Charter School Contributions Subsequent to the Measurement Date	<u>114,572.00</u>	<u>-</u>
	<u>\$ 1,726,036.00</u>	<u>\$ 622,148.00</u>

Deferred outflows of resources in the amount of \$114,572.00 will be included as a reduction of the net pension liability in the subsequent fiscal year, June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)****Deferred Outflows and Inflows of Resources (Cont'd) -**

Fiscal Year	
<u>Ending June 30,</u>	
2021	\$ 331,765.00
2022	222,010.00
2023	238,997.00
2024	(66,809.00)
2025	263,353.00
	<u> </u>
	<u>\$ 989,316.00</u>

The other deferred outflows of resources and deferred inflows of resources related to pensions will be amortized over the following number of years:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00
June 30, 2019	5.00	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions**

The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation as of July 1, 2018. The total pension liabilities were calculated using updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
Through 2026	1.55% - 4.45%	2.00% - 6.00%
	Based on Yrs. of Service	Based on Yrs. of Service
Thereafter	2.75% - 5.65%	3.00% - 7.00%
	Based on Yrs. of Service	Based on Yrs. of Service
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2015 - June 30, 2018	July 1, 2014 - June 30, 2018

For TPAF, 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.

For PERS, 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.

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at the June 30, 2019 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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.

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS' target asset allocation as of the June 30, 2019 measurement date 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%
U.S. 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%
	<u>100.00%</u>	

Discount Rate -

Teachers' Pension and Annuity Fund - 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 the June 30, 2019 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 would be based on 70% of the actuarially determined contributions for the State. 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.

Public Employees' Retirement System - 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 the June 30, 2019 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 would be based on 70% of the actuarially determined contributions for the State. 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.

Note 9: PENSION PLANS (CONT'D)**Sensitivity of Charter School's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2019, the Plan's measurement date, attributable to the Charter School is \$0.00. The following, however, presents the net pension liability of the State as of June 30, 2019 (Plan's measurement date), attributable to the Charter School, calculated using the discount rate of 5.60% 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:

	TPAF		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
Charter School's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Charter School	<u>8,090,093.00</u>	<u>6,860,538.00</u>	<u>5,840,396.00</u>
	<u>\$ 8,090,093.00</u>	<u>\$ 6,860,538.00</u>	<u>\$ 5,840,396.00</u>

Public Employees' Retirement System (PERS) - The following presents the Charter School's proportionate share of the net pension liability at June 30, 2019, the Plan's measurement date, calculated using a discount rate of 6.28%, 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% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Charter School's Proportionate Share of the Net Pension Liability	<u>\$ 2,154,483.00</u>	<u>\$ 1,693,843.00</u>	<u>\$ 1,327,401.00</u>

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS' respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, 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. For additional information about TPAF and PERS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN**

Plan Description and Benefits Provided - The State Health Benefit Local Education Retired Employees Plan (the "OPEB Plan") is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 - *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the "Division") and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publically available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

Employees Covered by Benefit Terms - At June 30, 2019, the OPEB Plan's measurement date, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
	<u>364,943</u>

Total Non-Employer OPEB Liability

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

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

The State's proportionate share of the net OPEB liability associated with the Charter School as of June 30, 2020 was \$1,772,023.00. Since the OPEB liability associated with the Charter School is 100% attributable to the State, the OPEB liability will be referred to as the total non-employer OPEB liability.

The total non-employer OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. For the June 30, 2019 measurement date, the State's proportionate share of the non-employer OPEB liability associated with the Charter School was .0042464942%, which was an increase of .0012372187% from its proportion measured as of June 30, 2018.

Actuarial Assumptions and Other Inputs - The actuarial assumptions and other inputs vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2018 used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases -

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Through 2026	1.55 - 3.05%	2.00 - 6.00%	3.25 - 15.25%
Thereafter	1.55 - 3.05%	3.00 - 7.00%	3.25 - 15.25%

Based on years of service

Inflation Rate - 2.50%.

Mortality Rates - Current and future retiree healthy mortality rates were based on the PUB-2010 Healthy classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Disabled mortality was based on the PUB-2010 headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Experience Studies - 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.

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%.

Discount Rate - The discount rate for June 30, 2019 was 3.50%. 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.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Changes in the Total Non-Employer OPEB Liability**

The below table summarizes the State's proportionate share of the change in the Total Non-Employer OPEB Liability associated with the Charter School:

Balance at June 30, 2019		\$	1,387,602.00
Changes for the Year:			
Service Cost	\$	411,983.00	
Interest Cost		68,632.00	
Difference Between Expected and Actual Experience		(69,831.00)	
Changes in Assumptions		26,421.00	
Gross Benefit Payments		(54,396.00)	
Member Contributions		<u>1,612.00</u>	
Net Changes			<u>384,421.00</u>
Balance at June 30, 2020		\$	<u>1,772,023.00</u>

There were no changes in benefit terms between the June 30, 2018 measurement date and the June 30, 2019 measurement date.

Differences between expected and actual experience reflect a decrease in liability from June 30, 2018 to June 30, 2019 is due to changes in the census, claims, and premiums experience.

Changes of assumptions reflect a decrease in the liability from June 30, 2018 to June 30, 2019 is due to the combined effect of the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019; and changes in the trend, excise tax, updated decrements, future spouse election, PPO/HMO future retiree elections, salary scale, and mortality assumptions.

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate - The State's proportionate share of the total non-employer OPEB liability as of June 30, 2019, associated with the Charter School, using a discount rate of 3.50%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used is as follows:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the Charter School	<u>\$ 2,093,459.00</u>	<u>\$ 1,772,023.00</u>	<u>\$ 1,516,692.00</u>

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Changes in the Total Non-Employer OPEB Liability (Cont'd)**

Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Healthcare Cost Trend Rates - The State's proportionate share of the total non-employer OPEB liability as of June 30, 2019, associated with the Charter School, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used is as follows:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the Charter School	\$ 1,460,068.00	\$ 1,772,023.00	\$ 2,184,987.00

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Total Non-Employer OPEB Liability

OPEB Expense - For the fiscal year ended June 30, 2020, the Charter School recognized \$652,405.00 in OPEB expense and revenue, in the government-wide financial statements, for the State's proportionate share of the OPEB Plan's OPEB expense, associated with the Charter School. This expense and revenue was based on the OPEB Plan's June 30, 2019 measurement date.

Deferred Outflows and Inflows of Resources - In accordance with GASBS No. 75, the Charter School's proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the Charter School. However, at June 30, 2020, the State's proportionate share of the total non-employer OPEB liability's deferred outflows of resources and deferred inflows of resources, associated with Charter School, from the following sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion	\$ 2,098,070.00	\$ -
Difference Between Expected and Actual Experience	-	445,243.00
Changes of Assumptions	-	360,168.00
	<u>\$ 2,098,070.00</u>	<u>\$ 805,411.00</u>

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Total Non-Employer OPEB Liability (Cont'd)**

Deferred Outflows and Inflows of Resources (Cont'd) - Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total non-employer OPEB liability, associated with the Charter School, will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,		
2021	\$	162,806.00
2022		162,806.00
2023		162,806.00
2024		162,806.00
2025		162,806.00
Thereafter		478,629.00
		<u>\$ 1,292,659.00</u>

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2020, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were \$215,060.00, \$3,855.00, \$81,213.00, and \$676.00, respectively.

Note 12: 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.

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributions Method". Under this plan, the Charter School is provided with an experience rate by the State of New Jersey upon which required unemployment contributions are calculated.

Note 13: DEFERRED COMPENSATION

The Charter School offers its employees a choice of one deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

AFLAC

Note 14: 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 paid time off days in varying amounts under the school's personnel policies. In the event of termination, employees are reimbursed for the employee's accrued paid time off at their current hourly pay rate.

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2020, the liability for compensated absences reported on the government-wide statement of net position was \$46,389.14.

Note 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfunds - The composition of interfund balances as of June 30, 2020 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 124,122.34	
Enterprise		\$ 21,857.86
Fiduciary		102,264.48
	<u>\$ 124,122.34</u>	<u>\$ 124,122.34</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2021, the Charter School expects to liquidate such interfunds, depending upon the availability of cash flow.

Transfers -

	<u>Transfer In:</u>	
	<u>General Fund</u>	<u>Food Service Fund</u>
<u>Transfer Out:</u>		
General Fund		\$ 80,933.28
Total Transfers	<u>\$ -</u>	<u>\$ 80,933.28</u>

The transfer from the general fund was to fund an operating loss in the food service fund for the fiscal year ended June 30, 2020.

Note 16: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter School expects such amount, if any, to be immaterial.

Note 17: CONCENTRATIONS

The Charter School depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the Charter School is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 18: FUND BALANCES**NONSPENDABLE**

As stated in note 1, the nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balances of the Charter School, as of June 30, 2020, are summarized as follows:

General Fund - The Charter School recorded their security deposit for the new school building lease agreement that will benefit future periods beyond June 30, 2020 as a prepaid expense. As a result, because prepaid expenses are recorded as an asset, even though it does not represent expendable financial resources, it is necessary to set aside fund balance at year end by an amount equal to the balance of the prepaid expense. As of June 30, 2020, the nonspendable fund balance was \$108,333.34.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The Charter School's unassigned fund balance is summarized as follows:

General Fund - As of June 30, 2020, \$24,997.31 of general fund balance was unassigned.

Note 19: SUBSEQUENT EVENTS

COVID-19 - On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

PRINCIPLE ACADEMY CHARTER SCHOOL
GENERAL FUND
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Modifications/ Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES					
Local Sources:					
Unrestricted Miscellaneous Revenues				\$ 13,031.07	\$ 13,031.07
Total - Local Sources				13,031.07	13,031.07
State Sources:					
Charter School Aid:					
Local Levy/Equalization Aid:					
Local Share	\$ 6,218,214.00	\$ (3,549,975.00)	\$ 2,668,239.00	2,668,239.00	
State Share		3,539,878.00	3,539,878.00	3,539,878.00	
Total - Local Levy/Equalization Aid	6,218,214.00	(10,097.00)	6,208,117.00	6,208,117.00	
Categorical Aid:					
Special Education Aid	183,530.00	(34,690.00)	148,840.00	148,840.00	
Security Aid	192,972.00	48,432.00	241,404.00	241,404.00	
Total Categorical Aid	376,502.00	13,742.00	390,244.00	390,244.00	
Total Charter School Aid	6,594,716.00	3,645.00	6,598,361.00	6,598,361.00	
Other State Sources:					
Adjustment Aid	497,640.00		497,640.00	497,640.00	
On-behalf Contributions:					
T.P.A.F. Post-Retirement Medical				81,213.00	81,213.00
Teacher's Pension and Annuity Fund				215,060.00	215,060.00
T.P.A.F. Non-contributory Insurance				3,855.00	3,855.00
T.P.A.F. LTDI				676.00	676.00
Reimbursed TPAF Social Security Contributions				130,204.51	130,204.51
Total - Other State Sources	497,640.00		497,640.00	928,648.51	431,008.51
Total - State Sources	7,092,356.00	3,645.00	7,096,001.00	7,527,009.51	431,008.51
Total Revenues	7,092,356.00	3,645.00	7,096,001.00	7,540,040.58	444,039.58

(Continued)

PRINCIPLE ACADEMY CHARTER SCHOOL
GENERAL FUND
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Modifications/ Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES					
General Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Kindergarten		\$ 52,500.00	\$ 52,500.00	\$ 52,500.00	
Grades 1-5	\$ 1,947,200.00	(1,058,635.58)	888,564.42	888,564.42	
Grades 6-8		101,516.06	101,516.06	101,516.06	
Regular Programs - Undistributed					
Instruction:					
Other Salaries for Instruction	219,250.00	976,919.11	1,196,169.11	1,196,169.11	
Purchased Professional - Educational Services		397,975.99	397,975.99	397,975.99	
Purchased Professional and Technical Services	582,863.00	(582,863.00)			
Other Purchased Services (400-500 series)		8,008.91	8,008.91	8,008.91	
General Supplies	120,000.00	(17,167.12)	102,832.88	102,832.88	
Textbooks	128,893.00	15,526.47	144,419.47	144,419.47	
Other Objects	10,000.00	574.27	10,574.27	10,574.27	
Total Regular Programs - Instruction	3,008,206.00	(105,644.89)	2,902,561.11	2,902,561.11	
Special Education Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers		337,246.40	337,246.40	337,246.40	
Total Learning and/or Language Disabilities		337,246.40	337,246.40	337,246.40	
Total Special Education - Instruction		337,246.40	337,246.40	337,246.40	
Total Instruction	3,008,206.00	231,601.51	3,239,807.51	3,239,807.51	
Undistributed Expenditures - Health Services:					
Salaries		100,046.49	100,046.49	100,046.49	
Purchased Professional and Technical Services		495.00	495.00	495.00	
Supplies and Materials		2,386.65	2,386.65	2,386.65	
Total Undistributed Expenditures - Health Services		102,928.14	102,928.14	102,928.14	

(Continued)

PRINCIPLE ACADEMY CHARTER SCHOOL
GENERAL FUND
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Modifications/ Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<u>EXPENDITURES (CONT'D)</u>					
General Current Expense (Cont'd):					
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff		\$ 11,522.50	\$ 11,522.50	\$ 11,522.50	
Purchased Professional - Educational Services		35,311.67	35,311.67	35,311.67	
Total Undistributed Expenditures - Child Study Teams		46,834.17	46,834.17	46,834.17	
Undistributed Expenditures - Instructional Staff Training Services:					
Other Purchased Services (400-500 series)		4,534.55	4,534.55	4,534.55	
Total Undistributed Expenditures - Instructional Staff Training Services		4,534.55	4,534.55	4,534.55	
Undistributed Expenditures - Support Services - General Administration:					
Salaries		333,184.31	333,184.31	333,184.31	
Legal Services	\$ 60,000.00	71,246.67	131,246.67	131,246.67	
Audit Fees		23,000.00	23,000.00	23,000.00	
Other Purchased Professional Services	657,262.00	(37,279.19)	619,982.81	619,982.81	
Communications / Telephone	54,000.00	(20,037.43)	33,962.57	33,962.57	
Miscellaneous Purchased Services (400-500 series)	15,000.00	(7,165.96)	7,834.04	7,834.04	
BOE Other Purchased Services		2,834.75	2,834.75	2,834.75	
General Supplies	6,400.00	17,085.25	23,485.25	23,485.25	
Judgements Against the School District		100,666.00	100,666.00	100,666.00	
Miscellaneous Expenditures	20,000.00	(9,251.40)	10,748.60	10,748.60	
Total Undistributed Expenditures - Support Services - General Administration	812,662.00	474,283.00	1,286,945.00	1,286,945.00	
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals / Assistant Principals/ Program Directors	517,000.00	(289,487.58)	227,512.42	227,512.42	
Salaries of Secretarial and Clerical Assistants	167,000.00	(107,724.92)	59,275.08	59,275.08	
Other Salaries		26,781.94	26,781.94	26,781.94	
Total Undistributed Expenditures - Support Services - School Administration	684,000.00	(370,430.56)	313,569.44	313,569.44	

(Continued)

PRINCIPLE ACADEMY CHARTER SCHOOL
GENERAL FUND
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Modifications/ Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<u>EXPENDITURES (CONT'D)</u>					
General Current Expense (Cont'd):					
Undistributed Expenditures - Central Services:					
Salaries		\$ 126,402.75	\$ 126,402.75	\$ 126,402.75	
Purchased Professional Services		143,651.76	143,651.76	143,651.76	
Supplies and Materials		8,333.13	8,333.13	8,333.13	
Interest on Current Loans		18,882.75	18,882.75	18,882.75	
Total Undistributed Expenditures - Central Services		297,270.39	297,270.39	297,270.39	
Undistributed Expenditures - Technology					
Purchased Technical Services		26,294.25	26,294.25	26,294.25	
General Supplies		4,846.28	4,846.28	4,846.28	
Total Undistributed Expenditures - Technology		31,140.53	31,140.53	31,140.53	
Undistributed Expenditures - Required Maintenance for School Facilities:					
Cleaning, Repair, and Maintenance Services		26,170.93	26,170.93	26,170.93	
General Supplies		345.00	345.00	345.00	
Total Undistributed Expenditures - Required Maintenance for School Facilities		26,515.93	26,515.93	26,515.93	
Undistributed Expenditures - Custodial Services:					
Salaries	\$ 321,321.00	(252,237.21)	69,083.79	69,083.79	
Purchased Professional and Technical Services	102,304.00	(102,304.00)			
Cleaning, Repair and Maintenance Services		48,016.63	48,016.63	48,016.63	
Rental of Land and Buildings Other Than Lease Purchase	650,000.00	0.04	650,000.04	650,000.04	
Other Purchased Property Services	40,000.00	(40,000.00)			
Insurance	20,000.00	31,439.00	51,439.00	51,439.00	
General Supplies	30,000.00	(4,786.20)	25,213.80	25,213.80	
Energy - Electricity	67,000.00	(8,156.48)	58,843.52	58,843.52	
Total Undistributed Expenditures - Custodial Services	1,230,625.00	(328,028.22)	902,596.78	902,596.78	

(Continued)

PRINCIPLE ACADEMY CHARTER SCHOOL
GENERAL FUND
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Modifications/ Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONT'D)					
General Current Expense (Cont'd):					
Undistributed Expenditures - Security:					
Salaries		\$ 40,182.91	\$ 40,182.91	\$ 40,182.91	
Purchased Professional and Technical Services		1,155.00	1,155.00	1,155.00	
Total Undistributed Expenditures - Security		41,337.91	41,337.91	41,337.91	
Total Undistributed Expenditures - Operation and Maintenance of Plant	\$ 1,230,625.00	(229,033.85)	1,001,591.15	1,001,591.15	
Undistributed Expenditures - Student Transportation Services:					
Contract Services (Other than Between Home and School - Vendors)	7,000.00	18,060.00	25,060.00	25,060.00	
Total Undistributed Expenditures - Student Transportation Services	7,000.00	18,060.00	25,060.00	25,060.00	
Unallocated Benefits - Employee Benefits:					
Group Life Insurance		1,798.06	1,798.06	1,798.06	
Social Security Contributions		139,465.73	139,465.73	139,465.73	
Other Retirement Contributions - PERS		92,758.56	92,758.56	92,758.56	
Other Retirement Contributions - DCRP		519.84	519.84	519.84	
New Jersey Unemployment Compensation		27,022.54	27,022.54	27,022.54	
Workers' Compensation		46,158.00	46,158.00	46,158.00	
Health Benefits	641,292.00	(270,287.30)	371,004.70	371,004.70	
Other Employee Benefits		181.88	181.88	181.88	
Total Unallocated Benefits - Employee Benefits	641,292.00	37,617.31	678,909.31	678,909.31	
On-behalf Contributions (Non-Budgeted):					
T.P.A.F. Post-Retirement Medical				81,213.00	\$ (81,213.00)
Teacher's Pension and Annuity Fund				215,060.00	(215,060.00)
T.P.A.F. Non-contributory Insurance				3,855.00	(3,855.00)
T.P.A.F. LTDI				676.00	(676.00)
Reimbursed TPAF Social Security Contributions				130,204.51	(130,204.51)
Total On-behalf Contributions				431,008.51	(431,008.51)
Total Undistributed Expenditures	3,375,579.00	382,063.15	3,757,642.15	4,188,650.66	(431,008.51)
Total General Current Expense	6,383,785.00	613,664.66	6,997,449.66	7,428,458.17	(431,008.51)

(Continued)

PRINCIPLE ACADEMY CHARTER SCHOOL
GENERAL FUND
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Modifications/ Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
Capital Outlay:					
Equipment:					
Undistributed Expenditures - General Admin	\$ 20,000.00	\$ (20,000.00)			
Total Equipment	20,000.00	(20,000.00)			
Facilities Acquisition and Construction Services:					
Construction Services	104,358.00	(11,397.20)	\$ 92,960.80	\$ 6,715.00	\$ 86,245.80
Total Facilities Acquisition and Construction Services	104,358.00	(11,397.20)	92,960.80	6,715.00	86,245.80
Assest Acquired Under Capital Lease (Non-Budgeted):					
Chrome Books and Accessories				111,739.48	(111,739.48)
Total Assets Acquired Under Capital Lease (Non-Budgeted)				111,739.48	(111,739.48)
Total Capital Outlay	124,358.00	(31,397.20)	92,960.80	118,454.48	(25,493.68)
Total Expenditures	6,508,143.00	582,267.46	7,090,410.46	7,546,912.65	(456,502.19)
Excess (Deficiency) of Revenues Over (Under) Expenditures	584,213.00	(578,622.46)	5,590.54	(6,872.07)	(12,462.61)
Other Financing Uses (Sources):					
Transfer to Food Services - Salaries		(71,813.98)	(71,813.98)	(71,813.98)	
Transfer to Food Services - To Cover Deficit		(9,119.30)	(9,119.30)	(9,119.30)	
Assets Acquired by Capital Lease				111,739.48	111,739.48
Total Other Financing Sources (Uses)		(80,933.28)	(80,933.28)	30,806.20	111,739.48
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	584,213.00	(659,555.74)	(75,342.74)	23,934.13	99,276.87
Fund Balances, July 1	109,396.52		109,396.52	109,396.52	
Fund Balances, June 30	\$ 693,609.52	\$ (659,555.74)	\$ 34,053.78	\$ 133,330.65	\$ 99,276.87
Recapitulation:					
Non Spendable:					
Prepaid Expenses				\$ 108,333.34	
Unassigned Fund Balance				24,997.31	
				<u>\$ 133,330.65</u>	

PRINCIPLE ACADEMY CHARTER SCHOOL
Special Revenue Fund
Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Federal Sources:					
Title I Grants to Local Educational Agencies	\$ 232,941.00		\$ 232,941.00	\$ 232,941.00	
Title I Grants to Local Educational Agencies - Reallocated	16,849.00		16,849.00	16,849.00	
Special Education Grants to States (IDEA) - Basic	75,695.00		75,695.00	75,695.00	
Special Education Grants to States (IDEA) - Preschool	1,053.00		1,053.00	1,053.00	
Total - Federal Sources	<u>326,538.00</u>		<u>326,538.00</u>	<u>326,538.00</u>	
Total Revenues	<u>326,538.00</u>		<u>326,538.00</u>	<u>326,538.00</u>	
EXPENDITURES:					
Instruction:					
Salaries of Teachers	200,000.00		200,000.00	200,000.00	
Instructional Supplies	16,849.00		16,849.00	16,849.00	
Total Instruction	<u>216,849.00</u>		<u>216,849.00</u>	<u>216,849.00</u>	
Support Services:					
Personal Services - Employee Benefits	32,941.00		32,941.00	32,941.00	
Purchased Professional and Technical Services	76,748.00		76,748.00	76,748.00	
Total Support Services	<u>109,689.00</u>		<u>109,689.00</u>	<u>109,689.00</u>	
Total Expenditures	<u>326,538.00</u>		<u>326,538.00</u>	<u>326,538.00</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PRINCIPLE 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.

	General Fund	Special Revenue Fund
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 7,540,040.58	\$ 326,538.00
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 7,540,040.58	\$ 326,538.00
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 7,546,912.65	\$ 326,538.00
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 7,546,912.65	\$ 326,538.00

**REQUIRED SUPPLEMENTARY INFORMATION
PART III**

PRINCIPLE ACADEMY CHARTER SCHOOL
 Required Supplementary Information
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Two Plan Years

	<u>Measurement Date Ending June 30,</u>	
	<u>2019</u>	<u>2018</u>
Charter School's Proportion of the Net Pension Liability	0.0094005849%	0.0082077907%
Charter School's Proportionate Share of the Net Pension Liability	\$ 1,693,843.00	\$ 1,616,073.00
Charter School's Covered Payroll (Plan Measurement Period)	\$ 745,464.00	\$ 607,048.00
Charter School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	227.22%	266.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Required Supplementary Information
 Schedule of the Charter School's Contributions
 Public Employees' Retirement System (PERS)
 Last Three Fiscal Years

	Fiscal Year Ended June 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 114,572.00	\$ 91,440.00	\$ 81,641.00
Contributions in Relation to the Contractually Required Contribution	<u>(114,572.00)</u>	<u>(91,440.00)</u>	<u>(81,641.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's Covered Payroll (Fiscal Year)	\$ 772,325.00	\$ 767,615.00	\$ 602,735.00
Contributions as a Percentage of Charter School's Covered Payroll	14.83%	11.91%	13.55%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Required Supplementary Information
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Teachers' Pension and Annuity Fund (TPAF)
 Last Two Plan Years

	<u>Measurement Date Ending June 30,</u>	
	<u>2019</u>	<u>2018</u>
Charter School's Proportion of the Net Pension Liability	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the Charter School	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>
Charter School's Proportionate Share of the Net Pension Liability	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	<u>6,860,538.00</u>	<u>-</u>
	<u>\$ 6,860,538.00</u>	<u>\$ -</u>
Charter School's Covered Payroll (Plan Measurement Period)	\$ 1,146,792.00	\$ 1,400,548.00
Charter School's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	598.24%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	26.49%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PRINCIPLE ACADEMY CHARTER SCHOOL
Required Supplementary Information
Schedule of the Charter School's Contributions
Teachers' Pension and Annuity Fund (TPAF)
Last Ten Fiscal Years

This schedule is not applicable.

The Charter School is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

PRINCIPLE ACADEMY CHARTER SCHOOL
Notes to Required Supplementary Information - Part III
For the Fiscal Year Ended June 30, 2020

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 4.68% 2014, 4.13% 2015, 3.22% 2016, 4.25% 2017, 4.86% 2018 and 5.60% 2019.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2015 - June 30, 2018 experience study. For pre-retirement mortality, 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 was used. For healthy retirees and beneficiaries, 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 was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males, and a 100.3% adjustment for females, and with improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2012- June 30, 2015 experience study.

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017, 5.66% 2018, and 6.28% 2019.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2014 - June 30, 2018 experience study. For pre-retirement mortality, the Pub-2010 General Below-Median Income Employee mortality table with a 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 was used. For healthy retirees and beneficiaries, 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 was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males, and a 117.2% adjustment for females, and with improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

**REQUIRED SUPPLEMENTARY INFORMATION
PART IV**

**SCHEDULE RELATED TO ACCOUNTING AND
REPORTING FOR OTHER POSTEMPLOYMENT BENEFITS**

PRINCIPLE ACADEMY CHARTER SCHOOL
 Required Supplementary Information
 Schedule of Changes in the Charter School's Total OPEB Liability and Related Ratios
 Last Three Plan Years

	<u>Measurement Date Ending June 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Non-Employer OPEB Liability - State's Proportionate Share of the Total OPEB Liability Associated with the Charter School			
Changes for the Year:			
Service Cost	\$ 411,983.00		\$ -
Interest Cost	68,632.00	\$ (636.00)	
Difference Between Expected and Actual Experience	(69,831.00)	1,583,294.00	
Changes in Assumptions	26,421.00	(159,234.00)	
Gross Benefit Payments	(54,396.00)	(37,104.00)	
Member Contributions	1,612.00	1,282.00	
Net Change in Total Non-Employer OPEB Liability	384,421	1,387,602	-
Total Non-Employer OPEB Liability - Beginning of Fiscal Year	1,387,602.00		-
Total Non-Employer OPEB Liability - End of Fiscal Year	<u>\$ 1,772,023.00</u>	<u>\$ 1,387,602</u>	<u>\$ -</u>
Charter School's Covered Payroll (Plan Measurement Period)	<u>\$ 2,071,363.00</u>	<u>\$ 1,540,242</u>	<u>\$ 1,591,495</u>
State's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the Charter School as a Percentage of Covered Payroll	85.55%	90.09%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

PRINCIPLE ACADEMY CHARTER SCHOOL
Notes to Required Supplementary Information - Part IV
For the Fiscal Year Ended June 30, 2020

Changes of Benefit Terms - None

Differences Between Expected and Actual Experience - The decrease in liability from June 30, 2017 to June 30, 2018 is due to changes in the census, claims and premiums experience. The decrease in liability from June 30, 2018 to June 30, 2019 is due to changes in the census, claims and premiums experience.

Changes of Assumptions - The decrease in the liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018; and a decrease in the assumed health care cost trend and excise tax assumptions. The decrease in the liability from June 30, 2018 to June 30, 2019 is due to the combined effect of the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019; and changes in the trend, excise tax, updated decrements, future spouse election, PPO/HMO future retiree elections, salary scale and mortality assumptions.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

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

	E.S.S.A.		I.D.E.A.		Total
	Title I Grants to Local Educational Agencies	Title I Grants to Local Educational Agencies Reallocated	Special Education Grants to States Basic	Special Education Grants to States Preschool	
REVENUES:					
Federal Sources	\$232,941.00	\$ 16,849.00	\$ 75,695.00	\$ 1,053.00	\$ 326,538.00
Total Revenues	<u>232,941.00</u>	<u>16,849.00</u>	<u>75,695.00</u>	<u>1,053.00</u>	<u>326,538.00</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	200,000.00				200,000.00
Instructional Supplies		16,849.00			16,849.00
Total Instruction	<u>200,000.00</u>	<u>16,849.00</u>			<u>216,849.00</u>
Support Services:					
Personal Services - Employee Benefits	32,941.00				32,941.00
Purchased Professional and Technical Services			75,695.00	1,053.00	76,748.00
Total Support Services	<u>32,941.00</u>		<u>75,695.00</u>	<u>1,053.00</u>	<u>109,689.00</u>
Total Expenditures	<u>232,941.00</u>	<u>16,849.00</u>	<u>75,695.00</u>	<u>1,053.00</u>	<u>326,538.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PROPRIETARY FUNDS

PRINCIPLE ACADEMY CHARTER SCHOOL
 Proprietary Funds
 Combining Statement of Net Position
 June 30, 2020

	Business-Type Activities -- Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 24,227.12	\$ 7,821.85	\$ 32,048.97
Total Current Assets	<u>24,227.12</u>	<u>7,821.85</u>	<u>32,048.97</u>
LIABILITIES:			
Current Liabilities:			
Interfund Payable:			
General Fund	14,036.01	7,821.85	21,857.86
Accounts Payable - NSLP	<u>3,001.57</u>	<u> </u>	<u>3,001.57</u>
Total Current Liabilities	<u>17,037.58</u>	<u>7,821.85</u>	<u>24,859.43</u>
NET POSITION:			
Unrestricted	<u>7,189.54</u>	<u> </u>	<u>7,189.54</u>
Total Net Position	<u>\$ 7,189.54</u>	<u>\$ -</u>	<u>\$ 7,189.54</u>

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

	Business-Type Activities -- Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Totals</u>
OPERATING REVENUES:			
Local Sources:			
Program Fees		\$ 7,821.85	\$ 7,821.85
Total Operating Revenue		7,821.85	7,821.85
OPERATING EXPENSES:			
Salaries	\$ 71,813.98	7,821.85	79,635.83
Cost of Goods Sold - Reimbursable	237,997.97		237,997.97
Total Operating Expenses	309,811.95	7,821.85	317,633.80
Operating Income (Loss)	(309,811.95)		(309,811.95)
NONOPERATING REVENUES (EXPENSES):			
State Sources:			
State School Lunch Program	2,530.80		2,530.80
Federal Sources:			
National School Lunch Program	148,746.49		148,746.49
School Breakfast Program	76,766.66		76,766.66
School Snack Program	834.72		834.72
Total Nonoperating Revenues (Expenses)	228,878.67		228,878.67
Income (Loss) before Contributions and Transfers	(80,933.28)		(80,933.28)
Contributions and Transfers:			
Board Contribution	80,933.28		80,933.28
Total Contributions and Transfers	80,933.28		80,933.28
Change in Net Position			
Net Position - July 1	7,189.54		7,189.54
Net Position - June 30	\$ 7,189.54	\$ -	7,189.54

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

	Business-Type Activities -- Enterprise Funds		
	Food Service	After Care Program	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers		\$ 7,821.85	\$ 7,821.85
Payments to Employees	\$ (71,813.98)		(71,813.98)
Payments to Suppliers	(249,022.83)		(249,022.83)
Net Cash Provided by (used for) Operating Activities	(320,836.81)	7,821.85	(313,014.96)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State Sources	2,773.74		2,773.74
Federal Sources	251,355.59		251,355.59
Operating Subsidies and Transfers to Other Funds	80,933.28		80,933.28
Net Cash Provided by (used for) Non-Capital Financing Activities	335,062.61		335,062.61
Net Increase (Decrease) in Cash and Cash Equivalents	14,225.80	7,821.85	22,047.65
Cash and Cash Equivalents, July 1	10,001.32		10,001.32
Cash and Cash Equivalents, June 30	\$ 24,227.12	\$ 7,821.85	\$ 32,048.97
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)			
by Operating Activities:			
Operating Income (Loss)	\$ (309,811.95)		\$ (309,811.95)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities:			
Change in Assets and Liabilities:			
Increase / (Decrease) in Other Liabilities	4,036.01	\$ 7,821.85	11,857.86
Increase / (Decrease) in Accounts Payable	(15,060.87)		(15,060.87)
Total Adjustments	(11,024.86)	7,821.85	(3,203.01)
Net Cash Provided (Used) in Operating Activities	\$ (320,836.81)	\$ 7,821.85	\$ (313,014.96)

FIDUCIARY FUNDS

PRINCIPLE ACADEMY CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2020

	<u>Agency Funds</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 9,534.56	\$ 136,050.68	\$ 145,585.24
Total Assets	<u>\$ 9,534.56</u>	<u>\$ 136,050.68</u>	<u>\$ 145,585.24</u>
LIABILITIES:			
Payroll Deductions and Withholdings Payable to Student Groups	\$ 9,534.56	\$ 33,786.20	\$ 33,786.20 9,534.56
Interfund Accounts Payable: Due to General Fund		<u>102,264.48</u>	<u>102,264.48</u>
Total Liabilities	<u>\$ 9,534.56</u>	<u>\$ 136,050.68</u>	<u>\$ 145,585.24</u>

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

	<u>Balance June 30, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2020</u>
Principle Academy: Student Groups	\$ 9,534.56	_____	_____	\$ 9,534.56
Total School Activity	<u>\$ 9,534.56</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,534.56</u>

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

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS:				
Cash and Cash Equivalents	\$ 116,018.35	\$ 4,309,659.71	\$ 4,289,627.38	\$ 136,050.68
Total Assets	<u>\$ 116,018.35</u>	<u>\$ 4,309,659.71</u>	<u>\$ 4,289,627.38</u>	<u>\$ 136,050.68</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 90,275.54	\$ 1,427,508.99	\$ 1,483,998.33	\$ 33,786.20
Net Payroll		2,779,195.71	2,779,195.71	
Interfund Accounts Payable:				
Due to General Fund	<u>25,742.81</u>	<u>102,955.01</u>	<u>26,433.34</u>	<u>102,264.48</u>
Total Liabilities	<u>\$ 116,018.35</u>	<u>\$ 4,309,659.71</u>	<u>\$ 4,289,627.38</u>	<u>\$ 136,050.68</u>

STATISTICAL SECTION

FINANCIAL TRENDS INFORMATION

Financial trends information is intended to assist the user in understanding and assessing how the Charter School's financial position has changed over time. Please refer to the following exhibits for a historical view of the Charter School's financial performance.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Net Position by Component
 Last Five Fiscal Years (Accrual Basis of Accounting)
 Unaudited

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016 (1)
Governmental Activities					
Net Investment in Capital Assets	\$ 318,040.07	\$ 348,140.90	\$ 216,132.61	\$ 147,899.27	\$ 165,693.16
Unrestricted (Deficit)	<u>(617,585.49)</u>	<u>(245,302.04)</u>	<u>583,507.10</u>	<u>632,726.42</u>	<u>2,639.20</u>
Total Governmental Activities Net Position	<u>\$ (299,545.42)</u>	<u>\$ 102,838.86</u>	<u>\$ 799,639.71</u>	<u>\$ 780,625.69</u>	<u>\$ 168,332.36</u>
Business-type Activities					
Unrestricted	\$ 7,189.54	\$ 7,189.54	\$ 52,997.08	\$ 50,149.40	\$ 135.03
Total Business-type Activities Net Assets	<u>\$ 7,189.54</u>	<u>\$ 7,189.54</u>	<u>\$ 52,997.08</u>	<u>\$ 50,149.40</u>	<u>\$ 135.03</u>
Government-wide					
Net Investment in Capital Assets	\$ 318,040.07	\$ 348,140.90	\$ 216,132.61	\$ 147,899.27	\$ 165,693.16
Unrestricted (Deficit)	<u>(610,395.95)</u>	<u>(238,112.50)</u>	<u>636,504.18</u>	<u>682,875.82</u>	<u>2,774.23</u>
Total Government-wide Net Position	<u>\$ (292,355.88)</u>	<u>\$ 110,028.40</u>	<u>\$ 852,636.79</u>	<u>\$ 830,775.09</u>	<u>\$ 168,467.39</u>

Source: Charter School's Records

(1) For 2016, the operating period is January 1, 2015 - June 30, 2016.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Changes in Net Position
 Last Five Fiscal Years (Accrual Basis of Accounting)
 Unaudited

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016 (1)
Expenses					
Governmental Activities					
Regular Instruction	\$ 3,140,560.36	\$ 2,654,886.10	\$ 1,955,417.63	\$ 1,842,254.97	\$ 1,490,434.32
Special Education Instruction	337,246.40	249,331.33	208,034.04	187,932.69	71,549.24
Support Services and Undistributed Costs:					
Student and Instruction Related Services	231,044.86	288,704.71	319,330.46	299,678.75	281,792.73
School Administrative Services	1,927,254.75	1,377,773.09	1,185,282.43	945,640.10	1,002,411.92
Plant Operations and Maintenance	1,002,053.33	1,023,980.41	942,824.97	466,294.24	468,076.29
Transportation	25,060.00				
Unallocated Benefits	2,269,575.76	1,443,297.19	536,327.91	442,951.11	302,969.67
Unallocated Depreciation	12,164.12	5,170.40			
Total Governmental Activities Expenses	<u>8,944,959.58</u>	<u>7,043,143.23</u>	<u>5,147,217.44</u>	<u>4,184,751.86</u>	<u>3,617,234.17</u>
Business-type Activities:					
After Care Program	7,821.85	26,566.50	4,505.00		
Food Service	309,811.95	363,095.48	268,907.07	229,803.00	187,283.91
Total Business-type Activities Expense	<u>317,633.80</u>	<u>389,661.98</u>	<u>273,412.07</u>	<u>229,803.00</u>	<u>187,283.91</u>
Total Government-wide Expenses	<u>\$ 9,262,593.38</u>	<u>\$ 7,432,805.21</u>	<u>\$ 5,420,629.51</u>	<u>\$ 4,414,554.86</u>	<u>\$ 3,804,518.08</u>
Program Revenues					
Governmental Activities:					
Operating Grants and Contributions	\$ 1,514,476.51	\$ 818,797.30	\$ 415,949.42	\$ 419,021.88	\$ 446,515.76
Capital Grants and Contributions					61,039.00
Total Governmental Activities Program Revenues	<u>1,514,476.51</u>	<u>818,797.30</u>	<u>415,949.42</u>	<u>419,021.88</u>	<u>507,554.76</u>
Business-type activities:					
Charges for services					
Food Service			9,559.80		1,747.89
After Care Program	7,821.85	26,566.50	4,505.00		
Operating Grants and Contributions	228,878.67	317,287.94	262,194.95	222,932.35	127,723.56
Total Business-type Activities Program Revenues	<u>236,700.52</u>	<u>343,854.44</u>	<u>276,259.75</u>	<u>222,932.35</u>	<u>129,471.45</u>
Total Governmental-wide Program Revenues	<u>\$ 1,751,177.03</u>	<u>\$ 1,162,651.74</u>	<u>\$ 692,209.17</u>	<u>\$ 641,954.23</u>	<u>\$ 637,026.21</u>
Net (Expense)/Revenue					
Governmental Activities	\$ (7,430,483.07)	\$ (6,224,345.93)	\$ (4,731,268.02)	\$ (3,765,729.98)	\$ (3,109,679.41)
Business-Type Activities	<u>(80,933.28)</u>	<u>(45,807.54)</u>	<u>2,847.68</u>	<u>(6,870.65)</u>	<u>(57,812.46)</u>
Total Governmental-wide Net Expenses	<u>\$ (7,511,416.35)</u>	<u>\$ (6,270,153.47)</u>	<u>\$ (4,728,420.34)</u>	<u>\$ (3,772,600.63)</u>	<u>\$ (3,167,491.87)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Charter School Aid	\$ 7,096,001.00	\$ 5,484,875.00	\$ 4,711,895.36	\$ 4,414,091.24	\$ 3,333,044.00
Miscellaneous Income	13,031.07	42,670.08	38,386.68	20,817.09	2,915.26
Transfers	<u>(80,933.28)</u>			<u>(56,885.02)</u>	<u>(57,947.49)</u>
Total Governmental Activities	<u>7,028,098.79</u>	<u>5,527,545.08</u>	<u>4,750,282.04</u>	<u>4,378,023.31</u>	<u>3,278,011.77</u>
Business-type Activities:					
Transfers	80,933.28			56,885.02	57,947.49
Total Business-type Activities	<u>80,933.28</u>			<u>56,885.02</u>	<u>57,947.49</u>
Total Government-wide	<u>\$ 7,109,032.07</u>	<u>\$ 5,527,545.08</u>	<u>\$ 4,750,282.04</u>	<u>\$ 4,434,908.33</u>	<u>\$ 3,335,959.26</u>
Change in Net Position					
Governmental Activities	\$ (402,384.28)	\$ (696,800.85)	\$ 19,014.02	\$ 612,293.33	\$ 168,332.36
Business-type Activities		<u>(45,807.54)</u>	<u>2,847.68</u>	<u>50,014.37</u>	<u>135.03</u>
Total Government-wide	<u>\$ (402,384.28)</u>	<u>\$ (742,608.39)</u>	<u>\$ 21,861.70</u>	<u>\$ 662,307.70</u>	<u>\$ 168,467.39</u>

Source: Charter School's Records

(1) For 2016, the operating period is January 1, 2015 - June 30, 2016.

PRINCIPLE ACADEMY CHARTER SCHOOL
Fund Balances - Governmental Funds
Last Five Fiscal Years (Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016 (1)</u>
General Fund					
Non Spendable	\$ 108,333.34	\$ 108,333.34	\$ 108,333.34	\$ 108,334.34	\$ 244,779.50
Assigned				12,250.00	
Unassigned (Deficit)	<u>24,997.31</u>	<u>1,063.18</u>	<u>485,733.52</u>	<u>532,493.23</u>	<u>(237,113.88)</u>
Total General Fund	<u>\$ 133,330.65</u>	<u>\$ 109,396.52</u>	<u>\$ 594,066.86</u>	<u>\$ 653,077.57</u>	<u>\$ 7,665.62</u>
All Other Governmental Funds	None	None	None	None	None
Total All Other Governmental Funds	None	None	None	None	None

Source: Charter School's Records

(1) For 2016, the operating period is January 1, 2015 - June 30, 2016.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Changes in Fund Balances, Governmental Funds
 Last Five Fiscal Years (Accrual Basis of Accounting)
 Unaudited

	Fiscal Year Ended June 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016 (1)</u>
Revenues					
Local Sources	\$ 13,031.07	\$ 42,670.08	\$ 38,386.68	\$ 20,817.09	\$ 3,515.26
State Sources	7,527,009.51	5,909,822.30	4,780,796.01	4,493,183.65	3,333,044.00
Federal Sources	326,538.00	301,494.00	347,048.77	339,929.47	506,954.76
Total Revenue	<u>7,866,578.58</u>	<u>6,253,986.38</u>	<u>5,166,231.46</u>	<u>4,853,930.21</u>	<u>3,843,514.02</u>
Expenditures					
Regular Instruction	3,119,410.11	2,636,839.75	1,959,103.48	1,812,873.81	1,481,165.16
Special Education Instruction	337,246.40	249,331.33	208,034.04	187,932.69	71,549.24
Support Services and Undistributed Costs:					
Student and Instruction Related Services	231,044.86	288,573.96	314,028.94	299,678.75	281,792.73
School Administrative Services	1,897,784.83	1,367,986.57	1,180,040.58	942,138.64	995,191.15
Transportation	25,060.00				
Plant Operations and Maintenance	1,001,591.15	1,023,019.42	939,307.12	466,294.24	467,352.76
Unallocated Benefits	711,850.31	589,231.89	467,192.26	363,623.70	302,910.92
TPAF Social Security and Pension	431,008.51	424,947.30	68,900.65	79,092.41	
Capital Outlay	118,454.48	158,726.50	88,634.10		177,938.95
Total Expenditures	<u>7,873,450.65</u>	<u>6,738,656.72</u>	<u>5,225,241.17</u>	<u>4,151,634.24</u>	<u>3,777,900.91</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,872.07)</u>	<u>(484,670.34)</u>	<u>(59,009.71)</u>	<u>702,295.97</u>	<u>65,613.11</u>
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)	<u>30,806.20</u>			<u>(56,885.02)</u>	<u>(57,947.49)</u>
Net Change in Fund Balances	<u>\$ 23,934.13</u>	<u>\$ (484,670.34)</u>	<u>\$ (59,009.71)</u>	<u>\$ 645,410.95</u>	<u>\$ 7,665.62</u>
Debt Service as a Percentage of Noncapital Expenditures	N/A	N/A	N/A	N/A	N/A

Source: Charter School's Records

(1) For 2016, the operating period is January 1, 2015 - June 30, 2016.

PRINCIPLE ACADEMY CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last Five Fiscal Years (Accrual Basis of Accounting)
 Unaudited

	Fiscal Year Ended June 30,				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016 (1)</u>
After School				\$ 7,499.07	
Book Fair	\$ 4,061.40			4,622.92	
Cancellation of Prior Year Expenditures	2,788.19	\$ 1,286.49	\$ 2,835.45		
Miscellaneous Refunds	559.57	40,197.34	33,622.73	2,958.85	\$ 1,383.11
Donations	100.00	1,186.25	800.00	4,285.25	
Holiday Party				560.00	
Field Trips				891.00	1,504.15
Graduation (Caps and Gowns)	25.00		992.50		
Fundraisers	5,076.16				
Picture Money	420.75		136.00		28.00
	<u>\$ 13,031.07</u>	<u>\$ 42,670.08</u>	<u>\$ 38,386.68</u>	<u>\$ 20,817.09</u>	<u>\$ 2,915.26</u>

Source: Charter School Records

(1) For 2016, the operating period is January 1, 2015 - June 30, 2016.

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the Charter School's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the Charter School's outstanding debt and its debt capacity.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Ratios of Outstanding Debt by Type
 Last Five Fiscal Years (Accrual basis of Accounting)
 Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of	
	General Obligation Bonds	Mortgages Payable	Capital Leases	Loan Payable	Capital Leases	Total Charter School	Personal Income	Per Capita
2020	N/A	N/A	\$ 86,908.52	\$ 844,642.00	N/A	\$ 931,550.52	N/A	N/A
2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2016 (1)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) For 2016, the operating period is January 1, 2015 - June 30, 2016.

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the Charter School operates and (2) to provide information that facilitates comparisons of financial statement information over time and among Charter Schools. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the Charter School operates.

PRINCIPLE ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
Last Five Fiscal Years
Unaudited

<u>Year</u>	<u>City of Egg Harbor Twp Population (1)(2)</u>	<u>Personal Income (3)</u>	<u>Atlantic County Per Capita Personal Income (4)</u>	<u>Unemployment Rate (5)</u>
2020	Unavailable	Unavailable	Unavailable	Unavailable
2019	42,249	Unavailable	Unavailable	4.5%
2018	42,578	\$ 2,072,186,104.00	\$ 48,668.00	5.3%
2017	43,296	2,015,731,872.00	46,557.00	6.4%
2016 (1)	20,492	906,852,968.00	44,254.00	9.0%

Source:

- (1) For 2016, data is provided for the City of Pleasantville, the Charter School's previous location.
- (2) Population information is provided by the NJ Dept of Labor and Workforce Development.
- (3) Personal income has been estimated based upon the municipal population and per capita personal income.
- (4) Per Capita personal income is based upon the US Bureau of Economic Analysis CA04 data table.
- (5) Unemployment data provided by the NJ Dept of Labor and Workforce Development.

Operating Information

Operating information is intended to provide contextual information about the Charter School's operations and resources to assist readers in using financial statement information to understand and assess the Charter School's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the Charter School's operations.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Full-time Equivalent Charter School Employees by Function/Program
 Last Five Fiscal Years (Accrual Basis of Accounting)
 Unaudited

<u>Function/Program</u>	Fiscal Year Ended June 30,				
	<u>2020</u>	<u>2019</u>	<u>2018 (1)</u>	<u>2017</u>	<u>2016 (2)</u>
Instruction					
Regular	32.0	35.0		23.0	20.0
Special Education	5.0	8.0		6.0	4.5
Support Services					
Student & instruction related services	15.0	6.0		5.0	3.0
School administrative services	11.0	4.0		3.0	4.0
Plant operations and maintenance	2.0	2.0		3.0	2.0
Other		2.0		3.0	4.0
Food Service	2.0	2.0		1.5	1.5
Total	67.0	59.0		44.5	39.0

Source: Charter School Personnel Records

(1) Data was not made available

(2) For 2016, the operating period is January 1, 2015 - June 30, 2016.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Operating Statistics
 Last Five Fiscal Years (Accrual Basis of Accounting)
 Unaudited

Fiscal Year Ended	Enrollment	Operating Expenditures (1)	Cost Per Pupil	Percentage Change	Teaching Staff (2)	Pupil/Teacher Ratio Elementary (K-4)	Average Daily Enrollment (ADE) (3)	Average Daily Attendance (ADA) (3)	% Change in Average Daily Enrollment	Student Attendance Percentage
2020	474	\$ 7,754,996.17	\$ 16,360.75	1%	32	(5)	473.7	453	17%	95.63%
2019	408	6,579,930.22	16,127.28	18%	26	15.52	403.6	380.6	16%	94.30%
2018	376	5,136,607.07	13,661.19	12%	(5)	(5)	348	(5)	6%	(5)
2017	341	4,151,634.24	12,174.88	-16%	26	13.12	328	312	32%	95.12%
2016 (4)	249	3,599,961.96	14,457.68	N/A	18	13.83	249	235.6	N/A	94.62%

Sources: Charter School Records

Note: Enrollment based on annual October enrollment count.

- (1) Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- (2) Teaching staff includes only full-time equivalents of certificated staff.
- (3) Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- (4) For 2016, the operating period is January 1, 2015 - June 30, 2016.
- (5) Data was not made available

PRINCIPLE ACADEMY CHARTER SCHOOL
School Building Information
Last Five Fiscal Years
Unaudited

Not Applicable. The Charter School does not own any facilities.

PRINCIPLE ACADEMY CHARTER SCHOOL

Insurance Schedule

June 30, 2020

Unaudited

<u>Policy Level Information</u>	<u>Coverage</u>	<u>Deductible</u>
Commercial General Liability Coverage (A):		
General Aggregate Limit	\$ 3,000,000.00	
Products-Completed Operations Aggregate	3,000,000.00	
Each Occurrence Limit	1,000,000.00	
Personal and Advertising Injury	1,000,000.00	
Damage to Premises Rented to You Limit	1,000,000.00	
Medical Expense Limit, Any One Person	10,000.00	
Commercial Inland Marine Coverage (A):		
Per Detailed Schedule	Various	\$ 500.00
Commercial Auto Coverage (A):		
Employment Related Practices Liability Insurance (A):		
Each Claim Limit	1,000,000.00	5,000.00
Policy Aggregate Limit	1,000,000.00	
Government Crime Coverage (A):		
Head of Class Uni-Flex Endorsement	100,000.00	500.00
Computer Funds and Transfer Fraud	50,000.00	
Business Auto Coverage (A):		
Liability	1,000,000.00	
Commercial Liability Umbrella		
Each Occurrence	10,000,000.00	
Personal & Advertising Injury Limit	10,000,000.00	
Wrongful Acts	10,000,000.00	
Worker's Compensation and Employer's Liability (C)		
Each Accident	1,000,000.00	
Each Disease - Each Employee	1,000,000.00	
Each Disease - Policy Limit	1,000,000.00	
Commercial Property Coverage (A)		
Business Personal Property - Blanket	540,750.00	1,000.00
Flood Coverage	540,750.00	500.00
Employee Benefits Liability (A)		
Each Loss	1,000,000.00	1,000.00
Aggregate	3,000,000.00	
School District and Educators Legal Liability Coverage (A):		
Each Loss	1,000,000.00	5,000.00
Aggregate for Each Annual Policy Year	3,000,000.00	

(Continued)

PRINCIPLE ACADEMY CHARTER SCHOOL

Insurance Schedule

June 30, 2020

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Abuse or Molestation Liability Coverage (A):		
Each Loss	\$ 1,000,000.00	
Annual Aggregate	3,000,000.00	
Student Accident Insurance - Blanket		
Maximum Benefit	25,000.00	
Public Official Bond (B)		
Board Secretary Position	180,000.00	

- (A) Utica National Insurance Group
- (B) Western Surety Company
- (C) Employers Assurance Co.
- (D) Philadelphia Insurance Companies

Source: Charter School Records

Charter School Financial Framework - Financial Indicators

The New Jersey Department of Education (NJDOE) developed the comprehensive Performance Framework to ensure that each and every NJ charter school is serving students with a high-quality education. The Performance Framework - Financial Indicators set the fiscal standards by which all NJ public charter schools will be evaluated, informing both the NJDOE and individual school officials about school performance and sustainability. By utilizing the Performance Framework throughout the charter school's life cycle, NJDOE officials will expand the rigorous standards and metrics by which each and every public charter school is evaluated. Please refer to the following exhibit for the Charter School's Performance Framework Financial Indicators.

PRINCIPLE ACADEMY CHARTER SCHOOL
New Jersey Performance Framework Financial Ratios
Audited Performance Indicators

	2018 Audit	2019 Audit	2020 Audit	Source
Cash	\$ 932,322	\$ 49,229.81	\$ 642,402.25	Audit: Exhibit A-1
Current Assets (include cash)	1,114,211.63	232,716.48	1,013,103.20	Audit: Exhibit A-1
Current Liabilities	467,147.69	40,675.16	142,513.01	Audit: Exhibit A-1
Total Expenses	4,728,420.34	6,270,153.47	9,262,593.38	Audit: Exhibit A-2
Change in Net Position	21,861.70	(742,608.39)	(402,384.28)	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	348	404	474	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	348	487	520	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	20,400.76	26,718.21	61,646.80	Auditor/Workpapers
Interest Expense	N/A	N/A	N/A	Auditor/Workpapers
Principal Payments	N/A	N/A	N/A	Auditor/Workpapers
Interest Payments	N/A	N/A	N/A	Auditor/Workpapers

Performance Indicators	2018	2019	2020	3 YR CUM	Calculation****	Target****
Near Term Indicators						
1a. Current Ratio (working capital ratio)	2.39	5.72	7.11		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b. Unrestricted days cash on hand	72	3	25		Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c. Enrollment Variance	100%	83%	91%	91%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.** Default on loans or delinquent in debt payments	N/A	N/A	N/A		Auditor	not in default
Sustainability Indicators						
2a*** 3 Year Cumulative Cash Flow	239,403	(883,092)	593,172	(50,516)	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b Debt Service Coverage Ratio	N/A	N/A	N/A		N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

* For renaissance schools: use Oct 15 count if no final count; use head count if ADE not available
 ** Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 *** 2020 =2020 Cash - 2019 Cash; 2019 =2019 Cash-2018 Cash; 2018 =2018 Cash-2017 Cash
 **** Refer to NJ Performance Framework

Meets Standard
 Does Not Meet Standard
 Falls Far Below Standard

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Principle Academy Charter School
Egg Harbor Township, New Jersey 08234

Report on Compliance for Each Major State Program

We have audited the Principle Academy Charter School's, in the County of Atlantic, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Grant 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the New Jersey Circular 15-08-OMB and which is described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as Finding No. 2020-001. Our opinion on each major state program is not modified with respect to this matter.

The Principle Academy Charter School's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Principle Academy Charter School, in the County of Atlantic, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance 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, we do not express an opinion on the effectiveness of the Principle Academy Charter School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as Finding No. 2020-001 that we consider to be a material weakness.

The Principle Academy Charter School's response to the internal control over compliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Principle Academy Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Scott P. Barron
Certified Public Accountant
Public School Accountant No. CS 02459

Voorhees, New Jersey
February 2, 2021

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

Federal Grantor/ Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Federal FAIN Number	Pass-Through Entity Identifying Number	Program or Award Amount	Grant Period		Balance June 30, 2019
					From	To	
Special Revenue Fund:							
U.S. Department of Education							
Passed-through State Department of Education:							
E.S.S.A.:							
Title I Grants to Local Educational Agencies	84.010	S010A190030	NCLB026020	\$ 232,941.00	7/1/2019	6/30/2020	
Title I Grants to Local Educational Agencies - Reallocated	84.010	S010A180030	NCLB026019	10,368.00	7/1/2018	6/30/2019	
Title I Grants to Local Educational Agencies - Reallocated	84.010	S010A190030	NCLB026020	6,481.00	7/1/2019	6/30/2020	
Total Title I Grants to Local Educational Agencies							
Total E.S.S.A.							
Individuals with Disabilities Education Act (IDEA):							
Special Education Cluster (IDEA):							
Special Education Grants to States	84.027	H027A150100	IDEA026020	75,695.00	7/1/2019	6/30/2020	
Special Education Preschool Grants	84.173	H173A190030	IDEA026020	1,053.00	7/1/2019	6/30/2020	
Total Special Education Cluster (IDEA)							
Total Special Revenue Fund							
Enterprise Fund:							
U.S. Department of Agriculture							
Passed-through State Department of Agriculture:							
Child Nutrition Cluster:							
Cash Assistance:							
School Breakfast Program (SBP)	10.553	191NJ304N1099	N/A	103,011.04	7/1/2018	6/30/2019	\$ (8,283.94)
School Breakfast Program (SBP)	10.553	201NJ304N1099	N/A	76,766.66	7/1/2019	6/30/2020	
National School Lunch Program (NSLP)	10.555	191NJ304N1099	N/A	193,209.66	7/1/2018	6/30/2019	(14,973.63)
National School Lunch Program (NSLP)	10.555	201NJ304N1099	N/A	148,746.49	7/1/2019	6/30/2020	
National School Snack Program	10.555	191NJ304N1099	N/A	2,510.69	7/1/2018	6/30/2019	(150.15)
National School Snack Program	10.555	201NJ304N1099	N/A	834.72	7/1/2019	6/30/2020	
Total Child Nutrition Cluster							(23,407.72)
Fresh Fruit and Vegetable Program	10.582	191NJ304N1099	N/A	15,421.85	7/1/2018	6/30/2019	(1,600.00)
Total Enterprise Fund							(25,007.72)
Total Federal Financial Assistance							\$ (25,007.72)

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

These funds were not audited in accordance with the Uniform Guidance since the total of all grant award expenditures were less than \$750,000.

Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures			Passed - Through to Subrecipients	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2020		
		Pass-Through Funds	Direct Funds	Total Budgetary Expenditures				(Accounts Receivable)	Unearned Revenue	Due to Grantor
	\$ 232,941.00	\$ (232,941.00)		\$ (232,941.00)						
	10,368.00	(10,368.00)		(10,368.00)						
	6,481.00	(6,481.00)		(6,481.00)						
	249,790.00	(249,790.00)		(249,790.00)						
	249,790.00	(249,790.00)		(249,790.00)						
	75,695.00	(75,695.00)		(75,695.00)						
	1,053.00	(1,053.00)		(1,053.00)						
	76,748.00	(76,748.00)		(76,748.00)						
	326,538.00	(326,538.00)		(326,538.00)						
	8,283.94									
	77,796.71	(76,766.66)		(76,766.66)						\$ 1,030.05
	14,973.63									
	150,714.82	(148,746.49)		(148,746.49)						1,968.33
	150.15									
	834.72	(834.72)		(834.72)						
	252,753.97	(226,347.87)		(226,347.87)						2,998.38
	1,600.00									
	254,353.97	(226,347.87)		(226,347.87)						2,998.38
\$ -	\$ 580,891.97	\$ (552,885.87)	\$ -	\$ (552,885.87)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,998.38

PRINCIPLE ACADEMY CHARTER SCHOOL
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2020

<u>State Grantor/ Program or Cluster Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance June 30, 2019</u>	<u>Carryover / (Walkover) Amount</u>
			<u>From</u>	<u>To</u>		
General Fund:						
New Jersey Department of Education:						
Passed-Through Local Education Agencies:						
Current Expense:						
State Aid - Public Cluster:						
Charter School Aid:						
Local Levy Equalization Aid - State and Local Share	495-034-5120-078	\$ 4,611,480.00	7/1/2018	6/30/2019	\$ (18,907.00)	
Local Levy Equalization Aid - State and Local Share	495-034-5120-078	6,208,117.00	7/1/2019	6/30/2020		
Special Education Categorical Aid	495-034-5120-089	148,840.00	7/1/2019	6/30/2020		
Security Aid	495-034-5120-084	241,404.00	7/1/2019	6/30/2020		
Total Passed-Through Local Education Agencies					<u>(18,907.00)</u>	
State Aid - Public Cluster:						
Adjustment Aid	495-034-5120-085	497,640.00	7/1/2019	6/30/2020		
Total Adjustment Aid						
Total State Aid Public					<u>(18,907.00)</u>	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	97,679.30	7/1/2018	6/30/2019	(5,252.86)	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	130,204.51	7/1/2019	6/30/2020		
Total Reimbursed TPAF Social Security Contributions					<u>(5,252.86)</u>	
On-Behalf TPAF Pension Contributions (non-budgeted):						
TPAF Pension Contributions - Post-Retirement Medical	495-034-5094-001	81,213.00	7/1/2019	6/30/2020		
TPAF Pension Contributions - Normal Cost	495-034-5094-002	215,060.00	7/1/2019	6/30/2020		
TPAF Pension Contributions - Long-Term Disability	495-034-5094-004	676.00	7/1/2019	6/30/2020		
TPAF Non-contributory Insurance	495-034-5094-004	3,855.00	7/1/2019	6/30/2020		
Total On-Behalf TPAF Pension Contributions (non-budgeted)						
Total General Fund					<u>(24,159.86)</u>	
Enterprise Fund:						
New Jersey Department of Agriculture:						
National School Lunch Program (State Share)	100-010-3350-023	3,134.70	7/1/2018	6/30/2019	(242.94)	
National School Lunch Program (State Share)	100-010-3350-023	2,530.80	7/1/2019	6/30/2020		
Total Enterprise Fund					<u>(242.94)</u>	
Total State Financial Assistance					<u>\$ (24,402.80)</u>	<u>\$ -</u>

Less: State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:

General Fund (Non-Cash Assistance):

New Jersey Department of Education:

On-Behalf TPAF Pension Contributions (non-budgeted):

TPAF Pension Contributions - Post-Retirement Medical	495-034-5094-001	81,213.00	7/1/2019	6/30/2020		
TPAF Pension Contributions - Normal Cost	495-034-5094-002	215,060.00	7/1/2019	6/30/2020		
TPAF Pension Contributions - Long-Term Disability	495-034-5094-004	676.00	7/1/2019	6/30/2020		
TPAF Non-contributory Insurance	495-034-5094-004	3,855.00	7/1/2019	6/30/2020		

Total State Financial Assistance subject to Major Program Determination for State Single Audit

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

Cash Received	Total Budgetary Expenditures	Passed - Through Subrecipients	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2020			Memo	
					(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable June 30, 2020	Cumulative Total Expenditures
\$ 18,907.00									\$ 4,611,480.00
6,069,979.00	\$ (6,208,117.00)				\$ (138,138.00)				6,208,117.00
148,840.00	(148,840.00)								148,840.00
240,283.00	(241,404.00)				(1,121.00)				241,404.00
<u>6,478,009.00</u>	<u>(6,598,361.00)</u>				<u>(139,259.00)</u>				<u>11,344,771.00</u>
497,640.00	(497,640.00)								497,640.00
497,640.00	(497,640.00)								497,640.00
6,975,649.00	(7,096,001.00)				(139,259.00)				11,842,411.00
5,252.86									68,900.65
109,360.38	(130,204.51)				(20,844.13)				130,204.51
114,613.24	(130,204.51)				(20,844.13)				199,105.16
81,213.00	(81,213.00)								81,213.00
215,060.00	(215,060.00)								215,060.00
676.00	(676.00)								676.00
3,855.00	(3,855.00)								3,855.00
300,804.00	(300,804.00)								300,804.00
7,391,066.24	(7,527,009.51)				(160,103.13)				12,342,320.16
242.94									3,134.70
2,533.99	(2,530.80)						\$ 3.19		2,530.80
2,776.93	(2,530.80)						3.19		5,665.50
<u>\$ 7,393,843.17</u>	<u>\$ (7,529,540.31)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (160,103.13)</u>	<u>\$ -</u>	<u>\$ 3.19</u>	<u>\$ -</u>	<u>\$ 12,347,985.66</u>
	81,213.00								
	215,060.00								
	676.00								
	3,855.00								
	<u>300,804.00</u>								
	<u>\$ (7,228,736.31)</u>								

PRINCIPLE ACADEMY CHARTER SCHOOL

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2020

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance (“the schedules”) include federal and state award activity of the Principle Academy Charter School (hereafter referred to as the “Charter School”). The Charter School is defined 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules. Because these schedules present only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position and changes in operations of the Charter School.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules are presented using the budgetary basis of accounting, with the following exceptions: programs recorded in the enterprise fund are presented using the accrual basis of accounting. These bases of accounting are described in note 1 to the Charter School's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

There is no net adjustment to reconcile expenditures from the budgetary basis to the GAAP for the general fund or the special revenue fund. See exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

Awards and financial assistance revenues reported in the Charter School's basic financial statements on a GAAP basis with a reconciliation to the budgetary basis reported on the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General		\$ 7,527,009.51	\$ 7,527,009.51
Special Revenue	\$ 326,538.00		326,538.00
Food Service	226,347.87	2,530.80	228,878.67
GAAP Basis Revenues	<u>552,885.87</u>	<u>7,529,540.31</u>	<u>8,082,426.18</u>
Total Awards and Financial Assistance Expended	<u>\$ 552,885.87</u>	<u>\$ 7,529,540.31</u>	<u>\$ 8,082,426.18</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: REIMBURSED AND ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2020, the Charter School was the recipient of federal and state assistance that represented either a reimbursement to the Charter School or payments made on-behalf of the Charter School. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year. Lastly, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance related to TPAF members.

Note 6: MAJOR PROGRAMS

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

PRINCIPLE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, requires.

None.

PRINCIPLE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Not applicable.

PRINCIPLE ACADEMY CHARTER SCHOOL
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2020

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

Finding No. 2020-001

Information on the State Program

Equalization Aid (GMIS No. 495-034-5120-078); Special Education Categorical Aid (GMIS No. 495-034-5120-089); Security Aid (GMIS No. 495-034-5120-084); Adjustment Aid (GMIS No. 495-034-5120-085)

Criteria or Specific Requirement

The enrollment data reported by the Charter School should be in agreement with the number of days' on-roll in the school register. In addition, students in a charter school participating in the Community Eligibility Program (CEP) are determined to be low income students when either a completed, valid Household Information Survey Form has been received and the determination is that the student is properly classified as Free-equivalent or Reduced-equivalent or, in the absence of a Household Information Survey Form, a student is determined to be directly certified through the SNEARS matching system.

Condition

Our audit of enrollment disclosed the following conditions:

- 1) The Charter School reported 182 possible days for both their October 15th and year-end charter school enrollment system (CHE) counts, but the school had a 180 day approved school calendar resulting in the majority of the students' possible days to be over reported by two days.
- 2) There were many students whose days' on-roll at the Charter School were improperly reported on either the October 15th or year-end reports due to students transferring out of the Charter School.
- 3) There were many students whose low-income classification was not properly reported based on the documentation on file.

Questioned Costs

None.

Context

The audit of enrollment included on-roll testing for 474 students and 425 low-income status students reported in the Charter School Enrollment System (CHE). The results were that the Charter School reported 182 possible days for both their October 15th and year end CHE counts, but the school had a 180 day approved school calendar. This caused a majority of the students' possible days to be over reported by two days. Also, there were 40 students whose possible days on-roll were over reported due to them transferring out during the school year and the Charter School not properly reporting it in the CHE. For the 425 students reported as low income, 62 were not properly reported based on the household surveys and direct certification lists on file.

Effect or Potential Effect

Inaccurate enrollment data reported to the New Jersey Department of Education could have a material effect on revenues where enrollment or low-income status is a factor.

Cause

Information reported for enrollment and low-income status was not properly reviewed with supporting records.

PRINCIPLE ACADEMY CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)

Finding No. 2020-001 (Cont'd)

Identification as a Repeat Finding

Finding No. 2019-001

Recommendation

That all enrollment and low-income classification data reported be in agreement with the school register and supported by complete and accurate documentation as required by the New Jersey Department of Education.

View of Responsible Officials and Planned Corrective Action

Management's response: The responsible officials acknowledge the finding; however, the finding is repeated do to the timing of the finding in FY2019 and the ability to correct the finding in FY2020. Repeat errors occurred on the FY2020 October 15th submittal which was prior to the FY19 2019 audit finding.

Specifically, the submission date and the implementation date have a material effect on completion of the performance corrective action.

The completion of the FY2019 audit was nearly 90 days subsequent to the FY2020 CHE October 15th submission deadline. Due to the timing of the FY2019 audit, the FY2020 record collection and submission was already well underway and, as such, includes documents provided and recorded prior to the receipt and implementation of the FY2019 CAP. The recommendations contained therein were too late for implementation in FY2020.

Record keeping changes were implemented immediately upon receipt of the FY2019 audit finding and CAP implementation and are reflected in the FY2021 cycle.

PRINCIPLE ACADEMY CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARDS

Not applicable.

STATE FINANCIAL ASSISTANCE PROGRAMS

Finding No. 2019-001

Program

Equalization Aid (GMIS No. 495-034-5120-078); Security Aid (GMIS No. 495-034-5120-084); Special Education Categorical Aid (GMIS No. 495-034-5120-089); Adjustment Aid (GMIS No. 495-034-5120-085)

Condition

Our audit of enrollment disclosed several instances where the reporting for low income was not in agreement with the documentation on file.

Current Status

Condition remains unresolved.

Planned Corrective Action

See current year finding 2020-001 and management's response.

