

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
OF NEW JERSEY
FOR THE FISCAL PERIOD ENDED JUNE 30, 2020**

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
JUNE 30, 2020
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	1
Roster of Trustees and Officers.....	5
Consultants and Advisors.....	6

FINANCIAL SECTION

Independent Auditor's Report on General Purpose Financial Statements and Supplementary Schedule of Expenditures of Federal Awards and State Financial Assistance.....	7
Required Supplementary Information - Part I Management's Discussion and Analysis	10

Basic Financial Statements:

A. School-wide Financial Statements

A-1 Statement of Net Position	20
A-2 Statement of Activities.....	21

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet	22
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	23
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24

Proprietary Funds:

B-4 Statement of Net Position – Not Applicable	25
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position – Not Applicable	26
B-6 Statement of Cash Flows – Not Applicable	27

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position – Not Applicable	28
B-8 Statement of Changes in Fiduciary Net Position – Not Applicable	29

Notes to Financial Statements	30
--	-----------

Required Supplementary Information - Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule General Fund.....	61
C-2 Budgetary Comparison Schedule Special Revenue Fund.....	64

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
JUNE 30, 2020
TABLE OF CONTENTS

Notes to Required Supplementary Information:

C-3 Budget to GAAP Reconciliation.....66

Required Supplementary Information - Part III

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68):

L-1 Schedule of the Charter School’s Proportionate Share of the Net Pension Liability-PERS.....67
L-2 Schedule of Charter School Contributions - PERS.....68
L-3 Schedule of the Charter School Proportionate Share of the
Net Pension Liability-TPAF69
L-4 Notes to Required Supplementary Information Pension Schedules.....70
L-5 Schedule of Changes in the State’s Total OPEB Liability and Related Ratios.....71

Other Supplementary Information

E. Special Revenue Fund:

E-1 Combining Schedule of Program Revenues and Expenditures,
Special Revenue Fund - Budgetary Basis72

G. Proprietary Funds:

Enterprise Fund:

G-1 Combining Statement of Net Position – **Not Applicable**.....73
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position – **Not Applicable** ...74
G-3 Combining Statement of Cash Flows – **Not Applicable**.....75

Fiduciary Funds:

H-1 Combining Statement of Fiduciary Net Position76
H-2 Combining Statement of Changes in Fiduciary Net Position – **Not Applicable**77
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements – **Not Applicable**.....78
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements79
H-5 Unemployment Compensation Insurance Trust Fund – **Not Applicable**.....80

J. Financial Trends:

J-1 Net Position by Component81
J-2 Changes in Net Position82
J-3 Fund Balances – Governmental Funds.....83
J-4 Changes in Fund Balances – Governmental funds.....84

J. Revenue Capacity:

J-5 General Fund - Other Local Revenue by Source85
J-6 Assessed Value and Actual Value of Taxable Property – **Not Applicable**86

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
JUNE 30, 2020
TABLE OF CONTENTS

J-7 Direct and Overlapping Properties – **Not Applicable**87
 J-8 Principal Property Taxpayers – **Not Applicable**88

J. Debt Capacity:

J-9 Property Tax Levies and Collections – **Not Applicable**.....89
 J-10 Ratios of Outstanding Debt by Type – **Not Applicable**90
 J-11 Ratios of Net General Bonded Debt Outstanding – **Not Applicable**91
 J-12 Direct and Overlapping Governmental Activities Debt – **Not Applicable**92

J. Demographic and Economic Information:

J-13 Legal Debt Margin Information – **Not Applicable**93
 J-14 Demographic and Economic Statistics – **Not Applicable**94

J. Operating Information:

J-15 Principal Employers – **Not Applicable**95
 J-16 Full Time Equivalent Charter School Employees by Function/Program.....96
 J-17 Operating Statistics97
 J-18 School Building Information.....98
 J-19 General Fund-Schedule of Required Maintenance – **Not Applicable**.....99
 J-20 Insurance Schedule.....100

J. Charter School Performance Framework Financial Indicators:

J-21 Near Term Indicators101
 J-22 Sustainability Indicators102

SINGLE AUDIT SECTION K.

K-1 Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of
 Financial Statements Performed in Accordance with *Government Auditing Standards*103
 K-2 Report on Compliance with Requirements Applicable to Each Major Program and Internal
 Control Over Compliance in Accordance with The Uniform Guidance and New Jersey
 OMB Circular letter 15-08.....105
 K-3 Schedule of Expenditures of Federal Awards, Schedule A108
 K-4 Schedule of Expenditures of State Financial Assistance, Schedule B.....109
 K-5 Notes to the Schedule of Awards and Financial Assistance110
 K-6 Schedule of Finding and Questioned Costs
 Section I – Summary of Auditor’s Results112
 Section II – Financial Statement Findings114
 Section III – Federal Awards and State Financial Findings and Questioned Costs.....115
 K-7 Summary Schedule of Prior Audit Findings116



January 5, 2021

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the Philip's Academy Charter School of Paterson for the fiscal period ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

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

Philip's Academy Charter School of Paterson commenced the 2019/2020 school year with 225 Kindergarten students and 3rd Grade.

- 2) **ENROLLMENT OUTLOOK:** Philip's Academy Charter School of Paterson projected 360 students for the 2020/2021 school year. As of October 15, 2020, enrollment for the 2020/2021 school year is 360 students.
- 3) **MAJOR ACCOMPLISHMENTS** We successfully launched our 3rd Grade in addition to welcoming new kindergarten students. We continued to hold monthly parent meetings as well as quarterly family events that were highly attended, and successfully launched our Leveled Literacy Intervention program. In fidelity to our mission to offer a technology-infused educational program, we hired a full-time science and technology teacher. We were awarded a grant through the Fresh Fruit and Vegetable Program to provide daily fruits and vegetables as snacks to our students to enhance and build upon our EcoSpaces program. In addition to the successes outlined above, our Parent Organization codified its organizational structure through the appointment of delineated leadership roles and took on more active oversight and implementation of our family events.
- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived: and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the school maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the school and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal 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

reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2020.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1.
- 7) **FINANCIAL INFORMATION AT FISCAL PERIOD-END:** As demonstrated by the various statements and schedules included in the financial section of report, the school has met its responsibility for sound financial management. The following schedule presents a summary of the General Fund and Special Revenue Fund for the fiscal period ended June 30, 2020.

Revenue	Amount	Percent of Total
Local and State Aid	\$3,460,103	67%
Special Revenue	268,546	5%
State Sources	651,177	12%
Misc.	829,145	16%
Total	\$5,208,971	100%

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

Expenditures	Amount	Percent of Total
Current - General Fund	\$4,621,528	93%
Special Revenue	318,983	7%
Total	\$4,940,511	100%

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large part by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) OTHER INFORMATION:

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

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

The auditor's 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Regina Lauricella', is written over a horizontal line.

Regina Lauricella
Principal

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON

ROSTER OF TRUSTEES

JUNE 30, 2020

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Madelka Osiecki, Voting	6/2021
Cary D. Caraballo, Trustee	6/2023
Timothy J. Graham, Trustee	6/2023
Julie Macleod, Trustee	6/2022
Nelson Rodriguez, Jr., Trustee	6/2022
Dina Runcie, Trustee	6/2023
Catherine Ventura, Trustee	6/2021
Regina Lauricella, Principal, Non-voting	
Michael Falkowski, School Business Administrator, Non-voting	

CONSULTANTS AND ADVISORS
June 30, 2020

AUDIT FIRM

Gerald D. Longo, CPA
62 Old Queens Blvd.
Manalapan, NJ 07726-3648

ATTORNEYS

Isabel Machado
Machado Law Group
1 Cleveland Place
Springfield, NJ 07081

OFFICIAL DEPOSITORY

Santander Bank
4261 Route 9 North
Howell, NJ 07731

FINANCIAL SECTION

GERALD D. LONGO
CERTIFIED PUBLIC ACCOUNTANT
62 OLD QUEENS BLVD.
MANALAPAN, NEW JERSEY 07726-3648

TELEPHONE
732 446-4768

FAX
732 792-0868

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Philip's Academy Charter School of Paterson
County of Passaic
Paterson, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Philip's Academy Charter School of Paterson, County of Passaic, 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 Philip's Academy Charter School of Paterson's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School of Paterson as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The accompanying supplementary schedules such as the combining and individual fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 5, 2021 on my consideration of the Philip’s Academy Charter School of Paterson’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Philip’s Academy Charter School of Paterson’s internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
January 5, 2021

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

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

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

FINANCIAL HIGHLIGHTS

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

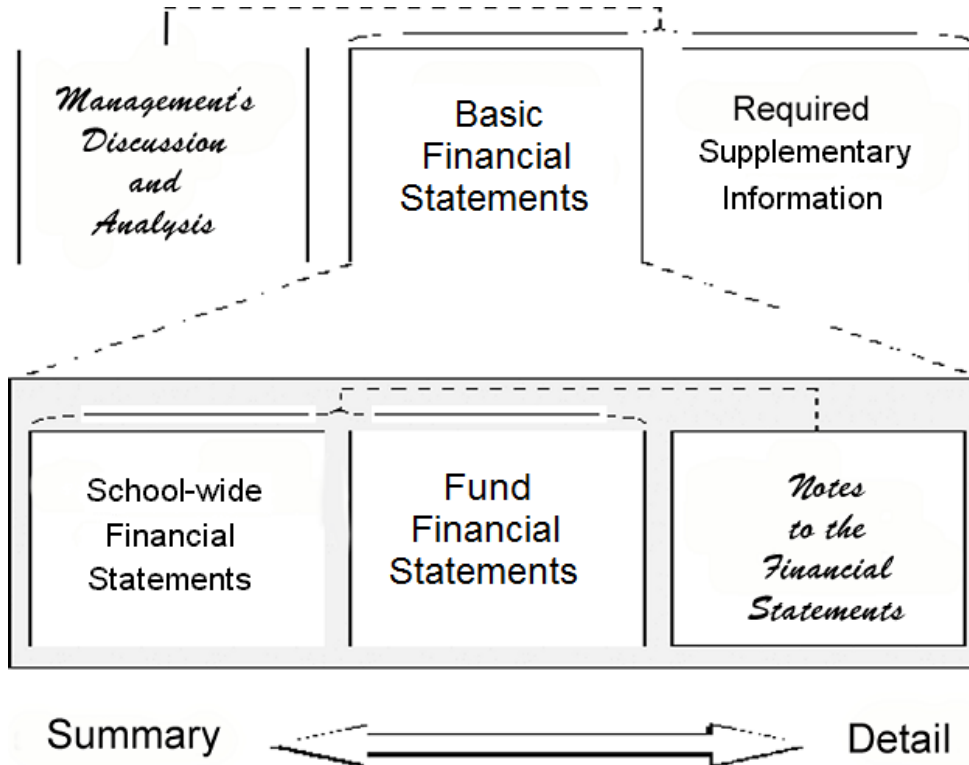
- Total Net Position was \$882,790.
- The unrestricted unassigned General Fund balance at June 30, 2020 is \$304,118 and a Capital Reserve of \$650,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Philip's Academy Charter School of Paterson's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Philip's Academy Charter School of Paterson, reporting the Philip's Academy Charter School of Paterson's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities. Philip's Academy Charter School of Paterson does not operate a food service.

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

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

Figure A-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the Philip's Academy Charter School Of Paterson that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Philip's Academy Charter School of Paterson operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

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

School-wide Statements

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

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

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

- *Governmental activities*- Most of the Philip’s Academy Charter School of Paterson’s basic services are included here, such as regular and special education, transportation, administration, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- This is not applicable to Philip’s Academy Charter School of Paterson.

Fund Financial Statements

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

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

- Some funds are required by State law.

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

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

The Philip’s Academy Charter School of Paterson has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE PHILIPS ACADEMY CHARTER SCHOOL AS A WHOLE

Net position. The Philip’s Academy Charter School of Paterson’s net position is \$882,790 as of June 30, 2020. (See Table A-1).

Governmental	<u>\$882,790</u>
--------------	------------------

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

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

- Special Revenue Fund - Federal Aid Revenues and expenditures were \$218,546
- General Fund Revenues were \$4,889,988.
- General Fund Expenditures were \$4,621,528.

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

	<u>Total</u>
Current and Other Assets	\$1,831,125
Pension Deferred Outflows	535,302
Total Assets	<u>\$2,366,427</u>
Current Liabilities and Pension Liabilities	\$877,007
Pension Deferred Inflows	606,630
Total Liabilities and Inflows	<u>\$1,483,637</u>
Net Position	882,790
Total Net Position	<u><u>\$882,790</u></u>

Total Governmental Revenues and beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$882,790 as of June 30, 2020.

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

Table A-2
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Position - School Wide
For the Fiscal Year Ended June 30, 2020

Revenues	<u>Total</u>	<u>Percent</u>
Program revenues		
Charges for services		
Operating grants and contributions		
General revenues		
Local Share	\$ 306,911	5%
State Aid-Unrestricted	3,153,192	61%
Federal Aid	268,546	8%
Federal and State Aid-Restricted	651,177	10%
Other	829,145	16%
Total revenues	<u>\$ 5,208,971</u>	<u>100%</u>
Expenses		
Regular Instruction	1,979,356	40%
General Administrative	879,729	18%
School Administrative	1,040,503	21%
On-behalf TPAF Social Security/Pension/Medical	390,923	8%
Capital Outlay	650,000	13%
	<u>\$ 4,940,511</u>	<u>100%</u>
Increase in net position	268,460	
Beginning Fund balance 07/01/19	35,658	
Fund Balance 06/30/2020	<u>\$ 304,118</u>	
Capital Reserve	<u>\$ 650,000</u>	
Net Pension Adjustment	(71,328)	
Net Position 06/30/2020	<u><u>\$ 882,790</u></u>	

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

Table A-3 (See Exhibit A-2)
PPHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Cost of Serivces Total and Net - School Wide
For the Fiscal Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	\$ 1,979,356	\$ 1,979,356
Support Services			
General Administrative Services	B-2	879,729	879,729
School Administrative Services	B-2	1,040,503	1,040,503
On-behalf TPAF Social Security	B-2	390,923	390,923
Capital Outlay	B-2	650,000	650,000
Total Governmental Activities		<u>\$ 4,940,511</u>	<u>\$ 4,940,511</u>

FINANCIAL ANALYSIS OF THE PHILIP'S ACADEMY CHARTER SCHOOL FUNDS

The financial performance of the Philip's Academy Charter School of Paterson as a whole is reflected in its governmental activities Exhibit A-2. As the Philip's Academy Charter School of Paterson completed the year, its general funds reported an unassigned unrestricted fund balance of \$304,118.

Revenues for the Philip's Academy Charter School of Paterson's governmental funds were \$4,889,988 while total expenses were \$4,625,528. (Table A-4) (Exhibit B-2)

GENERAL FUND

The General Fund includes the primary operations of the Philip's Academy Charter School of Paterson in providing educational services to students for Kindergarten to Second Grade.

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

The following presents a summary of Revenues - Schoolwide

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

Revenues - School Wide	Year Ended June 30, 2020	Year Ended June 30, 2019	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 306,911	\$ 224,285	\$ 82,626
State Share	3,153,192	2,232,551	920,641
Misc Revenue	829,145	188,015	641,130
Total Local Revenue	\$ 4,289,248	\$ 2,644,851	\$ 1,644,397
Intergovernmental			
	-		
State Sources	\$ 651,177	\$ 249,938	\$ 401,239
Federal Sources	268,546	172,490	96,056
Total Intergovernmental Sources	\$ 919,723	\$ 422,428	\$ 497,295
Total Revenue	\$ 5,208,971	\$ 3,067,279	\$ 2,141,692

The following presents a summary of Expenditures – Schoolwide.

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

Expenditures - School Wide	Year Ended June 30, 2020	Year Ended June 30, 2019	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 1,979,356	\$ 1,824,004	\$ 155,352
General Administrative Services	879,729	494,121	385,608
School Administration	1,040,503	645,898	394,605
On-behalf TPAF Social Security	390,923	88,280	302,643
Capital outlay	650,000		650,000
Total Expenditures	\$ 4,940,511	\$ 3,052,303	\$ 1,888,208

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

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the General Fund unreserved-unassigned fund balance.

Table A-6
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Changes in Unreserved/Unassigned Fund Balance - School wide
For the Fiscal Year Ended June 30

General Fund	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unreserved-Unassigned				
Fund Balance	304,118	35,658	20,682	56,456
Expenditures	4,940,511	3,052,303	2,133,438	1,525,838
Percentage	6.0%	1.1%	1.0%	3.0%

The Philip’s Academy Charter School of Paterson values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during the school year. The unreserved unassigned fund balance designated to support the subsequent years budget is \$304,118 for the 2020-21 school year.

FACTORS BEARING ON THE SCHOOL’S FUTURE

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

These and many other factors were considered by the Charter School’s administration during the process of developing the fiscal year 2019-20 budget. The primary factors were the Charter School’s projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2019-2020.

CONTACTING THE PHILIP’S ACADEMY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Philip’s Academy Charter School of Paterson’s finances and to demonstrate the Philip’s Academy Charter School of Paterson’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Philip’s Academy Charter School of Paterson, 342 Central Avenue, Newark, NJ 07103

BASIC FINANCIAL STATEMENTS

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

SCHOOL-WIDE FINANCIAL STATEMENTS

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Position
As of June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,793,806	-	\$ 1,793,806
Receivables - Net	37,319	-	37,319
Total Assets	<u>1,831,125</u>	<u>-</u>	<u>1,831,125</u>
Deferred outflows of resources			
Pension deferred outflows	535,302	-	535,302
Total assets and deferred outflows of resources	<u>\$ 2,366,427</u>	<u>\$ -</u>	<u>\$ 2,366,427</u>
LIABILITIES			
Loan payable-PPP SBA	\$ 607,440		\$ 607,440
Accounts payable	269,567	-	269,567
Net pension liability - Noncurrent	454,649	-	454,649
Total liabilities	<u>1,331,656</u>	<u>-</u>	<u>1,331,656</u>
Deferred inflows of resources			
Pension deferred inflows	151,981	-	151,981
NET POSITION			
Restricted	650,000		650,000
Unrestricted	232,790	-	232,790
Total net position	<u>\$ 882,790</u>	<u>\$ -</u>	<u>\$ 882,790</u>
Fund Balance June 30, 2020 - B-1	\$ 954,118		
Cost of capital assets net accumulated depreciation	0		
Net position before pension adjustments	954,118		
Less pension adjustments net	(71,328)		
Total net position - June 30, 2020	<u>\$ 882,790</u>		

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Exhibit A-2

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Instruction:						
Regular	(1,979,356)		\$ (318,983)		\$ (1,660,373)	\$ (1,660,373)
Support services:						
General administratrion	(879,729)		-		(879,729)	(879,729)
School administrative services/ operations plant serv.	(1,040,503)				(1,040,503)	(1,040,503)
On - behalf TPAF Social Security	(390,923)				(390,923)	(390,923)
Capital Outlay	(650,000)				(650,000)	(650,000)
Total governmental activities	(4,940,511)		(318,983)		(4,621,528)	(4,621,528)
Business-type activities:						
Food Service		-			-	-
Total business-type activities		-			-	-
Total primary government	\$ (4,940,511)	\$ 0	\$ (318,983)		\$ (4,621,528)	\$ (4,621,528)
General revenues:						
Local Share				\$ 306,911		\$ 306,911
State Share				3,153,192	-	3,153,192
State and Federal Aid				651,177	-	651,177
Miscellaneous Income				778,708	-	778,708
Total general revenues, special items				4,889,988	-	4,889,988
Change in Net Position				268,460	0	268,460
Net Pension Adjustment Exhibit B-1				(71,328)		(71,328)
Increase in Capital Reserve				650,000		650,000
Net Position - June 30, 2019				35,658	0	35,658
Net Position - June 30, 2020				\$ 882,790	\$ -	\$ 882,790

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Balance Sheet
Governmental Funds
As of June 30, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,575,922	\$ 217,884	\$ 1,793,806
Receivables, net	37,319		37,319
Total assets	\$ 1,613,241	\$ 217,884	\$ 1,831,125
LIABILITIES AND FUND BALANCES			
Liabilities:			
Loan payable- PPP SBA	\$607,440		
Accounts payable	51,683	\$ 217,884	\$ 269,567
Total liabilities	659,123	217,884	877,007
Fund Balances:			
Reserved - Capital	650,000		650,000
Unreserved, reported in:			
General fund	304,118		954,118
Total Fund balances	954,118	-	954,118
Total liabilities and fund balances	\$ 1,613,241	\$ 217,884	

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

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

Net position of governmental activities	\$954,118
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 5)	535,302
Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 5)	(151,981)
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5)	(454,649)
Net position of governmental activities - June 30, 2020	\$ 882,790

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

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

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local Share	\$ 306,911	\$	\$ 306,911
State Share	3,153,192		3,153,192
Miscellaneous	778,708	50,437	829,145
Total - Local Sources	4,238,811		4,238,811
State Sources	651,177	-	651,177
Federal Sources		268,546	268,546
Total Revenues	<u>\$ 4,889,988</u>	<u>\$ 318,983</u>	<u>\$ 5,208,971</u>
EXPENDITURES			
Current:			
Regular instruction	\$ 1,660,373	\$ 318,983	\$ 1,979,356
Support services- General Administrative	879,729	-	879,729
Support Services- School Admin/ operations plant se	1,040,503		1,040,503
On-behalf TPAF Social Security/Pension/Medical	390,923		390,923
Capital outlay	650,000		650,000
Total Expenditures	<u>4,621,528</u>	<u>318,983</u>	<u>4,940,511</u>
Excess (Deficiency) of revenues over expenditures	<u>268,460</u>		<u>268,460</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	-		-
Total other financing sources and uses	<u>-</u>		<u>-</u>
Net change in fund balance	268,460		268,460
Fund balance - July 1, 2019	35,658		35,658
Fund balance - June 30, 2020	<u>\$ 304,118</u>		<u>\$ 304,118</u>

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
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 (from B-2) \$ 268,460

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. (Note 2)

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

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

-

Change in net position of governmental activities

\$ 268,460

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

PROPRIETARY FUNDS

EXHIBIT B-4

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Assets
Proprietary Funds
As of June 30, 2020**

NOT APPLICABLE

Exhibit B-5

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020**

NOT APPLICABLE

EXHIBIT B-6

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

FIDUCIARY FUNDS

Exhibit B-7

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2020**

NOT APPLICABLE

Exhibit B-8

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

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Philip’s Academy Charter School of Paterson (“Charter School”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board of Trustees (the 'Board") consists of appointed officials and are responsible for the fiscal control of the Charter School. A Principal is appointed by the Board and is the administrative control of the Charter School.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Statements

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

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

GASB Pronouncements

Recent Accounting Pronouncements Not Yet Effective

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

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

Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fiduciary Funds

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

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Budgets/Budgetary Control

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below.

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

F. Encumbrances

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

G. Cash, Cash Equivalents and Investments

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

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

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act.

Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Inventories and Prepaid Expenses

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Short-Term Interfund Receivables/Payables

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

J. Capital Assets

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

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

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Building and Building improvements	N/A
Furniture and Equipment	N/A

There are no capital assets recorded.

K. Compensated Absences

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

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

Fund Balance – Governmental Funds

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

N. Unearned/Deferred Revenue

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

O. Fund Equity

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

P. Use of Estimates

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

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.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 were exposed to custodial risk.

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

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

4. RELATED PARTY TRANSACTIONS – PHILIPS EDUCATIONAL PARTNERS

The school leases its premises under the terms of the renewable annual lease from Philip's Education Partners, Inc. a not for profit organization formed to support Philip's Academy Charter School. The rent expense for the current year was \$435,000. The rent covered the school premises. In the opinion of school management, this amount approximates fair market value for the rent charged. In addition, the school received a \$650,000 grant from Philips Education Partners, Inc. to establish a capital reserve.

5. PENSION PLANS

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

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS (continued)

including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

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

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

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

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

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

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS (continued)

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

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

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

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

Contribution Requirements

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

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

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

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5 PENSION PLANS (continued)

plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the School.

PERS employer contributions are made annually by the School to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The School's contribution to PERS for the year ended June 30, 2018 was \$20,814.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue \$88,280 for the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also the State paid \$0 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

6 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

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

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$-0- as measured on June 30, 2019 and -0- as measured on June 30, 2018.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

For the year ended June 30, 2020, the Charter School recognized pension expense of \$-0- and revenue of \$-0- for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2020 is based upon changes in the collective net pension liability with a measurement period of June 30, 2019 through June 30, 2018. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2018 and June 30, 2019.

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

Collective Net Pension Liability

Component of Net Pension Liability

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

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

Long-Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

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

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

Pension Expense

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

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

Pension Plan Fiduciary Net Position

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

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2020, the Charter School reported a liability of \$454,649 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2019. At June 30, 2019, the Charter School's proportion was .012571%.

For the year ended June 30, 2020, the Charter School recognized pension expense of \$78,287. 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	\$ 8,670	\$ 2,344
Changes of assumptions	74,919	145,372
Net difference between projected and actual earnings on pension plan investments		4,265
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	428,300	-0-
Charter School contributions subsequent to the measurement date.	23,413	-0-
Total	<u>\$535,302</u>	<u>\$151,981</u>

The Charter School reported \$23,413 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2020, the plan measurement date was June 30, 2019) will be recognized as a reduction of the net pension liability measured as of June 30, 2020.

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	Year Ended June 30:
2020	\$(8,252)
2021	(26,769)
2022	(23,903)
2023	(11,224)
2024	(1,152)
Total:	(\$71,300)

Collective Net Pension Liability

Component of Net Pension Liability

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

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

Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Discount Rate

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

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

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

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

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

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

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

Changes in Proportion

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

Pension Expense

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

	2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
Charter School's proportionate share of the net pension liability	\$534,667	\$454,649	\$374,358

Pension Plan Fiduciary Net Position

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

7 POST RETIREMENT BENEFITS

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

General Information about the OPEB Plan

The State of New Jersey Provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 year of service or on a disability retirement. Under the provision of Chapter 126, P .L. 1992, the State also provides employer-paid coverage to members of PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. In Fiscal Year 2019, the State paid PRM benefits for 153,893 State and local retirees.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

7 POST RETIREMENT BENEFITS (continued)

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

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

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

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

Total OPEB Liability

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

Total Nonemployer OPEB Liability

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

7 POST RETIREMENT BENEFITS (continued)

Total Nonemployer OPEB Liability	\$41,729,081,045		
Inflation rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary increases:			
Through 2026	1.55 - 3.05%	2.00 - 6.00%	3.25 - 15.25%
	based on service years	based on service years	based on service years
Thereafter	1.55 - 3.05%	3.00 - 7.00%	Applied to all
	based on service years	based on service years	future years

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

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

(a) Health Care Trend Assumptions

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

(b) Discount rate

The discount rate for June 30, 2019 was 3.5%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

7 POST RETIREMENT BENEFITS (continued)

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

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

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

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

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

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

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

For the fiscal year ended June 30, 2020 the Charter School recognized OPEB expense of \$68,937 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$492,653 there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

8. COMPENSATED ABSENCES

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy.

Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2020, Charter School-wide compensated absences amounted to \$-0-.

9. ECONOMIC DEPENDENCY

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

10. CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

11. 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 and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School would be required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. Under that method, the Charter School is billed for amounts due to the State.

12. RECEIVABLES

Receivables as of June 30, 2020 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receivables:			
Accounts	<u>\$37,319</u>	<u>\$0</u>	<u>\$37,319</u>
Gross Receivables	<u>\$37,319</u>	<u>\$ 0</u>	<u>\$37,319</u>

13. CAPITAL ASSETS

The school has no Capital Assets recorded, such as furniture, fixtures and equipment.

14. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the financial statement date through January 5, 2021 which is the date the financial statements were available to be issued. Based upon this evaluation, the Charter School has determined that the following subsequent events needed to be disclosed:

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

15. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

The reconciliation is as follows:

Fund balance per B-1 as of June 30, 2020	\$304,118
Cost of capital assets net accumulated depreciation	0
Pension deferred outflows	0
Pension deferred inflows	0
Deferred pension liability as of June 30, 2020	0
Net position (per A-1) as of June 30, 2020	\$304,118

16. LOAN PAYABLE PPP - SBA

The Company received a loan from Kabbage, Inc. in the amount of \$629,353 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated June 16, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty.

17. CAPITAL RESERVE

The school established a \$650,000 Capital Reserve of its fund balance in anticipation of the cost of acquiring a new facility to accommodate the expansion of their student base at June 30, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Share	\$ -	\$ -	\$ -	\$ 306,911	\$ (306,911)
State Share	3,395,853	64,250	3,460,103	3,153,192	306,911
Other Miscellaneous Revenues	-	650,000	650,000	650,000	-
Miscellaneous	131,472	(61,549)	69,923	128,708	(58,785)
Total - Local Sources	<u>3,527,325</u>	<u>652,701</u>	<u>4,180,026</u>	<u>4,238,811</u>	<u>(58,785)</u>
Nonpublic Aid	-	-	-	-	-
Special Education	137,205	(11,516)	125,689	125,689	-
Security Aid	125,750	8,815	134,565	134,565	-
Adjustment Aid	-	-	-	-	-
Targeted At- Risk Aid	-	-	-	-	-
TPAF LT Disab (On-Behalf - Non-Budgeted)	-	-	-	657	(657)
TPAF Medical(On-Behalf - Non-Budgeted)	-	-	-	71,304	(71,304)
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	192,203	(192,203)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	126,759	(126,759)
Total State Sources	<u>262,955</u>	<u>(2,701)</u>	<u>260,254</u>	<u>651,177</u>	<u>(390,923)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
Total Revenues	<u>3,790,280</u>	<u>650,000</u>	<u>4,440,280</u>	<u>4,889,988</u>	<u>(449,708)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	1,154,106	(74,255)	1,079,851	1,078,851	\$ 1,000
Other Salaries	509,675	33,916	543,591	543,591	-
Prof/Tech Services	2,750	1,000	3,750	3,750	-
Other Purchased Services (400-500 series)	9,000	-	9,000	-	9,000
General Supplies	14,000	396	14,396	6,770	7,626
Textbooks	7,350	(1,000)	6,350	4,216	2,134
Other Objects	8,400	27,184	35,584	23,195	12,389
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>1,705,281</u>	<u>(12,759)</u>	<u>1,692,522</u>	<u>1,660,373</u>	<u>32,149</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	382,016	10,838	392,854	392,716	138
Salaries of Secretarial and Clerical Assistants	-	-	-	-	-
Cost of Benefits	380,623	(11,505)	369,118	363,773	5,345
Consultants	16,750	8,529	25,279	23,529	1,750
Other Purchased Services (400-500 series)	19,385	56,266	75,651	67,978	7,673
Communications/Telephone	18,000	286	18,286	18,286	-
Supplies and Materials	8,500	1,422	9,922	9,922	-
Other Objects	3,420	211	3,631	3,525	106
	<u>828,694</u>	<u>66,047</u>	<u>894,741</u>	<u>879,729</u>	<u>15,012</u>
Support Services - School Admin/Operation Plant Services					
Salaries	236,156	24,716	260,872	150,620	110,252
Purchased Professional and Technical Services	94,855	28,078	122,933	118,482	4,451
Other Purchased Services	351,181	(79,204)	271,977	234,825	37,152
Rental of Land and Building- other than Lease Purchase Agreements	435,000	-	435,000	435,000	-
Insurance	49,214	24,186	73,400	72,250	1,150
General Supplies	7,000	(1,429)	5,571	4,665	906
Transportation- Trips	5,000	2,810	7,810	7,810	-
Energy (Energy and Electricity)	54,345	(41,921)	12,424	12,424	-
Other Objects	3,542	3,348	6,890	4,427	2,463
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,236,293</u>	<u>(39,416)</u>	<u>1,196,877</u>	<u>1,040,503</u>	<u>156,374</u>
Food Service and After Care Program					
Other Purchased Services	20,012	(13,872)	6,140	-	6,140
Total Food Services	<u>20,012</u>	<u>(13,872)</u>	<u>6,140</u>	<u>-</u>	<u>6,140</u>
TPAF LT Disab (On-Behalf - Non-Budgeted)	-	-	-	657	(657)
TPAF Medical(On-Behalf - Non-Budgeted)	-	-	-	71,304	(71,304)
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	192,203	(192,203)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	126,759	(126,759)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,923</u>	<u>(390,923)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	2,084,999	12,759	2,097,758	2,311,155	(213,397)
TOTAL GENERAL CURRENT EXPENSE	<u>3,790,280</u>	<u>-</u>	<u>3,790,280</u>	<u>3,971,528</u>	<u>(181,248)</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	-	-	-	-	-
Capital reserve		650,000	650,000	650,000	
Interest Expense- Mortgages	-	-	-	-	-
Building Improvements		-	-	-	-
Lease paymernts	-	-	-	-	-
Total Equipment	<u>-</u>	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>
TOTAL EXPENDITURES- GENERAL FUND	3,790,280	650,000	4,440,280	4,621,528	(181,248)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(650,000)</u>	<u>(650,000)</u>	<u>268,460</u>	<u>(268,460)</u>
Other Financing Sources:					
Operating Transfer In:	<u>-</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources:	<u>-</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	268,460	(268,460)
Fund Balance, July 1, 2019	-	-	35,658	35,658	
Fund Balance, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,658</u>	<u>\$ 304,118</u>	<u>\$ (268,460)</u>

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

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$50,437		\$50,437	\$50,437	
State Sources	-		-	-	
Federal Sources	318,983		318,983	318,983	
Total Revenues	<u>369,420</u>		<u>369,420</u>	<u>369,420</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	142,900		142,900	142,900	
Other Salaries for Instruction					
Purchased Professional -Educational Services	48,771		48,771	48,771	
Purchased Professional and Technical Services	-		-	-	
Food Service Subsidy	-		-	-	
Other Purchased Services (400-500 series)	-		-	-	
Textbooks	-		-	-	
General Supplies	95,252		95,252	95,252	
Personal Services- Employee Benefits	32,060		32,060	32,060	
Instructional services	-		-	-	
Equipment- Non instructional	-		-	-	
Miscellaneous Expenditures	-		-	-	
Total Instruction	<u>318,983</u>	<u>-</u>	<u>318,983</u>	<u>318,983</u>	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services					
Supplies	-		-	-	
Rent	-		-	-	
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements					
Total Support Services	<u>-</u>		<u>-</u>	<u>-</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	318,983		318,983	318,983	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$ ---		\$ ---	\$ ---	

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

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

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

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

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEAR ENDED JUNE 30*
(UNAUDITED)**

Public Employees' Retirement System (PERS)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Charter School Proportion of the net pension liability (asset)	454,649	454,649	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)	<u>.002309%</u>	<u>.002309%</u>	N/A	N/A
Charter School Covered employee payroll	119,784	119,784	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	379.50%	379.50%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	26.30%	26.30%	N/A	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEAR ENDED JUNE 30*
(UNAUDITED)**

Public Employees' Retirement System (PERS)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	23,413	23,413	N/A	N/A
Contributions in relation to the contractually required contribution	(23,413)	(23,413)	N/A	N/A
Contribution deficiency (excess)	0	0	N/A	N/A
Charter School Covered employee payroll	119,784	119,784	N/A	N/A
Contributions as a percentage of covered employee payroll	19.54%	19.54%	N/A	N/A

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A
Charter School Covered employee payroll	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A

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

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

Public Employees' Retirement System (PERS)

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

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>The State of New Jersey's Total OPEB Liability</u>			
Service Cost	\$1,734,404,850	\$1,984,642,729	\$2,391,878,884
Interest	1,827,787,206	1,970,236,232	1,699,441,736
Change in Benefit Terms			
Difference Between Expected and Actual Experience	(7,323,140,818)	(5,002,065,740)	
Benefit Payment	(1,280,958,373)	(1,232,987,247)	(1,242,412,566)
Contributions from Members	37,971,171	42,614,005	45,748,749
Changes of Assumptions or other inputs	622,184,027	(5,291,448,855)	(7,086,599,129)
Net change in total OPEB liability	(\$4,381,751,937)	(\$7,529,008,876)	(\$4,191,942,326)
Total OPEB Liability - Beginning	\$46,110,832,982	\$53,639,841,858	\$57,831,784,184
Total OPEB Liability - Ending	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's total OPEB liability**	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's OPEB liability attributable to the Charter School	\$492,653	\$0	\$0
The Charter School's proportionate share of the total OPEB liability	0	0	0
Charter School's covered employee payroll	\$1,444,540	\$0	\$0
Total Charter School's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Charter School's contribution	None	None	None
State's covered employee payroll	\$13,929,081,045	\$13,640,275,833	\$13,493,400,208
Total State's OPEB liability as a percentage of its covered-employee payroll	300.00%	338.05%	397.53%

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

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

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

SPECIAL REVENUE FUND

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

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

	TOTAL	Title IA	Title I Reallocated	PEP Start up Grant	IDEA PART B	IDEA Preschool
REVENUES						
Intergovernmental						
State		0	0	0		
Federal	\$ 268,546	\$ 227,896	\$ 4,401	\$ -	\$ 33,960	\$ 2,289
Other Sources						
Miscellaneous	50,437			50,437		
Total Revenues	<u>318,983</u>	<u>227,896</u>	<u>4,401</u>	<u>50,437</u>	<u>33,960</u>	<u>2,289</u>
EXPENDITURES						
Instruction						
Salaries	142,900	142,900	-	-	-	-
Other Purchased Services	-	-	-	-	-	-
Purchased Prof. and Tech.and Edu Services	48,771	8,121	4,401	-	33,960	2,289
General Supplies	95,252	44,815	-	50,437	-	-
Recruitment	0					
Personal Services - Employee Benefits	32,060	32,060	-	-	-	-
Food Service Subsidy	-					
Textbooks	-					
Instructional Equipment	-					
Equipment Non- Instructional	-					
Miscellaneous Expenditures	-					
Total Instruction	<u>318,983</u>	<u>227,896</u>	<u>4,401</u>	<u>50,437</u>	<u>33,960</u>	<u>2,289</u>
Support Services						
Salaries of Supervisors of Instruction	-					
Salaries of Program Directors	-					
Salaries of Other Prof. Staff	-					
Salaries of Secretarial and Clerical Ass't	-					
Personal Services - Employee Benefits	-					
Supplies and Materials	-					
Rent	-					
Purchased Professional/Educational Services	-					
Class- room Improvements	-					
Building Improvements	-					
Non instructional Equipment	-					
Total Support Services	<u>-</u>					
TOTAL EXPENDITURES	<u>\$ 318,983</u>	<u>\$ 227,896</u>	<u>\$ 4,401</u>	<u>\$ 50,437</u>	<u>\$ 33,960</u>	<u>\$ 2,289</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Exhibit G-1

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Assets
Proprietary Funds
As of June 30, 2020**

NOT APPLICABLE

Exhibit G-2

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year June 30, 2020**

NOT APPLICABLE

Exhibit G-3

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

FIDUCIARY FUNDS

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

	Student Activity Fund	Agency Fund Payroll	Total
ASSETS			
Cash and cash equivalents	\$3,766	\$41,399	\$45,165
Total Assets	<u>\$3,766</u>	<u>\$41,399</u>	<u>\$45,165</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due tp Payroll Agencies		41,399	41,399
Account payable - due to students group	3,766		3,766
Total Liabilities	<u>3,766</u>	<u>41,399</u>	<u>3,766</u>
Net Position			
Total Liabilities and Net Position	<u>\$3,766</u>	<u>\$41,399</u>	<u>\$45,165</u>

Exhibit H-2

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

NOT APPLICABLE

Exhibit H-3

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

NOT APPLICABLE

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

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS				
Cash and Cash Equivalents		\$3,221,905	\$3,221,905	
Total Liabilities		3,221,905	3,221,905	
LIABILITIES				
Payroll Deductions and Withholdings		1,126,325	1,126,325	
Net Payroll		2,095,580	2,095,580	
Total Liabilities		\$3,221,905	\$3,221,905	

Exhibit H-5

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

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

J- 1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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

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

FINANCIAL TRENDS

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
NET POSITION (DEFICIT) BY COMPONENT
FOR THE FISCAL YEAR ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental activities				
Invested in capital assets	\$ -	\$ -	\$ -	\$ -
Restricted - Capital Reserve	650,000			
Unrestricted	304,118	(35,670)	20,682	56,456
Total governmental activities net position	<u>\$ 954,118</u>	<u>\$ (35,670)</u>	<u>\$ 20,682</u>	<u>\$ 56,456</u>
Business-type activities				
Invested in capital assets				
Restricted	-	-	-	-
Unrestricted	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School-wide				
Invested in capital assets	-	-	-	-
Restricted - Capital Reserve	650,000	-	-	-
Unrestricted (Deficit)	304,118	(35,670)	20,682	56,456
Total school net position (Deficit)	<u>\$ 954,118</u>	<u>\$ (35,670)</u>	<u>\$ 20,682</u>	<u>\$ 56,456</u>

Source: School Financial Statements

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenses				
Governmental activities				
Instruction				
Regular	1,979,356	1,824,004	1,179,510	794,750
Support Services:				
General administration	879,729	494,121	361,042	438,215
School Administrative Services	1,040,503	645,898	526,184	258,851
On-behalf TPAF Social Security/Pension/Medical	390,923	88,280	66,702	34,022
Capital outlay	650,000	--	--	--
Unallocated depreciation	--	--	--	--
Total governmental activities expenses	<u>4,940,511</u>	<u>3,052,303</u>	<u>2,133,438</u>	<u>1,525,838</u>
Business-type activities:				
Food service				
Total business-type activities expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school expenses	<u>\$4,940,511</u>	<u>\$3,052,303</u>	<u>\$2,133,438</u>	<u>\$1,525,838</u>
Program Revenues				
Governmental activities:				
Operating grants and contributions	\$318,983	\$346,753	\$326,737	\$458,899
Capital grants and contributions				
Total governmental activities program revenues	<u>318,983</u>	<u>346,753</u>	<u>326,737</u>	<u>458,899</u>
Business-type activities:				
Charges for services				
Food service				
Operating grants and contributions	0	0	0	0
Capital grants and contributions				
Total business type activities program revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>\$318,983</u>	<u>\$346,753</u>	<u>\$326,737</u>	<u>\$458,899</u>
Net (Expense)/Revenue				
Governmental activities	(\$4,621,528)	(\$2,705,550)	(\$1,806,701)	(\$1,066,939)
Business-type activities	0	0	0	0
Total school-wide net expense	<u>(\$4,621,528)</u>	<u>(\$2,705,550)</u>	<u>(\$1,806,701)</u>	<u>(\$1,066,939)</u>
Governmental activities:				
Local share	\$306,911	\$224,285	\$145,902	\$634,622
State Share	3,153,192	2,232,551	1,458,596	0
State and Federal Aid aid	651,177	249,938	153,693	71,798
Miscellaneous income	778,708	13,752	12,736	416,975
Decrease in Net Capital Outlay	--	--	--	--
Transfers				
Total governmental activities	<u>\$4,889,988</u>	<u>\$2,720,526</u>	<u>\$1,770,927</u>	<u>\$1,123,395</u>
Business-type activities:				
Investment earnings				
Transfers	0	0	0	0
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>\$4,889,988</u>	<u>\$2,720,526</u>	<u>\$1,770,927</u>	<u>\$1,123,395</u>
Change in Net Position Increase (Decrease)				
Governmental activities	\$268,460	\$14,976	(\$35,774)	\$56,456
Business-type activities	0	0	0	0
Total school	<u>\$268,460</u>	<u>\$14,976</u>	<u>(\$35,774)</u>	<u>\$56,456</u>

Source: School Financial Statements

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Fund				
Reserved	\$ 650,000	-	-	-
Unassigned	304,118	\$ 35,658	\$ 20,682	\$ 56,456
Total General Fund	\$ 954,118	\$ 35,658	\$ 20,682	\$ 56,456
All Other Governmental Funds				
Reserved				
Unreserved, reported in:				
Special revenue fund				
Capital projects fund				
Debt service fund				
Permanent fund				
Total all other governmental funds				

Source: School Financial Statements

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues				
Local tax Levy	\$306,911	\$224,285	\$145,902	\$634,622
Other local revenue	778,708	188,015	162,736	599,053
State sources	3,804,369	2,482,489	1,612,289	71,798
Federal sources	318,983	172,490	176,737	276,821
Enterprise Fund	0	0	0	0
Total revenue	<u>5,208,971</u>	<u>3,067,279</u>	<u>2,097,664</u>	<u>1,582,294</u>
Expenditures				
Instruction				
Regular Instruction	1,660,373	1,824,004	1,179,510	794,750
Support Services:				
General administration	879,729	494,121	361,042	438,215
School administrative services/Plant	1,040,503	645,898	526,184	258,851
Capital outlay	650,000			
TPAF Social Security	390,923	88,280	66,702	34,022
Food Service				
Capital outlay	0	0	0	0
Special Revenue	318,983			
Total expenditures	<u>4,940,511</u>	<u>3,052,303</u>	<u>2,133,438</u>	<u>1,525,838</u>
Excess (Deficiency) of revenues over (under) expenditures	268,460	14,976	(35,774)	56,456
Other Financing sources (uses)				
Proceeds from borrowing				
Transfers in				
Transfers out				
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance - Increase (Decrease)	<u>\$268,460</u>	<u>\$14,976</u>	<u>(\$35,774)</u>	<u>\$56,456</u>

Source: School Financial Statements

REVENUE CAPACITY

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
General Fund - Other Local Revenue By Source
For the Fiscal Year Ended June 30
(UNAUDITED)

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2017		415,050				1,925	416,975
2018						12,736	12,736
2019						13,752	13,752
2020		650,000				128,708	778,708

Source: School records

Exhibit J-6

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

NOT APPLICABLE

Exhibit J-7

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

NOT APPLICABLE

Exhibit J-8

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

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

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

NOT APPLICABLE

Exhibit J-10

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

NOT APPLICABLE

Exhibit J-11

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

NOT APPLICABLE

Exhibit J-12

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

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

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

NOT APPLICABLE

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

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Principal Employers
For the Fiscal Year Ended June 30, 2020**

NOT APPLICABLE

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Full-time Equivalent School Employees by Function/Program
For the Fiscal Year Ended June 30
(UNAUDITED)

<u>Function/Program</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	23	23	16	10
Special education	2	2	1	
Other special education				
Vocational				
Other instruction				
Nonpublic school programs				
Adult/continuing education programs				
Support Services:				
Student & instruction related services	12	8	5	3
General administration	3	2	1	1
School administrative services	3	1	1	1
Other administrative services				
Central services				
Administrative Information Technology				
Plant operations and maintenance	3	2	2	2
Pupil transportation				
Other support services				
Special Schools				
Food Service				
Child Care				
Total	<u>46</u>	<u>38</u>	<u>26</u>	<u>17</u>

Source: School Personnel Records

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Operating Statistics
For the Fiscal Year Ended June 30
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2017	54	1,525,838	28,256	N/A	10	10	N/A	58	53.82	N/A	92.79%
2018	135	2,133,438	15,803	44%	16	16	N/A	135	126.84	58%	93.10%
2019	218	2,640,872	12,114	23.34%	23	23	N/A	213	200.24	36.66%	93.10%
2020	285	4,940,511	17,335	30.12%	25	25	N/A	285	262.2	30.90%	92.00%

Sources: School records

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
School Building Information
For the Fiscal Year Ended June 30
(UNAUDITED)

<u>School Building</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Main Campus				
Square Feet	12,500	12,500	12,500	12,500
Capacity (students)	240			
Enrollment	210	218	135	54
Second Campus				
Square Feet	8,000			
Capacity (students)	140			
Enrollment	75	210	135	54
Number of Schools at June 30				
Elementary	2	1	1	1

Source: School Office

Exhibit J-19

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

NOT APPLICABLE

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Insurance Schedule
For the Fiscal Year Ended June 30, 2020
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package		
Blanket Building & Contents	\$250,000	\$1,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
EDP	40,000	1,000
General Liability		
Bodily Injury and Property Damage	11,000,000	
Automobile	11,000,000	-
Crime Coverage		
Faithful Performance	50,000	500
Forgery & Alteration	50,000	500
Money & Securities	50,000	500
Money Orders & Counterfeit	50,000	500
Computer Fraud	50,000	500
Boiler & Machinery	100,000,000	
Environmental	1,000,000	100,000
School Leaders Errors & Omission		
Limit of Liability	11,000,000	5,000
Workers' Compensation		
Each Accident	2,000,000	-
Disease - Each Employee	2,000,000	
Disease - Policy Limit	2,000,000	
Bond		
Board Secretary	150,000	1,000
Student Accident and Medical	7,500,000	
Crisis Management		
Expenses	1,000,000	
Judgements, Settlements, Defense	1,000,000	
Death or Dismemberment	250,000	
Disappearance	150,000	
Threat	150,000	
Cyber Security		
Each Incident	1,000,000	
Policy Aggregate	10,000,000	

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30
(UNAUDITED)**

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

	2020	2019	2018	2017
Cash and Cash Equivalents	1,793,806	158,313	85,479	72,519
Current Assets	1,831,125	365,963	235,928	372,185
Capital Assets-Net	0	0	0	0
Total Assets	1,831,125	365,963	235,928	372,185
Current Liabilities	877,007	330,305	215,246	315,729
Long Term Liabilities	0	0	0	0
Total Liabilities	877,007	330,305	215,246	315,729
Net Position	954,118	35,658	20,682	56,456
Total Revenue	(4,889,988)	3,067,279	2,097,664	1,582,294
Total Expenses	(4,940,511)	(3,052,303)	(2,133,438)	(1,525,838)
Change in Net Position (decrease)	(9,830,499)	14,976	(35,774)	56,456
Depreciation	0	0	0	0
Principal Payments	0	0	0	0
Final average daily enrollment	285	210	135	54
March 30th budgeted Enrollment	285	210	135	54
Near term indicators	2020	2019	2018	2017
CURRENT RATIO	2.08	1.1	1.09	1.17
Unrestricted days cash	132.52	18.93	14.62	17.3
Enrollment variance	0%	0%	0%	0%
Default	N/A	N/A	N/A	N/A

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30
(UNAUDITED)**

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

	2020	2019	2018	2017
Cash and Cash Equivalents				
Current Assets	1,793,806	158,313	85,479	72,519
Capital Assets-Net	1,831,125	365,963	235,928	372,185
Total Assets	0	0	0	0
	1,831,125	365,963	235,928	372,185
Current Liabilities				
Long Term Liabilities	877,007	330,305	215,246	315,729
Total Liabilities	0	0	0	0
	877,007	330,305	215,246	315,729
Net Position				
	954,118	35,658	20,682	56,456
Total Revenue				
Total Expenses	5,208,971	3,067,279	2,097,664	1,582,294
	(4,940,511)	(3,052,303)	(2,133,438)	(1,525,838)
Change in Net Position (decrease)	268,460	14,976	(35,774)	56,456
Depreciation				
Principal Payments	0	0	0	0
Interest payments	0	0	0	0
Final average daily enrollment	285	210	135	54
March 30th budgeted Enrollment	285	210	135	54
Sustainability Indicators	2020	2019	2018	2017
Total margin	5.1%	0.4%	0.0%	3.0%
Debt to Asset	0.00%	0.00%	0.00%	0.00%
Cash Flow	72,834	72,834	12,960	72,519
Debt Service Coverage ratio	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

GERALD D. LONGO
CERTIFIED PUBLIC ACCOUNTANT
62 OLD QUEENS BLVD.
MANALAPAN, NEW JERSEY 07726-3648

TELEPHONE
732 446-4768

FAX
732 792-0868

EXHIBIT K-1

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

The Honorable Chairman and
Members of the Board of Trustees
Philip's Academy Charter School of Paterson
County of Passaic
Paterson, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School of Paterson ("the Charter School"), in the County of Passaic, State of New Jersey, as of and for the 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 my report thereon, dated January 5, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Purpose of this Report

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
January 5, 2021

GERALD D. LONGO
CERTIFIED PUBLIC ACCOUNTANT
62 OLD QUEENS BLVD.
MANALAPAN, NEW JERSEY 07726-3648

TELEPHONE
732 446-4768

FAX
732 792-0868

EXHIBIT K-2

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

The Honorable Chairman and
Members of the Board of Trustees
Philip's Academy Charter School of Paterson
County of Passaic
Paterson, New Jersey

Compliance

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

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Circular 15-08-0MB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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

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

Licensed Public School Accountant No. 20CS00206400

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

Gerald D. Longo
Certified Public Accountant
January 5, 2021

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

Federal/Grantor Program Title	FEDERAL CFDA Number	Federal Award Identification Number	Grant Period	Award Amount	Balance July 1, 2019	Prior Carry over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Deferred Revenue/ (Accounts Receivable) June 30, 2020	Due to Grantor at June 30, 2020
ENTERPRISE FUND												
U.S. Department of Agriculture Pass-Through Programs: Passed-Through New Jersey State Department of Education												
NOT APPLICABLE												
Special Revenue												
U.S. Department of Education Passed- through State Department of Education <u>Special Reserve Fund</u>												
Title I PART A	84.010A	S010A190030	07/01/19-06/30/20	227,896	(30,676)	0	\$ 258,572	\$ 227,896			0	
Title I PART A	84.010A	S840190029	07/01/19-06/30/20	4,401	(5,400)	0	9,801	4,401			0	
IDEA PRESCHOOL	84.173A	H173A190114	07/01/19-06/30/20	2,289	0	0	2,289	2,289			0	
IDEA PART B	84.027A	H027A190100	07/01/19-06/30/20	33,960	(4,404)	0	38,364	33,960			0	
Total Special Revenue Fund					(\$40,480)	0	\$309,026	\$ 268,546			\$0	
Total Federal Financial Assistance					(\$40,480)	0	\$309,026	\$268,546			\$0	

See accompanying notes to schedules of expenditures of Federal and State awards.

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

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2019</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2020</u>
NJ DEPARTMENT OF EDUCATION									
GENERAL FUND									
TPAF Social Security	20-495-034-5094-003	7/1/19-06/30/20	\$126,759		\$126,759	\$126,759			
Equalization Aid - Local and State	20-495-034-5120-078	7/1/19-06/30/20	3,460,103		3,460,103	3,460,103			
Special Education Aid	20-495-034-5120-089	7/1/19-06/30/20	125,689		125,689	125,689			
Security Aid	20-495-034-5120-084	7/1/19-06/30/20	134,565		134,565	134,565			
TPAF LT Disability (On-Behalf - Non-Budgeted)	20-495-034-5094-002	7/1/19-06/30/20	657		657	657			
TPAF Medical (On-Behalf - Non-Budgeted)	20-495-034-5094-001	7/1/19-06/30/20	71,304		71,304	71,304			
TPAF Pension (On-Behalf - Non-Budgeted)	20-495-034-5094-004	7/1/19-06/30/20	192,203		192,203	192,203			
Total General Fund/Total State Department of Education					<u>4,111,280</u>	<u>4,111,280</u>			
Total State Financial Assistance					<u>4,111,280</u>	<u>4,111,280</u>			<u>0</u>
TPAF LT Disability (On-Behalf - Non-Budgeted)	20-495-034-5094-002	7/1/19-06/30/20	657		(657)	(657)			
TPAF Medical (On-Behalf - Non-Budgeted)	20-495-034-5094-001	7/1/19-06/30/20	71,304		(71,304)	(71,304)			
TPAF Pension (On-Behalf - Non-Budgeted)	20-495-034-5094-004	7/1/19-06/30/20	192,203		(192,203)	(192,203)			
Total State Financial Assistance Subject to Single Audit					<u>\$0</u>	<u>\$3,847,116</u>	<u>\$3,847,116</u>		<u>\$0</u>

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

	Federal	State	Total
General Fund	\$ -0-	\$4,111,280	\$4,111,280
Special Revenue Fund	268,546	-0-	268,546
Total Awards and Financial Assistance	<u>\$268,546</u>	<u>\$4,111,280</u>	<u>\$4,379,826</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2020. TPAF Social Security Contributions of \$126,759 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2020.

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

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

NOTE 7. DE MINIMIS INDIRECT COST RATE

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

**PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

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

Federal Awards

N/A

Internal control over compliance:

 Material weakness(es) identified?

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

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

Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A)?

Identification of major programs:

<u>C DFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-------------------------------	--

Dollar threshold used to distinguish between type A and type B programs (.520)

Qualified as low risk auditee:

**PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Status of Prior Year Findings

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

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