

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2020

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

***Trenton STEM-to-Civics Charter School
Board of Trustees
Ewing Township, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Prepared by

***Trenton STEM-to-Civics Charter School
Finance Department***

And

Barre & Company LLC, CPAs

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TRENTON STEM-TO-CIVICS CHARTER SCHOOL

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	1
Letter of Transmittal	2
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
FINANCIAL SECTION	9
Independent Auditor's Report.....	10
REQUIRED SUPPLEMENTARY INFORMATION – PART I	13
Management's Discussion and Analysis	14
BASIC FINANCIAL STATEMENTS	23
SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS.....	24
A-1 Statement of Net Position	25
A-2 Statement of Activities	26
SECTION B – FUND FINANCIAL STATEMENTS	27
GOVERNMENTAL FUNDS	28
B-1 Balance Sheet	29
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	30
B-3 Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	31
PROPRIETARY FUNDS	32
B-4 Statement of Net Position	33
B-5 Statement of Revenues, Expenses, and Changes in Net Position	34
B-6 Statement of Cash Flows.....	35
FIDUCIARY FUNDS	36
B-7 Statement of Fiduciary Net Position.....	37
NOTES TO THE FINANCIAL STATEMENTS	38
REQUIRED SUPPLEMENTARY INFORMATION – PART II	79
FINANCIAL SECTION (CONTINUED)	
SECTION C – BUDGETARY COMPARISON SCHEDULES	80
C-1 Budgetary Comparison Schedule – General Fund.....	81
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	83
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II	84
C-3 Budget-To-GAAP Reconciliation.....	85

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

TABLE OF CONTENTS

Page

FINANCIAL SECTION (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION – PART III 86

SECTION L – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR TPAF AND PERS AND CHARTER SCHOOL’S PERS AND TPAF CONTRIBUTIONS 87

L-1 Schedules of the Charter School’s Proportionate Share of the Net Pension Liability - PERS..... 88

L-2 Schedules of Charter School Contributions - PERS..... 89

L-3 Schedules of the Charter School’s Proportionate Share of the Net Pension Liability - TPAF 90

SECTION M – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR TPAF AND PERS 91

M-1 Schedules of Changes in the Charter School’s Proportionate Share of Total OPEB Liability and Related Ratios – TPAF and PERS 92

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART III 93

OTHER SUPPLEMENTARY INFORMATION 96

SECTION E – SPECIAL REVENUE FUND..... 97

E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis..... 98

SECTION G – PROPRIETARY FUNDS..... 99

SECTION H – FIDUCIARY FUNDS 100

H-1 Combining Statement of Fiduciary Net Position 101

H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements 102

H-4 Payroll Agency Fund Schedule of Receipts and Disbursements 103

STATISTICAL SECTION (UNAUDITED) 104

INTRODUCTION TO THE STATISTICAL SECTION 105

FINANCIAL TRENDS 106

J-1 Net Assets/Position by Component..... 107

J-2 Changes in Net Assets/Position..... 108

J-3 Fund Balances – Governmental Funds..... 109

J-4 Changes in Fund Balances – Governmental Funds..... 110

J-5 General Fund Other Local Revenue by Source (NJ)..... 111

OPERATING INFORMATION..... 112

J-16 Full-Time Equivalent Charter School Employees by Function/Program 113

J-17 Operating Statistics..... 114

J-18 School Building Information 115

J-20 Insurance Schedule 116

J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios 118

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

TABLE OF CONTENTS

Page

STATISTICAL SECTION (UNAUDITED) (CONTINUED)

SINGLE AUDIT SECTION	119
K-1 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.....	120
K-2 Report on Compliance For Each Major State Program and Report On Internal Control over Compliance in Accordance with New Jersey Circular 15-08-OMB.....	122
K-3 Schedule of Expenditures of Federal Awards – Schedule A	125
K-4 Schedule of Expenditures of State Financial Assistance – Schedule B.....	126
K-5 Notes to Schedules of Expenditures of Awards and Financial Assistance	127
K-6 Schedule of Findings and Questioned Costs	130
Section I - Summary of Auditor's Results	130
Section II - Financial Statement Findings	131
Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs	131
K-7 Summary Schedule of Prior Year Audit Findings and Questioned Costs As Prepared by Management	132

INTRODUCTORY SECTION



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Ewing, NJ 08618

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Office of the Head of School

December 20, 2020

Honorable President and
Members of the Board of Trustees
Trenton STEM-to-Civics Charter School
Ewing Township, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of Trenton STEM-to-Civics Charter School (Charter School) for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain understanding of the Charter School's financial activities have been included.

This report will provide the taxpayers whose funding flows to the Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; the

New Jersey State Office of Management and Budget (OMB) Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

The Board of Trustees is comprised of five members: all are voting members and are elected to oversee that the charter school operates in compliance with statute and administrative code. Voting members of the Board serve as the official governing body of the school charged with policy making, fiscal oversight, and accountability for student academic achievement results of the charter school. Voting members adopt the annual budget and directly approve all expenditures which serve as the basis for control for the authorization of all expenditures of charter school funds which in turn support the school’s business to promote academic achievement. Non-voting members include the school’s Head of School and School Business Administrator/Board Secretary.

The Head of School of the charter school is responsible to the board for the implementation and administration of all educational and support operations. The School Business Administrator/Board Secretary is the chief financial officer of the charter school and is responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the charter school, acting as custodian of all charter school funds, and investing idle funds as permitted by New Jersey Law.

1)REPORTING ENTITY AND ITS SERVICES: The Trenton STEM-to-Civics Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14, as amended. All funds and account groups of the Charter School are included in this report. The Charter School Board of Trustees constitutes the Charter School’s reporting entity.

The Trenton STEM-to-Civics Charter School provides a full range of educational services appropriate to grades 6, 7, 8, 9, 10, 11 and 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2019-2020 school year with an enrollment of 599 students. The middle school, which is located in Trenton, houses students in grades 6-8 and has a capacity of 275 students. The high school, which houses students in grades 9-12 and has a capacity of 450 students, will remain in Ewing. The following details the changes in the student enrollment of the Charter School over the last five years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>
2019-2020	598.63
2018-2019	554.56
2017-2018	396.39
2016-2017	294.09
2015-2016	199.50

2) **MAJOR INITIATIVES:** Major initiatives for the 2019-2020 school year centered on activities associated with the continued implementation of the charter school's program and the challenges of the school's growth expansion for year six of operation. Specifically, the following were areas of focus for operational activity:

- fiscal controls/compliance and financial stability
- increasing student enrollment
- expanding staff to accommodate program growth and student needs
- building competency in staff to perform required deliverables
- providing systemic professional development for staff
- institutionalizing the school's discipline and academic culture
- promoting student achievement outcomes/improving program design.

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

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

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

4) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

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

5) **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit 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 Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.


6) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen’s compensation.

7) **OTHER INFORMATION:**

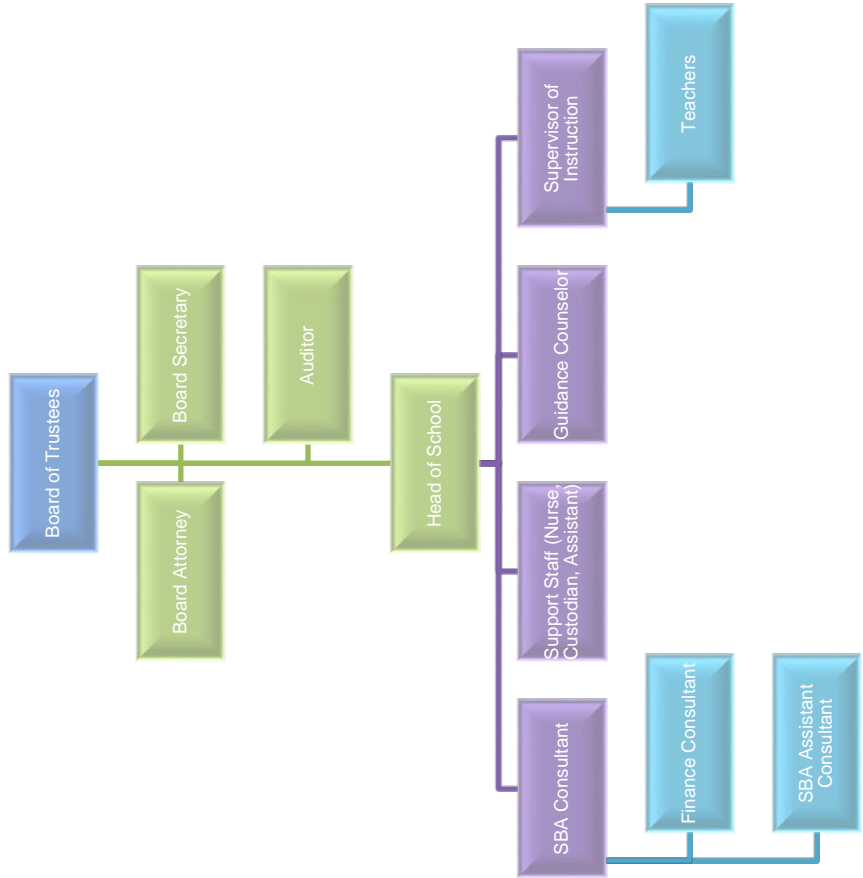
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company LLC, Certified Public Accountants, was selected by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the New Jersey State Office of Management and Budget (OMB) Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor’s report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor’s reports, related specifically to the single audit, are included in the single audit section of this report.

8) **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Trenton STEM-to-Civics Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers whose funding flows to the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,


Leigh Byron, Ed.D.
Founder

STEMCivics



**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2020**

MEMBERS OF THE BOARD OF TRUSTEES

Robin Lipman, Board Chair

Kevin Demmo, Vice Chair

Amanda Byard, Member

Michael Mazzoni, Member

Adrian Zappala, Member

OTHER OFFICIALS

John Snuffin, Board Secretary/Business Administrator

Leigh Byron, Lead Executive Officer

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company LLC
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, New Jersey 07083

Attorney

Parker McCay
9000 Midlantic Drive, Suite 300
P.O. Box 5054
Mount Laurel, NJ 08054-5054

Official Depository

Bank of America
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Lawrenceville, NJ 08648

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
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Independent Auditor’s Report

Honorable President
Members of the Board of Trustees
Trenton STEM-to-Civics Charter School
County of Mercer
Ewing Township, New Jersey

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, and M-1, and the related notes and 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance..

Other Information

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


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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021 on our consideration of the Trenton STEM-to-Civics Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.


BARRE & COMPANY LLO
Certified Public Accountants
Public School Accountants


Richard M. Barre, CPA
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 18, 2021

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED**

As management of the Trenton STEM-to-Civics Charter School ("Charter School"), we offer readers of the Charter School's financial statements this narrative discussion, overview, and analysis of the financial activities of the Charter School for the year ended June 30, 2020. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A as required by GASB Statement No. 34.

Financial Highlights

Key financial highlights for 2020 are as follows:

- ❖ Total net position of the governmental activities and business-type activities is \$302,248 at June 30, 2020. It is comprised of both current and deferred outflows of resources less deferred inflows of resources and current and outstanding long-term liabilities.
- ❖ General revenues accounted for \$11,280,657 of total revenues or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$511,245 or 4% of total revenues of \$11,791,902.
- ❖ The Charter School had \$11,017,975 in expenses; only \$511,245 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,280,657 were adequate to provide for these programs.
- ❖ Among major funds, the General Fund had \$10,583,110 in revenues and \$9,363,597 in expenditures. The General Fund's fund balance increased \$1,219,513 over 2019.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Trenton STEM-to-Civics Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and supplementary information in addition to the basic financial statements themselves.

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred outflows of resources, deferred inflows of resources and liabilities of the Charter School, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The statement of activities presents information showing how the net position of the Charter School changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found starting on page 24 of this report.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Charter School can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

Governmental Funds (Continued)

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

The Charter School adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and the special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 28 of this report.

Proprietary Funds

The Charter School maintains proprietary fund types in the form of enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Charter School uses enterprise funds to account for the operations of its food service which is considered a major fund of the Charter School. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Charter School's own programs.

The Charter School uses agency funds to account for resources held for student activities and groups and payroll related liabilities. The fiduciary fund financial statements can be found starting on page 36 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 38 of this report.

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

Other Information

The required supplementary information and combining statements referred to earlier in connection with governmental funds and proprietary funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found starting on page 79 of this report.

Figure A-1 summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Major Features of the Trenton STEM-to-Civics Charter School's
Government-Wide and Fund Financial Statements
(Figure A-1)**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not proprietary or fiduciary, such as regular and special education and building maintenance	Activities the Charter School operates similar to private businesses: Food Service Fund	Instances in which the Charter School is the trustee or agent for someone else's resources, such as payroll agency and student activities
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the 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	All revenues and expenses during the year, regardless of when cash is received or paid

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

The Charter School as a Whole

The Statement of Net Position provides the perspective of the Charter School as a whole. Net position may serve as an indicator of a government's financial position. However, as noted earlier, net position is not the primary basis for decision making for each budget cycle.

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

The following table provides a summary of net position relating to the Charter School's governmental and business-type activities as of June 30, 2020 and 2019:

**Table 1
Net Position**

	2020	2019
Assets		
Current and Other Assets	\$ 1,419,036	\$ 443,463
Total Assets	<u>1,419,036</u>	<u>443,463</u>
Deferred Outflows of Resources		
Related to Pensions	<u>1,970,639</u>	<u>1,380,918</u>
Liabilities		
Account and Other Payables	299,474	507,099
Long-Term Liabilities	<u>2,039,021</u>	<u>1,340,766</u>
Total Liabilities	<u>2,338,495</u>	<u>1,847,865</u>
Deferred Inflows of Resources		
Related to Pensions	<u>748,932</u>	<u>448,195</u>
Net Position		
Unrestricted	<u>779,337</u>	<u>(471,679)</u>
Total Net Position	<u>\$ 302,248</u>	<u>\$ (471,679)</u>

The net pension liability recorded as of June 30, 2020 is the result of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68*. The increase of \$698,255 from the prior year relates to changes in the actuarial assumptions from the prior year and the pension funding status of the State of New Jersey.

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

The Charter School as a Whole (Continued)

The remaining balance of unrestricted net position may be used to meet the Charter School's ongoing obligations to the community they provide program services and creditors.

Charter School Activities

The key elements of the Charter School's changes in net position for the years ended June 30, 2020 and 2019 are as follows:

**Table 2
Changes in Net Position**

	2020	2019
Revenues		
Program Revenues:		
Charges for Services	\$ 744	\$ -
Operating Grants and Contributions	510,501	576,374
General Revenues:		
General Purposes	793,758	703,335
Grants and Entitlements	10,182,781	9,324,738
Other	<u>304,118</u>	<u>244,380</u>
Total Revenues	<u>11,791,902</u>	<u>10,848,827</u>
Program Expenses		
Instruction	4,089,556	4,592,168
Administration	5,279,386	4,932,250
Support Services	1,480,616	2,087,206
Capital Outlay	4,250	25,230
Food Service	<u>164,167</u>	<u>188,429</u>
Total Program Expenses	<u>11,017,975</u>	<u>11,825,283</u>
Changes in Net Position	<u>\$ 773,927</u>	<u>\$ (976,456)</u>

The increase in revenues is attributed to combining changes in revenue related to the local, state, and federal aid and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which were contributions made on behalf of the Charter School by the State for post-employment health benefits.

The increase in program expenses is attributed to combining changes in expenses related to certain expenses due to the Charter School receiving local, state, and federal aid, the allocation of TPAF Social Security and Pension expenses due to the GASB 68 valuation, and post-employment health benefit expenses related to GASB 75.

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

Governmental Activities

The Charter School's total revenues were \$11,621,288 for the year ended June 30, 2020 and \$10,670,827 for 2019. Federal, state, and local grants and state aid accounted for 91% for 2020 and 92% for 2019 of revenues which includes \$960,364 for 2020 and \$734,900 for 2019 of state reimbursed TPAF social security contributions and on-behalf TPAF pension, post-retirement medical, and long-term disability insurance contributions.

The total cost of all program and services was \$10,404,590 for 2020 and \$11,131,003 for 2019. Instruction comprises 39% for 2020 and 41% for 2019 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

Business-Type Activities

Revenues for the Charter School's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service revenues exceeded expenses by \$6,447 for 2020 and \$10,429 for 2019.
- ❖ Charges for services represent \$744 for 2020 and \$0 for 2019. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced breakfast and lunches were \$61,283 for 2020 and \$70,523 for 2019.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$11,141,688 for 2020 and \$10,370,264 for 2019 and expenditures were

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

\$9,922,175 for 2020 and \$11,016,455 for 2019. The net change in fund balance was most significant in the general fund, an increase of \$1,219,513 for 2020 and a decrease of \$646,191 for 2019.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2020.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2019	Percent of Increase/ (Decrease)
Local Sources	\$ 989,289	8.88%	\$ 149,051	18%
State Sources	9,655,231	86.66%	730,365	8%
Federal Sources	497,168	4.46%	(107,992)	-18%
Total	\$ 11,141,688	100.00%	\$ 771,424	

Local, State, and Federal Sources increased due to additional aid and grants funding.

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2020.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2019	Percent of Increase/ (Decrease)
Instruction	\$ 3,321,208	33.47%	\$ (603,075)	-15%
Administration	5,116,101	51.56%	136,365	3%
Support Services	1,480,616	14.92%	(606,590)	-29%
Capital Outlay	4,250	0.05%	(20,980)	-83%
Total	\$ 9,922,175	100.00%	\$ (1,094,280)	

Changes in expenditures were the result of varying factors. Current expense increased due to salary increases, additional staff and students, and increased health benefits and utility costs.

**TRENTON STEM-TO-CIVICS CHARTER SCHOOL
EWING TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

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

Over the course of the year, the Charter School revised the annual operating budget in accordance with state regulations. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditure item to the Charter School but is required to be reflected in the financial statements.

Capital Assets (Net of Depreciation)

At the end of fiscal years 2020 and 2019, the Charter School had no capital assets invested in equipment and building improvements.

Debt Administration

The Charter School's net pension liability as of June 30, 2020 and 2019 was \$2,039,021 and \$1,340,766, respectively.

For more detailed information, please refer to the Notes to the Financial Statements.

For the Future

The Trenton STEM-to-Civics Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, the Trenton STEM-to-Civics Charter School has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. Leigh Byron, Founder, at Trenton STEM-to-Civics Charter School, 1555 Pennington Road, Ewing Township, New Jersey 08618.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL–WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,095,365	\$ 7,772	\$ 1,103,137
Restricted			-
Internal Balances	8,539	(8,539)	-
Receivables	281,320	142	281,462
	<u>1,419,661</u>	<u>(625)</u>	<u>1,419,036</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions	1,970,639		1,970,639
	<u>1,970,639</u>	<u>-</u>	<u>1,970,639</u>
LIABILITIES:			
Interfund Payable			-
Payable to District			-
Accounts Payable	298,504	970	299,474
Noncurrent Liabilities:			
Due Beyond One Year:			
Net Pension Liability	2,039,021		2,039,021
	<u>2,337,525</u>	<u>970</u>	<u>2,338,495</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions	748,932		748,932
	<u>748,932</u>	<u>-</u>	<u>748,932</u>
NET POSITION:			
Unassigned	780,932	(1,595)	779,337
	<u>780,932</u>	<u>(1,595)</u>	<u>779,337</u>
Total Net Position	<u>\$ 303,843</u>	<u>\$ (1,595)</u>	<u>\$ 302,248</u>

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Statement of Activities
 For The Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 3,321,208	\$ 768,348	\$ -	\$ 449,218	\$ -	\$ (3,640,338)	\$ -	\$ (3,640,338)
Administration	4,378,142	901,244				(5,279,386)		(5,279,386)
Support Services	1,480,616					(1,480,616)		(1,480,616)
Capital Outlay	4,250					(4,250)		(4,250)
Total Governmental Activities	9,184,216	\$ 1,669,592	-	449,218	-	(10,404,590)	-	(10,404,590)
BUSINESS-TYPE ACTIVITIES:								
Food Service	164,167		744	61,283		(102,140)		(102,140)
Total Business-Type Activities	164,167		744	61,283		(102,140)		(102,140)
Total Primary Government	\$ 9,348,383		\$ 744	\$ 510,501	\$ -	\$ (10,404,590)	\$ -	\$ (10,506,730)
GENERAL REVENUES								
General Purposes						\$ 793,758	\$ -	\$ 793,758
Federal and State Aid Not Restricted						10,182,781		10,182,781
Miscellaneous Income						195,531	108,587	304,118
Total General Revenues						11,172,070	108,587	11,280,657
Change in Net Position						767,480	6,447	773,927
Net Position - Beginning						(463,637)	(8,042)	(471,679)
Net Position - Ending						\$ 303,843	\$ (1,595)	\$ 302,248

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

SECTION B – FUND FINANCIAL STATEMENTS

The individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2020

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,095,365	\$ -	\$ 1,095,365
Receivables:			
Interfund Receivables	84,415		84,415
Receivables From Other Governments	172,454	84,121	256,575
Prepaid Expenses	34,437		34,437
	1,386,671	84,121	1,470,792
Total Current Assets			
	1,386,671	84,121	1,470,792
Total Assets	\$ 1,386,671	\$ 84,121	\$ 1,470,792
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 51,131	\$ 51,131
Accounts Payable	153,706	32,990	186,696
	153,706	84,121	237,827
Total Current Liabilities			
	153,706	84,121	237,827
Fund Balances:			
Unassigned:			
General Fund	1,232,965		1,232,965
	1,232,965	-	1,232,965
Total Fund Balances			
	1,232,965	-	1,232,965
Total Liabilities and Fund Balances	\$ 1,386,671	\$ 84,121	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.			(2,039,021)
Accrued pension contributions for the June 30, 2020 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.			(111,808)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to pensions			1,970,639
Deferred inflows related to pensions			(748,932)
Net Position of Governmental Activities			\$ 303,843

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 793,758	\$ -	\$ 793,758
Miscellaneous	133,659	61,872	195,531
Total Local Sources	927,417	61,872	989,289
State Sources	9,655,231		9,655,231
Federal Sources	462	496,706	497,168
Total Revenues	10,583,110	558,578	11,141,688
EXPENDITURES:			
Instruction	2,803,267	517,941	3,321,208
Administration	5,116,101		5,116,101
Support Services	1,439,979	40,637	1,480,616
Capital Outlay	4,250		4,250
Total Expenditures	9,363,597	558,578	9,922,175
NET CHANGE IN FUND BALANCES	1,219,513	-	1,219,513
FUND BALANCE, JULY 1	13,452	-	13,452
FUND BALANCE, JUNE 30	\$ 1,232,965	\$ -	\$ 1,232,965

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Total net change in fund balances - governmental fund (from B-2)	\$ 1,219,513
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.

(452,033)

Change in net position of governmental activities	\$ <u>767,480</u>
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\$ 767,480

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

PROPRIETARY FUNDS

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Proprietary Fund
Statement of Net Position
June 30, 2020

		Business-Type Activities Enterprise Fund
		<u>Food Service Programs</u>
		<u>School Nutrition</u>
ASSETS:		
Cash and Cash Equivalents	\$	7,772
Intergovernmental Accounts Receivable:		
Federal		141
State		1
		<hr/>
Total Assets	\$	<u>7,914</u>
LIABILITIES AND NET POSITION:		
Liabilities:		
Interfund Accounts Payable	\$	8,539
Accounts Payable		970
		<hr/>
Total Liabilities		<u>9,509</u>
Net Position:		
Unassigned		<u>(1,595)</u>
Total Net Position		<u>(1,595)</u>
Total Liabilities and Net Position	\$	<u>7,914</u>

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	Business-Type Activities		
	Enterprise Fund		
	Food Service Programs		
	School Nutrition	Fixed Contract Price	Total Enterprise
OPERATING REVENUES:			
Charges for Services:			
Daily Sales - Program (Reimbursable Program) Meals	\$ 744	\$ -	\$ 744
Daily Sales - Non-Program (Non-Reimbursable Program) Meals	-	-	-
Total Operating Revenues	744	-	744
OPERATING EXPENSES:			
Cost of Sales - Program (Reimbursable Program) Meals	164,167		164,167
Cost of Sales - Non-Program (Non-Reimbursable Program) Meals	-	-	-
Total Operating Expenses	164,167	-	164,167
OPERATING LOSS	(163,423)	-	(163,423)
NONOPERATING REVENUES:			
State Source:			
State School Lunch Programs	1,440		1,440
Federal Source:			
National School Breakfast and Lunch Programs	59,843		59,843
Total Nonoperating Revenues	61,283	-	61,283
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES	(102,140)	-	(102,140)
OTHER FINANCING SOURCES:			
Board Contribution	108,587	-	108,587
Total Other Financing Sources	108,587	-	108,587
CHANGE IN NET POSITION	6,447	-	6,447
TOTAL NET POSITION, JULY 1	(8,042)	-	(8,042)
TOTAL NET POSITION, JUNE 30	\$ (1,595)	\$ -	\$ (1,595)

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

	Business-Type Activities
	Enterprise Fund
	Food Service Programs
	School Nutrition
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 4,314
Cash Payments to Suppliers and Employees	(170,038)
	(165,724)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash Received From State And Federal Reimbursements	61,283
Board Contributions	108,587
	169,870
Net Decrease In Cash And Cash Equivalents	4,146
Cash And Cash Equivalents, Beginning Of Year	3,626
Cash And Cash Equivalents, End Of Year	\$ 7,772
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss Used in Operating Activities	\$ (163,423)
Change In Assets And Liabilities:	
Increase In Receivables From Other Governments	3,570
Increase In Interfund Payable	3,972
Increase In Accounts Payable	(9,843)
Net Cash Used In Operating Activities	\$ (165,724)

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

FIDUCIARY FUNDS

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2020

	<u>Agency Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 63,602
Total Assets	<u>\$ 63,602</u>
LIABILITIES:	
Interfund Payable	\$ 24,745
Payroll Deductions and Withholdings	35,407
Due to Student Groups	<u>3,450</u>
Total Liabilities	<u>\$ 63,602</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Trenton STEM-to-Civics Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Charter School are described below.

A. Reporting Entity

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Charter School is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of 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's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters.

The combined financial statements include all funds and account groups for the Charter School over which the Board of Trustees' exercises operating control.

B. Basis of Presentation

The Charter School's basic financial statements consist of Charter School-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Charter School-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 overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Business segment is self-financing or draws from the general revenues of the Charter School. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

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. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental, proprietary, and fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those 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 and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: Not applicable.

The Charter School reports the following proprietary fund:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others and includes Student Activities Fund, Payroll and Payroll Agency Funds.

C. Basis of Accounting – Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting – Measurement Focus (Continued)

accrual basis of accounting. Under this method, revenues are recognized when 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of 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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 558,578
Adjustments:	
Less Encumbrances at June 30, 2020	-
Plus Encumbrances at June 30, 2019	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 558,578</u>

E. Encumbrances Accounting

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 revenues 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.

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. 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.

F. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School – wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Prepaid Expenses:

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

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Office & Computer Equipment	5-10

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are recorded as unearned revenue.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School – wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

Net Position:

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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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 position is available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances in accordance with N.J.S.A. 18:7.

Revenues — Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Nonexchange Transactions (Continued)

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Pensions

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 pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

H. Impact of Recently Issued Accounting Principles

During fiscal year 2020, the Charter School did not adopt any new GASB statements.

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

Statement No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

Statement No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Category 1 includes deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 2 includes uninsured and unregistered deposits/investments held by the Board's custodial bank trust department or agent in the Board's name. Category 3 includes uninsured or unregistered deposits/investments held by a broker or dealer, or held by the Board's custodial bank trust department or agent but not in the Board's name. These categories are not broad representations that deposits or investments are "safe" or "unsafe".

Deposits

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase
- c. Bonds or other obligations of the Charter School.

As of June 30, 2020, cash and cash equivalents and investments of the Charter School consisted of the following:

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost. For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2020 was \$1,166,739 and the bank balance was \$370,496. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. In general, bank deposits are classified as to credit risk by three categories described below:

Category 1 — Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 — Collateralized with securities held by the pledging public depository's trust department or agent in the Board's name.

Category 3 — Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Board's name.

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 1,095,365	\$ -	\$ 7,772	\$ 63,602	\$ 1,166,739

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Risk Category (Continued)

As of June 30, 2020, the Board had funds invested and on deposit in checking accounts. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2020, the Charter school had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at 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 follow:

	Governmental Funds		Total Governmental Activities	Proprietary	Total Business Type Activities	Fiduciary Funds	Total
	General Fund	Special Revenue Fund		Fund Food Service Fund			
State Aid	\$ 112,982	\$ -	\$ 112,982	\$ 1	\$ 1		\$ 112,983
Federal Aid	-	84,262	84,262	141	141		84,403
Other	59,472	-	59,472	-	-		59,472
Gross Receivables	172,454	84,262	256,716	142	142		256,858
Less: Allowance for Uncollectibles	-	-	-	-	-		-
Total Receivables, Net	\$ 172,454	\$ 84,262	\$ 256,716	\$ 142	\$ 142		\$ 256,858

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2020:

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 4: INTERFUND TRANSFERS AND BALANCES (CONTINUED)

Fund	Interfund Receivable	Interfund Payable
General Fund	33,284	\$ -
Proprietary Fund		8,539
Fiduciary Fund		24,745
Total	<u>\$ 33,284</u>	<u>\$ 84,415</u>

NOTE 5: CAPITAL ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the Charter School-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance-total governmental funds is made to reflect the carrying value of the Charter School's capital assets at year-end in the Charter School-wide financial statements.

For the fiscal year ended June 30, 2020, there were no capital assets activity.

NOTE 6: RENTAL LEASE

High School Lease

In June 2015, the Charter School signed a lease agreement with Incarnation-St. James Catholic Church to rent its school facilities at 1555 Pennington Road, Ewing, New Jersey for a period of four (4) years commencing September 1, 2015 and ending August 31, 2019. The total rent is \$1,170,000 which shall accrue at the yearly rate of (Year 1) \$180,000, (Year 2) \$270,000, and (Years 3-4) \$360,000 payable in equal monthly installments of (Year 1) \$18,000, (Year 2) \$27,000, and (Years 3-4) \$36,000. The lease has the option to renew for another five (5) years. The lease was renewed with the same terms and payments.

Middle School Lease

In May 2018, the Charter School signed a lease agreement with Blessed Sacrament-Our Lady of the Divine Shepard Parish to rent its school facilities at 720 Bellevue Avenue, Trenton, New Jersey for a period of five (5) years commencing August 1, 2018 and ending July 31, 2023. The total rent is \$945,000 which shall accrue at the yearly rate of (Year 1) \$135,000 and (Year 2-5) \$202,500 payable in ten (10) monthly installments from August to May of (Year 1) \$13,500 and (Year 2-5) \$20,250. The lease has the option to renew for another five (5) years.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 6: RENTAL LEASE (CONTINUED)

Administration Building Lease

In August 2017, the Charter School signed a license agreement for the use of the facilities with Incarnation-St. James Catholic Church to rent its second floor and basement area at 45 Harrop Place, Ewing, New Jersey for a period of ten (10) months commencing August 15, 2017 and ending June 30, 2018 for a total rent of \$55,000. The second floor will be used primarily for office use of staff and the basement will be used primarily for storage of equipment such as robotics and athletic equipment. The lease was renewed for another year with the same terms and payments.

Total lease payments for the year ended June 30, 2020 amounted to \$567,210.

NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASE

On September 2017, the Charter School leased two (2) copier machines for sixty (60) months with monthly payments in the amount of \$699. Total lease payments made during the year ended June 30, 2020 amounted to \$8,388. The future minimum rental payments on the equipment lease are as follows:

NOTE 7: OBLIGATIONS UNDER EQUIPMENT LEASE (CONTINUED)

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	8,388
2022	8,388
2023	<u>2,097</u>
Total future minimum rental lease payments	<u>\$ 18,873</u>

NOTE 8: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several Charter School employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to:

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

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

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Vesting and Benefit Provisions

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

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

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$111,808 for fiscal year 2020.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2020, the Charter School reported, for the first time, a liability of \$2,039,021 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 used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2018 which was rolled forward to June 30, 2019. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. For the June 30, 2019 measurement date, the Charter School's proportion allocation percentage was 0.0113162727%, which was an increase of 0.0045067249% from its proportion measured as of June 30, 2018.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

For the fiscal year ended June 30, 2020, the Charter School recognized pension expense of \$562,107, in the government-wide financial statements. This pension expense was based on the pension plan's June 30, 2019 measurement date.

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

	Outflows of Resources	Inflows of Resources
Difference Between Expected and Actual Experience	\$ 36,598	\$ 9,007
Changes in Assumptions	203,604	707,738
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	32,187
Changes in Proportion and Differences between Charter School Contributions and Proportionate Share of Contributions	1,618,629	-
Charter School Contributions Subsequent to the Measurement Date	111,808	-
	\$ 1,970,639	\$ 748,932

\$111,808, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2021.

Other 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:

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

Fiscal Year Ending June 30,	Total
<hr/>	<hr/>
2021	\$ 141,394
2022	458,678
2023	409,572
2024	192,315
2025	19,747
	<hr/>
	<u>\$ 1,221,707</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.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	5.48 years	-
June 30, 2018	-	5.63 years
 Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years
June 30, 2019	-	5.21 years

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments

Year of Pension Plan Deferral:

June 30, 2015	5.00 years	-
June 30, 2016	5.00 years	-
June 30, 2018	5.00 years	-
June 30, 2019	5.00 years	-

Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions

Year of Pension Plan Deferral:

June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years
June 30, 2018	-	5.63 years

Actuarial Assumptions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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%

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions (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 01, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return

In accordance with 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:

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

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 based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment 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.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (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 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 Charter School's proportionate share of the collective 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:

	Measurement Date June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Charter School's Proportionate Share of the Net Pension Liability	\$ 2,593,532	\$ 2,053,206	\$ 1,597,904

Pension Plan Fiduciary Net Position

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 respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Vesting and Benefit Provisions

The vesting and benefit provision 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 of 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 with 25 or more years of service credit before age 62, and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2019, the State's pension contribution was less than the actuarially determined amount.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Contributions (Contributed)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are 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 local participating employers do 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 local participating employers, such as the Charter School. However, the notes to the financial statements of the Charter School must disclose the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$35,518 to the TPAF for normal pension benefits on behalf of the Charter School.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

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

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

Charter School's Proportionate Share of the Net Pension Liability	\$	-	\$	-
State of New Jersey 's Proportionate Share of the Net Pension Liability Associated with the Charter School		<u>9,794,889</u>		<u>7,760,314</u>
Total	<u>\$</u>	<u>9,794,889</u>	<u>\$</u>	<u>7,760,314</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

For the June 30, 2019 measurement date, the Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2019, Charter School's proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2019 measurement date, the State's proportionate share of the TPAF net pension liability associated with the Charter School was 0.0159601408%.

For the fiscal year ended June 30, 2020, the Charter School recognized \$577,729 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2019 measurement date.

The State reported the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 8,729,264,342	\$ 17,163,131,436
Difference Between Expected and Actual Experience	1,203,503,264	213,344,311
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	163,369,676
	<u>\$ 9,932,767,606</u>	<u>\$ 17,539,845,423</u>

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	8.50 years
June 30, 2015	8.30 years	-
June 30, 2016	-	8.30 years
June 30, 2017	8.30 years	-
June 30, 2018	8.29 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	8.50 years	-
June 30, 2015	8.30 years	-
June 30, 2016	8.30 years	-
June 30, 2017	-	8.30 years
June 30, 2019	-	8.04 years
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2015	-	5.00 years
June 30, 2016	-	5.00 years
June 30, 2017	-	5.00 years
June 30, 2018	-	5.00 years
June 30, 2019	-	5.00 years

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 excluding that attributable to employer-paid member contributions as follows:

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 01, 2018. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

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

The actuarial assumptions used in the July 01, 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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return (Continued)

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 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%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment 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.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

As previously mentioned, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2019, the pension plans measurement date, attributable to the Charter School is \$0, and there was no proportionate share of the net pension liability reported by the State of New Jersey, attributable to the Charter School, using a discount rate of 5.60%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	Measurement Date June 30, 2019		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
Charter School's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of the Net Pension Liability Associated with the Charter School	11,578,228	9,818,537	8,358,549
	<u>\$ 11,578,228</u>	<u>\$ 9,818,537</u>	<u>\$ 8,358,549</u>

Pension Plan Fiduciary Net Position

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 respective fiduciary net position of the TPAF and additions to/deductions from TPAF's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: **PENSION PLANS (CONTINUED)**

C. Defined Contribution Retirement Program (DCRP)

Plan Description

The Defined Contribution Retirement Program (DCRP) is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for Tier 3 enrollment but who earn salary of at least \$5,000.00 annually (The minimum salary in 2018 is \$8,300 and is subject to adjustment in future years); and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually. The minimum number of hours is 32 hours per week for local education employees.

Vesting and Benefit Provisions

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

Contributions

The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 8: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

Contributions (Continued)

For the fiscal year ended June 30, 2020, there were no employee contributions reported, and there were no pension expense reported and recognized by the Charter School, on which to equal the required contributions.

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS

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

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2019. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

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

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Plan Description and Benefits Provided (Continued)

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

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

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2018:

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

Measurement Focus and Basis of Accounting

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

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2019 is \$41,729,081,045, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuation as of June 30, 2018 which were rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the June 30, 2018 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State's pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion as the State's contribution to fund pay-as-you-go PRM costs.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Post-Retirement Medical Benefits Contributions (Continued)

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

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

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

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a non-employer contributing entity, to the State Health Benefits Program Fund-Local Education Retired for retirees' post-retirement benefits on behalf of the Charter School for the fiscal years ended June 30, 2020 and 2019 were \$187,406 and \$145,363, respectively, which equaled the required contributions for that year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the Charter School was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The non-employer allocation percentages presented are based on the ratio of the

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Post-Retirement Medical Benefits Contributions (Continued)

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

State's contributions made as a non-employer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 01, 2018 through June 30, 2019. Non-employer allocation percentages have been rounded for presentation purposes.

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

At June 30, 2019, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ -	\$ (10,484,965,300)
Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumptions Changes	-	(8,481,529,343)
Sub Total	-	(18,966,494,643)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	TBD	Not Available
Total	\$ -	\$ (18,966,494,643)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in State's OPEB expense as follows:

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

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

Measurement Period Ending June 30,	Total
2021	\$ (2,546,527,182)
2022	(2,546,527,182)
2023	(2,546,527,182)
2024	(2,546,527,182)
2025	(2,546,527,182)
Total Thereafter	<u>(6,233,858,733)</u>
	<u><u>\$ (18,966,494,643)</u></u>

For the fiscal year ended June 30, 2020, the Charter School recognized in the charter school-wide statement of activities (accrual basis) OPEB expense of \$479,600. This amount has been included in the charter school-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2020, the State's proportionate share of the OPEB liability attributable to the Charter School is \$2,241,457. The non-employer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the Charter School at June 30, 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2019. At June 30, 2019, the state's share of the OPEB liability attributable to the Charter School was 0.0053714507%, which was an increase of 0.0027792268% from its proportionate share measured as of June 30, 2018 of 0.0025922238%.

Actuarial Assumptions

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

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Inflation Rate	2.50%		
Salary Increases: Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years	3.25 - 15.25% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years	Applied to all future years

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

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

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 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.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.7 percent and decreases to a 4.5 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.7 percent and decreases to a 4.5 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 7.5 percent and decreases to a 4.5 percent long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in future years.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2019.

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2020	June 30, 2019	3.50%
2019	June 30, 2018	3.87%

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Discount Rate (Continued)

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

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the Charter School for the fiscal year ended June 30, 2020 (measurement date June 30, 2019) is as follows:

	Total OPEB Liability (State Share 100%)	State of New Jersey's Total OPEB Liability
Balance at June 30, 2018 Measurement Date	\$ 1,195,296	\$ 46,110,832,982
Changes Recognized for the Fiscal Year:		
Service Cost	328,460	1,734,404,850
Interest on Total OPEB Liability	57,690	1,827,787,206
Differences between Expected and Actual Experiences	693,357	(7,323,140,818)
Effect of Changes of Assumptions	33,420	622,184,027
Contributions - Employees	2,040	37,971,171
Gross Benefits Paid by the State	(68,806)	(1,280,958,373)
Net Changes	1,046,161	(4,381,751,937)
Balance at June 30, 2019 Measurement Date	\$ 2,241,457	\$ 41,729,081,045

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.50% in 2019.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the Charter School at June 30, 2019. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the Charter School for the fiscal year ended June 30, 2019 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the Charter School calculated using the discount rate of 3.50%, as well as what the State's proportionate share of the OPEB liability attributable to

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 9: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Sensitivity of OPEB Liability (Continued)

the Charter School that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	At 1% Decrease (2.50%)	At Current Discount Rate (3.50%)	At 1% Increase (4.50%)
Net OPEB Liability (Allocable to the Charter School and the responsibility of the State)	\$ 2,648,046	\$ 2,241,457	\$ 1,918,485

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the Charter School calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability (Allocable to the Charter School and the responsibility of the State)	\$ 1,846,861	\$ 2,241,457	\$ 2,763,822

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the Charter School at June 30, 2019. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the Charter School at June 30, 2019 were not provided by the pension system.

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance

The charter school maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Notes to the Financial Statements

June 30, 2020

NOTE 11: CONTINGENCIES

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

NOTE 12: CONCENTRATIONS

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

NOTE 11: FUND BALANCE APPROPRIATED

General Fund

The General Fund balance at June 30, 2020 is \$1,232,965 and is unreserved and undesignated.

NOTE 12: SUBSEQUENT EVENTS

The Charter School's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Equalization Aid - Local Share - Charter School Aid	\$ 9,224,138	\$ (1,689,505)	\$ 7,534,633	\$ 793,758	\$ (6,740,875)
Total Local Sources	9,224,138	(1,689,505)	7,534,633	793,758	(6,740,875)
Categorical Aid:					
Equalization Aid - State Share - Charter School Aid				6,740,875	6,740,875
Special Education Categorical Aid	637,228	(188,010)	449,218	449,218	-
Security Aid	284,438	(38,264)	246,174	246,174	-
State Adjustment Aid	1,258,600		1,258,600	1,258,600	-
Total Categorical Aid	2,180,266	(226,274)	1,953,992	8,694,867	6,740,875
Other Sources:					
Donations and Contributions				4,500	4,500
Miscellaneous Revenue	24,771		24,771	129,159	104,388
On-Behalf TPAF Pension Aid (Non-Budgeted)				505,164	505,164
Reimbursed TPAF Social Security Aid (Non-Budgeted)				266,575	266,575
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)				187,406	187,406
On-Behalf TPAF Long-Term Disability Insurance Aid (Non-Budgeted)				1,219	1,219
Total Other Sources	24,771	-	24,771	1,094,023	1,069,252
Total Revenues	11,429,175	(1,915,779)	9,513,396	10,583,110	1,069,714
EXPENDITURES:					
Instruction:					
Salaries of Teachers	3,625,124	(1,233,545)	2,391,579	2,299,400	92,179
Other Salaries for Instruction	525,480	(306,480)	219,000	219,000	-
Purchased Prof/Tech Services	401,500	(258,234)	143,266	119,238	24,028
General Supplies	287,831	(117,216)	170,615	127,660	42,955
Textbooks	100,449	(57,254)	43,195	37,969	5,226
Miscellaneous	36,707	(36,707)	-	-	-
Total Instruction	4,977,091	(2,009,436)	2,967,655	2,803,267	164,388
Administration:					
Salaries - General Administration	446,220	82,126	528,346	528,346	-
Salaries of Other Professional Staff	2,323,250	17,863	2,341,113	2,282,947	58,166
Salaries of Secretarial/Clerical Assistants	139,710	9,723	149,433	142,696	6,737
Total Benefits Cost	981,279	(248,571)	732,708	709,228	23,480
Purchases Prof/Tech Services	314,380	(49,200)	265,180	207,200	57,980
Other Purchased Professional Services	16,000	298	16,298	15,764	534
Other Purchased Services	96,510	27,035	123,545	106,798	16,747
Communications/Telephone	185,000	(33,423)	151,577	151,174	403
Supplies and Materials	11,400	1,166	12,566	11,584	982
Interest for Lease Purchase Agreements					
Total Administration	4,513,749	(192,983)	4,320,766	4,155,737	165,029
(Continued From Prior Page)					
Support Services:					
Rental of Land and Buildings	\$ 718,500	\$ (119,810)	\$ 598,690	\$ 567,210	\$ 31,480
Transportation-Other Than To/From School	200,000	(29,268)	170,732	128,112	42,620
Insurance for Property, Liability and Fidelity	238,000	(64,971)	173,029	167,602	5,427
Supplies and Materials	515,614	4,491	520,105	382,439	137,666
Energy Costs (Heat and Electricity)	90,000	5,614	95,614	80,521	15,093
Miscellaneous Expenses	125,000	183,848	308,848	114,095	194,753
Total Support Services	1,887,114	(20,096)	1,867,018	1,439,979	427,039
Capital Outlay:					
Instructional Equipment	26,450	(22,200)	4,250	4,250	-
Total Capital Outlay	26,450	(22,200)	4,250	4,250	-

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				505,164	(505,164)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				266,575	(266,575)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				187,406	(187,406)
On-Behalf TPAF Long-Term Disability Insurance Contributions (Non-Budgeted)				1,219	(1,219)
Total Expenditures	11,404,404	(2,244,715)	9,159,689	9,363,597	(203,908)
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,771	328,936	353,707	1,219,513	865,806
FUND BALANCE, JULY 1	13,452	-	13,452	13,452	-
FUND BALANCE, JUNE 30	\$ 38,223	\$ 328,936	\$ 367,159	\$ 1,232,965	\$ 865,806
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures: Budgeted Fund Balance	\$ 38,223	\$ 328,936	\$ 367,159	\$ 1,232,965	\$ 865,806
Total	\$ 38,223	\$ 328,936	\$ 367,159	\$ 1,232,965	\$ 865,806

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 462,272	\$ 62,541	\$ 524,813	\$ 496,706	\$ (28,107)
Total Revenues	<u>462,272</u>	<u>124,413</u>	<u>586,685</u>	<u>558,578</u>	<u>(28,107)</u>
EXPENDITURES:					
Instruction:					
Salaries	162,666	277,805	440,471	440,471	-
Purchased Prof/Tech Services	10,000	6,085	16,085	11,680	4,405
General Supplies	212,321	(145,449)	66,872	65,790	1,082
Total Instruction	<u>384,987</u>	<u>138,441</u>	<u>523,428</u>	<u>517,941</u>	<u>5,487</u>
Support Services:					
Personal Services - Employee Benefits	37,078	(1,468)	35,610	32,990	2,620
Other Purchased Prof/Tech Services	40,207	(12,560)	27,647	7,647	20,000
Total Support Services	<u>77,285</u>	<u>(14,028)</u>	<u>63,257</u>	<u>40,637</u>	<u>22,620</u>
Total Expenditures	<u>462,272</u>	<u>124,413</u>	<u>586,685</u>	<u>558,578</u>	<u>28,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2020

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 10,583,110	[C-2] \$ 558,578
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ 10,583,110	[B-2] \$ 558,578
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 9,363,597	[C-2] \$ 558,578
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 9,363,597	[B-2] \$ 558,578

REQUIRED SUPPLEMENTARY INFORMATION – PART III

SECTION L – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR TPAF AND PERS AND CHARTER SCHOOL’S PERS AND TPAF CONTRIBUTIONS

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Required Supplementary Information Schedules
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Public Employees Retirement System
 Last Three Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,		
	2020	2019	2018
Charter School's proportion of the net pension liability	0.0113162727%	0.0068095478%	0.0042032908%
Charter School's proportionate share of the net pension liability	\$ 2,039,021	\$ 1,340,766	\$ 978,459
Charter School's covered employees payroll	\$ 1,158,157	\$ 1,101,467	\$ 708,661
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	176.06%	121.73%	138.07%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%	48.10%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2018.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Required Supplementary Information Schedules
 Schedule of the Charter School Contributions
 Public Employees Retirement System
 Last Three Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,		
	2020	2019	2018
Contractually required contribution	\$ 70,859	\$ 67,733	\$ 38,939
Contributions in relation to the contractually required contribution	<u>(111,808)</u>	<u>(69,046)</u>	<u>(41,608)</u>
Contribution deficiency/(excess)	<u>\$ (40,949)</u>	<u>\$ (1,313)</u>	<u>\$ (2,669)</u>
Charter School's covered employee payroll	\$ 1,158,157	\$ 1,101,467	\$ 708,661
Contributions as a percentage of covered employee payroll	6.12%	6.15%	5.49%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2018.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Required Supplementary Information Schedules
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Teachers Pension and Annuity Fund
 Fiscal Year Ending June 30, 2019
(Initial Year)
 Unaudited

State's proportion of the net pension liability attributable of the Charter School	0.0159601408%	0.0121983282%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 9,794,889	\$ 7,760,314
Charter School's covered employees payroll	\$ 3,159,184	\$ 3,022,532
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	310.04%	256.75%
Plan fiduciary net position as a percentage of the total pension liability	26.49%	26.49%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2019.

**SECTION M – CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY FOR TPAF AND PERS**

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Required Supplementary Information Schedules
 Schedule of Changes in the Charter School's Proportionate Share of Total OPEB Liability and Related Ratios
 Teachers Pension and Annuity Fund and Public Employees Retirement System
 Last Four Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,			
	2020	2019	2018	2017
OPEB Liability at Beginning of Measurement Period	\$ 1,195,296	\$ 1,509,566	\$ 1,395,248	\$ -
Changes Recognized for the Fiscal Year:				
Service Cost	328,460	289,315	351,881	Not Available
Interest on Total OPEB Liability	57,690	63,852	49,317	Not Available
Effect on Changes of Assumptions	33,420	(137,166)	(253,202)	Not Available
Contributions from the Employees	2,040	1,105	1,287	Not Available
Gross Benefit Paid by the State	(68,806)	(31,962)	(34,965)	Not Available
Net Changes	1,046,161	(314,270)	114,318	-
OPEB Liability at the End of Measurement Period	\$ 2,241,457	\$ 1,195,296	\$ 1,509,566	\$ 1,395,248
Charter School's Proportionat Share of the Total OPEB Liability	0.0053714507%	0.0025922238%	0.0028142626%	0.0024125972%
Charter School's Covered Employees Payroll	\$ 4,317,341	\$ 4,123,999	\$ 2,791,910	\$ 1,969,611
Total Charter School's OPEB Liability as a Percentage of Covered Employee Payroll	51.92%	28.98%	54.07%	70.84%
Charter School's Contributions	None	None	None	None

Notes to Schedule:*Changes in benefit terms:*

None

Differences Between Expected and Actual Experiences:

Differences Between Expected and Actual Experiences: The decrease in the Total OPEB Liability from June 30, 2017 to June 30, 2018 is due to changes in the census claims and premium experiences. The decrease in liability from June 30, 2018 to June 30, 2019 is due to changes in the census, claims and premiums experience.

Changes in Assumptions:

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

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART III

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Notes to Required Supplementary Information
Public Employees Retirement System
For Fiscal Year Ended June 30, 2020

NET PENSION LIABILITY (SCHEDULES L-1 AND L-2)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Notes to Required Supplementary Information
Teachers' Pension and Annuity Fund
For Fiscal Year Ended June 30, 2020

NET PENSION LIABILITY (SCHEDULES L-3 AND L-4)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

E-1

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2020

	ESSA Title I	I.D.E.A. Part B Basic	ESSA Title II Part A	Grand Total
REVENUE SOURCES:				
Federal	\$ 364,405	\$ 124,654	\$ 7,647	\$ 496,706
Total Revenues	364,405	124,654	7,647	558,578
EXPENDITURES:				
Instruction:				
Salaries	348,807	91,664		440,471
Purchased Prof/Tech Services	11,680			11,680
General Supplies	3,918			65,790
Total Instruction	364,405	91,664	-	517,941
Support Services:				
Personal Services - Employee Benefits		32,990		32,990
Other Purchased Prof/Tech Services			7,647	7,647
Total Support Services	-	32,990	7,647	40,637
Total Expenditures	364,405	124,654	7,647	558,578
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the charter school’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services in all schools within the Charter School.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND
B-6.**

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENTS**

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deduction from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.

Agency Funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – this agency fund is used to account for payroll transactions of the Charter School.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Fiduciary Funds

Payroll and Payroll Agency Fund

Schedule of Receipts and Disbursements

1

	Balance July 1, 2019	Receipts	Disbursements	Balance June 30, 2020
ASSETS:				
Cash and Cash Equivalents	\$ 42,165	\$ 8,765,678	\$ 8,754,010	\$ 53,833
Total Assets	<u>\$ 42,165</u>	<u>\$ 8,765,678</u>	<u>\$ 8,754,010</u>	<u>\$ 53,833</u>
LIABILITIES:				
Interfund Payable	\$ 3,844	\$ 14,582	\$ -	\$ 18,426
Payroll Deductions and Withholdings	38,321	8,765,678	8,768,591	35,408
Total Liabilities	<u>\$ 42,165</u>	<u>\$ 8,780,260</u>	<u>\$ 8,768,591</u>	<u>\$ 53,834</u>

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Trust and Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2020

	Payroll Agency	Net Payroll	Student Activities	Total Agency Funds
ASSETS:				
Cash and Cash Equivalents	\$ 53,833	\$ 3,074	\$ 6,695	\$ 63,602
Total Assets	<u>\$ 53,833</u>	<u>\$ 3,074</u>	<u>\$ 6,695</u>	<u>\$ 63,602</u>
LIABILITIES:				
Interfund Payable	\$ 18,426	\$ 3,074	\$ 3,245	\$ 24,745
Payroll Deductions and Withholdings Due to Student Groups	35,407		3,450	35,407 3,450
Total Liabilities	<u>\$ 53,833</u>	<u>\$ 3,074</u>	<u>\$ 6,695</u>	<u>\$ 63,602</u>

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Student Groups	\$ 6,629	\$ 5,897	\$ 5,831	\$ 6,695
Total	<u>\$ 6,629</u>	<u>\$ 5,897</u>	<u>\$ 5,831</u>	<u>\$ 6,695</u>

STATISTICAL SECTION

(UNAUDITED)

Trenton STEM-to-Civics Charter School has been in operation for six (6) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for six (6) years are available and has been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2015; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Net Position by Component

Last Six Fiscal Years

(*accrual basis of accounting*)

Unaudited

	Fiscal Year Ending June 30,					
	2020	2019	2018	2017	2016	2015
Governmental Activities						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	780,932	(463,637)	502,390	583,650	717,784	368,974
Total Governmental Activities Net Position	\$ 303,843	\$ (463,637)	\$ 502,390	\$ 583,650	\$ 717,784	\$ 368,974
Business-Type Activities						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	(1,595)	(8,042)	2,387	11,699	3,503	2,849
Total Business-Type Activities Net Position	\$ (1,595)	\$ (8,042)	\$ 2,387	\$ 11,699	\$ 3,503	\$ 2,849
Charter School-wide						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	779,337	(471,679)	504,777	595,349	721,287	371,823
Total Charter School-wide Net Position	\$ 302,248	\$ (471,679)	\$ 504,777	\$ 595,349	\$ 721,287	\$ 371,823

Source: Comprehensive Annual Financial Report

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Changes in Net Position
Last Six Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,					
	2020	2019	2018	2017	2016	2015
Expenses						
Governmental Activities:						
Instruction	\$ 4,089,556	\$ 4,592,168	\$ 3,074,604	\$ 2,994,733	\$ 1,390,779	\$ 451,386
Administration	5,279,386	4,932,250	3,358,490	1,571,345	1,477,758	780,918
Support Services	1,480,616	2,087,206	1,033,446	558,631	445,043	403,281
Capital Outlay	4,250	25,230	39,284	16,579	20,058	55,305
Total Governmental Activities Expenses	10,853,808	11,636,854	7,505,824	5,141,288	3,333,638	1,690,890
Business-Type Activities:						
Food Service	164,167	188,429	61,271	105,428	93,544	35,185
Total Business-Type Activities Expenses	164,167	188,429	61,271	105,428	93,544	35,185
Total Charter School Expenses	\$ 11,017,975	\$ 11,825,283	\$ 7,567,095	\$ 5,246,716	\$ 3,427,182	\$ 1,726,075
Program Revenues						
Governmental Activities:						
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	449,218	505,851	212,726	129,602	99,212	30,520
Capital Grants and Contributions	-	-	-	-	-	-
Total Governmental Activities Revenues	449,218	505,851	212,726	129,602	99,212	30,520
Business-Type Activities:						
Charges for Services	744	-	53	805	418	-
Operating Grants and Contributions	61,283	70,523	26,769	65,700	62,647	30,083
Capital Grants and Contributions	-	-	-	-	-	-
Total Business-Type Activities Revenues	62,027	70,523	26,822	66,505	63,065	30,083
Total Charter School Program Revenues	\$ 511,245	\$ 576,374	\$ 239,548	\$ 196,107	\$ 162,277	\$ 60,603
Net (Expense)/Revenue						
Governmental Activities	\$ (10,404,590)	\$ (11,131,003)	\$ (7,293,098)	\$ (5,011,686)	\$ (3,234,426)	\$ (1,660,370)
Business-Type Activities	(102,140)	(117,906)	(34,449)	(38,923)	(30,479)	(5,102)
Total Charter School-wide Net Expense	\$ (10,506,730)	\$ (11,248,909)	\$ (7,327,547)	\$ (5,050,609)	\$ (3,264,905)	\$ (1,665,472)
General Revenues and Other Changes in Net Position						
Governmental Activities:						
General Purposes	\$ 793,758	\$ 703,335	\$ 573,630	\$ 429,259	\$ 328,351	\$ 167,131
Federal and State Aid Not Restricted	10,182,781	9,324,738	6,593,166	4,429,315	3,169,788	1,837,281
Miscellaneous Income	195,531	136,903	45,042	18,978	85,097	24,932
Total Governmental Activities	11,172,070	10,164,976	7,211,838	4,877,552	3,583,236	2,029,344
Business-Type Activities:						
Miscellaneous Income	108,587	107,477	25,137	47,119	31,133	7,951
Total Business-Type Activities	108,587	107,477	25,137	47,119	31,133	7,951
Total Charter School-wide	\$ 11,280,657	\$ 10,272,453	\$ 7,236,975	\$ 4,924,671	\$ 3,614,369	\$ 2,037,295
Change in Net Position						
Governmental Activities	\$ 767,480	\$ (966,027)	\$ (81,260)	\$ (134,134)	\$ 348,810	\$ 368,974
Business-Type Activities	6,447	(10,429)	(9,312)	8,196	654	2,849
Total Charter School	\$ 773,927	\$ (976,456)	\$ (90,572)	\$ (125,938)	\$ 349,464	\$ 371,823

Source: Comprehensive Annual Financial Report

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Fund Balances - Governmental Funds

Last Six Fiscal Years

(modified accrual basis of accounting)

Unaudited

	Fiscal Year Ending June 30,					
	2020	2019	2018	2017	2016	2015
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,232,965	13,452	659,643	583,650	717,784	368,974
Unassigned						
Total General Fund	\$ 1,232,965	\$ 13,452	\$ 659,643	\$ 583,650	\$ 717,784	\$ 368,974

Source: Comprehensive Annual Financial Report

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Changes in Fund Balances - Governmental Funds
Last Five Fiscal Years

(modified accrual basis of accounting)

Unaudited

Fiscal Year Ending June 30,	2020	2019	2018	2017	2016	2015
Revenues:						
Local Sources:						
Local Tax Levy	\$ 793,758	\$ 703,335	\$ 573,630	\$ 429,259	\$ 328,351	\$ 167,131
Miscellaneous	195,531	136,903	45,042	18,978	85,097	24,932
State Sources	9,655,231	8,924,866	6,222,916	4,417,571	2,939,227	1,530,418
Federal Sources	497,168	605,160	182,680	141,346	329,773	337,383
Total Revenues	<u>11,141,688</u>	<u>10,370,264</u>	<u>7,024,268</u>	<u>5,007,154</u>	<u>3,682,448</u>	<u>2,059,864</u>
Expenditures:						
Instruction	3,321,208	3,924,283	2,643,193	2,748,009	1,334,618	374,889
Administration	5,116,101	4,979,736	3,232,352	1,818,069	1,533,919	857,415
Support Services	1,480,616	2,087,206	1,033,446	558,631	445,043	403,281
Capital Outlay	4,250	25,230	39,284	16,579	20,058	55,305
Total Expenditures	<u>9,922,175</u>	<u>11,016,455</u>	<u>6,948,275</u>	<u>5,141,288</u>	<u>3,333,638</u>	<u>1,690,890</u>
Net Change in Fund Balance	<u>\$ 1,219,513</u>	<u>\$ (646,191)</u>	<u>\$ 75,993</u>	<u>\$ (134,134)</u>	<u>\$ 348,810</u>	<u>\$ 368,974</u>

Source: Comprehensive Annual Financial Report

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

General Fund - Other Local Revenue by Source

Last Five Fiscal Years

(modified accrual basis of accounting)

Unaudited

Fiscal Year Ending June 30,	Donations and Contributions	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2020	\$ 4,500	\$ 51,724	\$ 77,435	\$ 133,659
2019	85,000	384	51,519	136,903
2018	200	599	44,243	45,042
2017	-	1,382	17,596	18,978
2016	5,000	1,278	78,819	85,097
2015	700	-	24,232	24,932

Source: Charter School records

OPERATING INFORMATION

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 Last Six Fiscal Years

Function	2020	2019	2018	2017	2016	2015
Instruction	50	45	29	26	17	7
Administrative	4	4	3	3	3	1
Support Services	28	36	27	17	11	2
Total	82	85	59	46	31	10

Source: Charter School Personnel Records

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

Operating Statistics
Last Six Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio HighSchool	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2020	599	\$ 9,917,925	16,557	-16.39%	50	12:1	598.63	552.07	7.36%	92.22%
2019	555	10,991,225	19,804	13.51%	45	12:1	554.56	510.27	28.52%	92.01%
2018	396	6,908,991	17,447	0.09%	29	14:1	396.39	358.10	25.81%	90.34%
2017	294	5,124,709	17,431	5.21%	26	11:1	294.09	266.29	32.16%	90.55%
2016	200	3,313,580	16,568	1.30%	17	12:1	199.50	181.68	49.87%	91.07%
2015	100	1,635,585	16,356	0.00%	10	10:1	100	100	0.00%	100.00%

Sources: Charter School records

Note: Enrollment based on annual October Charter School count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certified staff.

c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

TRENTON STEM-TO-CIVICS CHARTER SCHOOL

School Building Information
Last Five Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Charter School Building										
<u>High School</u>										
1555 Pennington Road, Ewing, NJ 08618										
Square Feet	46,776	46,776	46,776	46,776	46,776					
Capacity (students)	450	450	450	450	450					
Enrollment	328	411	396	294	200					
202 Grand Street, Trenton, NJ 08611										
Square Feet						24,480				
Capacity (students)						150				
Enrollment						100				
<u>Middle School</u>										
720 Bellevue Avenue, Trenton, NJ 08618										
Square Feet	28,586	28,586								
Capacity (students)	275	275								
Enrollment	271	144								

Number of Schools at June 30, 2020

Senior High School = 1

Middle School = 1

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of additions.
Enrollment is based on the annual October Charter School count.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Insurance Schedule
June 30, 2020

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
Package Markel Insurance Company 8502WSI044752 04/25/18-04/25/19 \$26,277	Covered Location	1555 Pennington Road, Ewing, NJ 08618 720 Bellevue Avenue, Trenton, NJ 08618
Property	\$1,000,000 \$280,000 \$300,000	Business Personal Property - Agreed Value w/ \$1,000 Deductible (Pennington Rd) EDP/Computers - Agreed Value w/ \$1,000 Deductible Business Income
	\$3,000,000 \$500,000 \$250,000 \$30,000	Building (Bellevue Avenue) Business Personal Property - Agreed Value w/ \$1,000 Deductible (Bellevue Avenue) EDP/Computers - Agreed Value w/ \$1,000 Deductible Portable Computers
Crime	\$200,000 \$20,000 \$1,000 \$15,000	Blanket Employee Theft w/ \$1,000 Deductible (Includes Board Treasurer/Board Secretary/BA) Forgery or Alteration w/ \$1,000 Deductible Money Orders and Counterfeit Money w/ \$500 Deductible Computer and Fund Transfer Fraud w/ \$1,000 Deductible
General Liability	\$1,000,000 \$3,000,000 \$1,000,000 \$1,000,000 \$10,000	Single Limit for Bodily Injury and Property Damage Bodily Injury and Property Damage Aggregate Each Occurrence for Personal Injury/Advertising Injury Damage to Premises Rented to You Premise Medical Payments Per Accident
	\$1,000,000 \$3,000,000	Employee Benefits Liability - Each Employee w/ \$1,000 Deductible Employee Benefits Liability - Aggregate w/ \$1,000 Deductible
	\$1,000,000 \$2,000,000	Sexual Misconduct Coverage Sexual Misconduct Aggregate
	\$25,000 \$100,000 \$300,000 \$300,000	Adverse Event Response Coverage (Each Person) Adverse Event Response Coverage (Each Violent Event) Innocent Party Defense Coverage Innocent Party Defense Coverage Aggregate
Educators Legal Liability	\$1,000,000 \$2,000,000 \$100,000 \$100,000 \$25,000 \$25,000	Educators Legal Liability - Each Wrongful Act w/ \$5,000 Deductible Educators Legal Liability - Aggregate w/ \$5,000 Deductible Non-Monetary Defense w/ \$5,000 Deductible Non-Monetary Defense Aggregate w/ \$5,000 Deductible Crisis Management Crisis Management Aggregate
Automobile Liability	\$1,000,000	IC/CE 54 Passenger
Student Accident Markel Insurance Company PI0716457 04/25/18-04/25/19 \$6,450	\$25,000 \$10,000 \$10,000	Aggregate Limit of Indemnity Accidental Medical Expense Benefit - Aggregate Maximum Accidental Death and Dismemberment Benefits Principal Sum
Umbrella Markel Insurance Company 4602WSI044755 04/25/18-04/25/19 \$9,088	\$4,000,000 \$4,000,000	Each Occurrence w/ \$10,000 Deductible Aggregate w/ \$10,000 Deductible
Worker's Compensation National Liability & Fire Insurance Co V9WC978260 09/08/18-09/08/19 \$122,544 (Based on \$5,337,000 Professional and \$330,000 Non Professional w/ a 1.043 MOD)	\$1,000,000 \$1,000,000 \$1,000,000 Statutory	Each Accident Each Employee Policy Limit

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Insurance Schedule
June 30, 2020

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
<u>Directors & Officers Liability/ Employment Practice Liability</u>		
Darwin National Assurance Company	\$1,000,000	Directors & Officers Liability w/ \$5,000 Deductible
0202-4961	\$1,000,000	Employment Practices Liability w/ \$10,000 Deductible
05/20/17-05/20/18		
\$5,511		

Source: Charter School's Records

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 New Jersey Performance Framework Financial Ratios
 Audited Performance Indicators
 Last Three Fiscal Years

	2018 Audit	2019 Audit	2020 Audit	Source
Cash	689,149	213,417	1,103,137	Audit: Exhibit A-1
Current Assets (include cash)	795,930	448,030	1,419,036	Audit: Exhibit A-1
Current Liabilities	133,900	511,666	299,474	Audit: Exhibit A-1
Total Expenses	7,567,095	11,825,283	11,017,975	Audit: Exhibit A-2
Change in Net Position	(90,572)	(976,466)	773,927	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	396.39	555.00	598.63	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	400	725	620	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	-	-	-	Auditor/Workpapers
Interest Expense	-	-	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

Performance Indicators	2018			2019			2020			3 YR CUM			Calculation***			Target***				
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020		
Near Term Indicators																				
1a. Current Ratio (working capital ratio)	5.94	0.88	4.74																Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b. Unrestricted days cash on hand	33	7	37																Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c. Enrollment Variance	99%	77%	97%																Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.** Default on loans or delinquent in debt payments	NO	NO	NO																Auditor	not in default
Sustainability Indicators																				
2a*** 3 Year Cumulative Cash Flow	88,550	(475,732)	889,720																Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b Debt Service Coverage Ratio	N/A	N/A	N/A																N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

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

Meets Standard
 Does Not Meet Standard
 Falls Far Below Standard

SINGLE AUDIT SECTION

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K-1
Page 1

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Trustees
Trenton STEM-to-Civics Charter School
County of Mercer
Ewing Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Trenton STEM-to-Civics Charter School (Charter School), in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of

deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

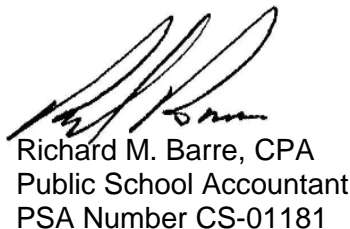
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Office of School Finance, Department of Education, State of New Jersey, and state awarding agencies and pass-through entities, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre, CPA
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 18, 2021

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K-2
Page 1

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Trustees
Trenton STEM-to-Civics Charter School
County of Mercer
Ewing Township, New Jersey

Report on Compliance for Each Major State Program

We have audited the compliance of the Trenton STEM-to-Civics Charter School (Charter School), in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the 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

The Charter School's management is responsible for compliance with state statutes of laws, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

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

major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance


Management of Trenton STEM-to-Civics Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 Uniform Guidance and New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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

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


BARRE & COMPANY LLO
Certified Public Accountants
Public School Accountants


Richard M. Barre, CPA
Public School Accountant
PSA Number CS-01181

Union, New Jersey
January 18, 2021

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	FAIN	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2019	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Passed Through Subrecipients	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2020			
													Accounts Receivable	Due to Grantor		
U.S. Department of Education																
Special Revenue Fund:																
Title I - Student Supports and Academic Enrichment																
Title I - Student Supports and Academic Enrichment - Act Cluster:																
Title I - Part A Carryover																
84.010		S010A190030	ESSA - 6183 - 20	\$ 387,614	7/1/19	6/30/20	\$ -	\$ 327,541	\$ (361,725)	\$ -	\$ -	\$ -	\$ (34,184)	\$ -		
84.010		S010A180030	ESSA - 6183 - 19	480,797	7/1/18	6/30/19	(64,082)	64,082	(2,680)	-	-	-	(2,680)	-		
84.011		S011A190030	ESSA - 6183 - 20	2,680	7/1/19	6/30/20	-	2,625	(7,647)	-	-	-	(5,022)	-		
84.367A		S367A180029	ESSA - 6183 - 20	7,647	7/1/19	6/30/20	(5,250)	2,625	(7,647)	-	-	-	(5,022)	-		
84.367A		S367A190029	ESSA - 6183 - 19	40,207	7/1/18	6/30/19	(69,342)	399,509	(372,092)	-	-	-	(41,896)	-		
Total Every Student Succeeds Act Cluster																
Individuals with Disabilities Cluster:																
IDEA - Part B Basic																
84.027		H027A190100	IDEA - 6183 - 20	126,872	7/1/19	6/30/20	(30,491)	82,419	(124,654)	-	-	-	(42,235)	-		
84.027		H027A180100	IDEA - 6183 - 19	91,603	7/1/18	6/30/19	(30,461)	30,461	(24,654)	-	-	-	(42,235)	-		
Total Individuals with Disabilities Cluster																
Total Special Revenue Fund																
U.S. Department of Agriculture																
Enterprise Fund:																
Child Nutrition Program Cluster:																
School Breakfast Program																
10.553		201N1304N1099	N/A	7,062	7/1/19	6/30/20	(269)	7,012	(7,062)	-	-	-	(50)	-		
10.553		201N1304N1099	N/A	62,125	7/1/19	6/30/20	(3,369)	52,689	(52,781)	-	-	-	(91)	-		
10.555		191N1304N1099	N/A	81,125	7/1/18	6/30/19	(3,639)	3,369	-	-	-	-	(141)	-		
10.555		191N1304N1099	N/A	61,125	7/1/18	6/30/19	(3,639)	63,340	(59,843)	-	-	-	(141)	-		
Total Enterprise Fund																
Sub-Total Federal Financial Awards																
													\$ (103,471)	\$ -	\$ (84,292)	\$ -

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2020

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2019		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversal of Prior Year's Balance	Balance at June 30, 2020		MEMO	
			From	To	Unearned (Accounts Receivable)	Due to Grantor					Unearned (Accounts Receivable)	Due to Grantor		Budgetary Receivable
State Department of Education														
General Fund:														
State Aid-Public Cluster:														
Equalization Aid - State Share - Charter School Aid	20-495-034-5120-078	\$ 6,740,875	7/1/19	6/30/20	\$ -	\$ -	\$ 6,814,143	\$ (6,740,875)	\$ -	\$ -	\$ -	\$ 73,268	\$ (73,268)	\$ 6,740,875
Equalization Aid - State Share - Charter School Aid	19-495-034-5120-078	6,315,440	7/1/18	6/30/19		310,416		(449,218)		(310,416)				449,218
Special Education Categorical Aid	20-495-034-5120-089	246,174	7/1/19	6/30/20			1,258,600	(246,174)						246,174
Security Aid	20-495-034-5120-084	1,258,600	7/1/19	6/30/20				(1,258,600)						1,258,600
Adjustment Aid	19-495-034-5120-085	-	7/1/18	6/30/19		310,416	8,788,135	(8,694,887)	(310,416)			73,268	(73,268)	8,694,887
Total State Aid-Public Cluster														
Other General Funds:														
On-Behalf TPAF Post-Retirement Medical Contributions	20-495-034-5094-001	187,406	7/1/19	6/30/20			187,406	(187,406)						187,406
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	505,164	7/1/19	6/30/20			505,164	(505,164)						505,164
Reimbursed TPAF - Social Security	20-495-034-5094-003	266,575	7/1/19	6/30/20			242,212	(286,575)	(24,363)				24,363	266,575
Reimbursed TPAF - Social Security	19-495-034-5094-003	266,575	7/1/18	6/30/19		(24,363)								
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	1,219	7/1/19	6/30/20			960,364	(960,364)	(24,363)				24,363	1,219
Total Other General Funds														960,364
Total General Fund							9,728,489	(9,655,231)	(310,416)			73,268	(48,905)	9,655,231
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State Share)	20-100-010-3350-023	1,440	7/1/19	6/30/20			1,439	(1,440)	(1)				1	1,440
National School Lunch Program (State Share)	19-100-010-3350-023	1,386	7/1/18	6/30/19		(74)	74							
Total Enterprise Fund							1,513	(1,440)	(1)					1,440
Total State Financial Assistance							9,730,012	(9,656,671)	(310,416)			73,268	(48,904)	9,656,671
State Financial Assistance Not Subject to Major Program Determination:														
General Fund:														
On-Behalf TPAF Post-Retirement Medical Contributions	20-495-034-5094-001	187,406	7/1/19	6/30/20			(187,406)	187,406						(187,406)
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	505,164	7/1/19	6/30/20			(505,164)	505,164						(505,164)
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	1,219	7/1/19	6/30/20			(1,219)	1,219						(1,219)
Total On-Behalf TPAF Pension System Contributions							(693,789)	693,789						(693,789)
Total State Financial Assistance Subject to Major Program Determination							9,036,223	(8,962,882)	(310,416)			73,268	(48,904)	8,962,882

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
June 30, 2020

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Trenton STEM-to-Civics Charter School. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

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 when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*. The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2020

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ 462	\$ 9,655,231	\$ 9,655,693
Special Revenue Fund	496,706	-	496,706
Food Service Fund	59,843	1,440	61,283
Total Awards & Financial Assistance	<u>\$ 557,011</u>	<u>\$ 9,656,671</u>	<u>\$ 10,213,682</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. FEDERAL AND STATE LOANS OUTSTANDING

Trenton STEM-to-Civics Charter School has no loan balances outstanding at June 30, 2020.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Contributions, and TPAF Long-Term Disability Insurance Contributions represent the amount paid by the State on behalf of the Charter School for the year ended June 30, 2020. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2020.

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

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

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2020

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in the Uniform Guidance; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the Charter School.

Program	Total
Title I, Part A: Grants to Local Education Agencies	\$ 364,405
Title II, Part A: Improving Teacher Quality State Grants	<u>7,647</u>
Total	<u>\$ 372,052</u>

NOTE 9. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditors Results section of the Schedule of Findings and Questioned Costs

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	___X___ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None Reported
Noncompliance material to basic financial statements noted?	_____ Yes	___X___ No

Federal Awards – N/A

State Awards

Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?	___X___ Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	___X___ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None Reported
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08?	_____ Yes	___X___ No
Identification of major state programs:		

GMIS Number(s)	Name of State Program
20-495-034-5120-078	State Aid-Public Cluster:
20-495-034-5120-089	Equalization Aid-State Share-Charter School Aid
20-495-034-5120-084	Special Education Categorical Aid
20-495-034-5120-085	Security Aid
	Adjustment Aid

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

Section II – Financial Statement Findings – N/A

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 for which *Government Auditing Standards* requires reporting in the Uniform Guidance audit.

Finding

There were no matters reported.

***Section III – Federal and State Financial Assistance
Findings and Questioned Costs – N/A***

This section identifies audit findings required to be reported by Title 2 CFR 200 Section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJ OMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS – N/A

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

TRENTON STEM-TO-CIVICS CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by
Management
For the Fiscal Year Ended June 30, 2020

STATUS OF PRIOR YEAR FINDINGS – N/A

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*, USOMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (511 (a)(b)) and NJ Circular 04-04-OMB and/or 15-08-OMB, as applicable.

Findings

There were no matters reported.