



Discovery Charter School
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

PREPARED BY

DISCOVERY CHARTER SCHOOL

DISCOVERY CHARTER SCHOOL

Table of Contents

Introductory Section

Letter of Transmittal	1-9
Organizational Chart	13
Roster of Officials	14
Consultants and Advisors	15

Financial Section

Report of Independent Auditors.....	17-19
-------------------------------------	-------

Required Supplementary Information – Part I

Management’s Discussion and Analysis	21-27
--	-------

Basic Financial Statements

A Charter School-wide Financial Statements:

A-1 Statement of Net Position	30
A-2 Statement of Activities	31

B Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet.....	34
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	35
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36

Proprietary Funds:

B-4 Statement of Net Position	38
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position.....	39
B-6 Statement of Cash Flows	40

DISCOVERY CHARTER SCHOOL

Table of Contents

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position	42
B-8 Statement of Changes in Fiduciary Net Position	43

Notes to the Basic Financial Statements	45-81
---	-------

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule – General Fund	83
C-2 Budgetary Comparison Schedule – Special Revenue Fund	84

Notes to the Required Supplementary Information

C-3 Budget-to-GAAP Reconciliation	86
---	----

Required Supplementary Information – Part III

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

L-1 Schedule of the Charter School Proportionate Share of the Net Pension Liability – Public Employee’s Retirement System (PERS)	87
L-2 Schedule of Charter School Contributions – Public Employee’s Retirement System (PERS)	88
L-3 Schedule of the Charter School Proportionate Share of the Net Pension Liability – Teacher’s Pension and Annuity Fund (TPAF)	89

M. Schedule Related to Accounting and Reporting for OPEB (GASB 75)

M-1 Schedule of the State’s Proportionate Share of the Net OPEB Liability Associated with the Charter School and Changes in the Total OPEB Liability Related Ratios - (PERS and TPAF)	90
---	----

Notes to Required Supplementary Information – Pension Schedules	91
---	----

Other Supplementary Information

D. Schedule of Charter School Contributions - PERS	Not Applicable
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DISCOVERY CHARTER SCHOOL

Table of Contents

E. Special Revenue Fund:

E-1 Combining Schedule of Program Revenues and Expenditures Budgetary Basis	95
E-2 Schedule of Preschool Education Aid Budgetary Basis	Not Applicable

F. Capital Projects Fund.....	Not Applicable
-------------------------------	----------------

G. Proprietary Funds:

Enterprise Fund:

G-1 Combining Statement of Net Position	98
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	99
G-3 Combining Statement of Cash Flows	100

H. Fiduciary Fund:

H-1 Combining Statement of Fiduciary Net Position.....	102
H-2 Combining Statement of Revenues, Expenses and Combining Statement of Changes in Fiduciary Net Position	103
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	104
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements.....	105

I. Long - Term Debt:

I-1 Schedule of Mortgage Obligations.....	107
I-2 Schedule of Obligations Under Capital Leases.....	Not Applicable
I-3 Debt Service Fund Budgetary Comparison Schedule	Not Applicable

J. Introduction to the Statistical Section (Unaudited)

Financial Trends

J-1 Net Position by Component	109
J-2 Changes in Net Position	110
J-3 Fund Balances – Governmental Funds	111
J-4 Changes in Fund Balances – Governmental Funds	112
J-5 General Fund Other Local Revenue by Source	113

DISCOVERY CHARTER SCHOOL

Table of Contents

Revenue Capacity

J-6 to J-9.....**Not Applicable**

Debt Capacity

J-10 Ratios of Outstanding Debts by Type.....114

J-11 to J-13.....**Not Applicable**

J. Introduction to the Statistical Section (Unaudited) - *continued*

Demographic and Economic Information

J-14 Demographics and Economic Statistics.....115

J-15 Principal Employers.....116

Operating Information

J-16 Full-time Equivalent Charter School Employees by Function/Program117

J-17 Operating Statistics118

J-18 School Building Information119

J-19 Schedule of Required Maintenance Expenditures by School Facility.....120

J-20 Insurance Schedule121

Charter School Performance Framework Financial Indicators

J-21 Near Term Indicators122

J-22 Sustainability Indicators.....123

K. Single Audit Section

K-1 Independent Auditor's 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*..... 125-126

K-2 Independent Auditor's Report on Compliance for Each Major State Program; Required by the State of New Jersey OMB's Circular Letter 15-08..... 127-129

K-3 Schedule of Expenditures of Federal Awards, Schedule A.....130

K-4 Schedule of Expenditures of State Financial Assistance, Schedule B.....131

K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance..... 132-133

K-6 Schedule of Findings and Questioned Costs 134-137

K-7 Summary Schedule of Prior Audit Findings.....138



Discovery Charter School, 240 Halsey Street, Newark, New Jersey 07102, Tel: (973) 623-0222

November 30, 2020

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Discovery Charter School (the “Charter School”) for the fiscal year ended June 30, 2020.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Discovery Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

New Jersey Department of Education
The Commissioner
Page 2

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

Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) Reporting Entity and Its Services

The Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

The Charter School is open to all Newark students on a space available basis and does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, proficiency in the English language, or any other basis that would be illegal if used by a charter school.

By the end of 2019-2020 school year, the Charter School had a student enrollment of 100.

2) Economic Condition and Outlook

The Charter School is located in the City of Newark, which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

2) Economic Condition and Outlook – *continued*

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross blue Shield of New Jersey, as well as the State’s largest public utility, Public Service Electric and Gas Company.

Newark is the site of the Rutgers University School of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

The City of Newark has been obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of the redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. As our enrollment increases we plan to lease additional facilities at our current location and possibly in surrounding areas in the City.

3) Charter School Enrollment, Demographics and Other Highlights

The Charter School understands its responsibility to serve all students, including special education students, English Language Learners, students who qualify for free or reduced-price lunch, and other underserved or at-risk populations.

The Charter School is a data driven school environment, focused on providing quality instruction for all learners with varied needs, abilities, and strengths. As a tool to allow the school to focus on building quality instruction we rely heavily on data and its implications for needs of students, staff, parents, community, as well as external stakeholders. For this reason, we are survey driven and much of our information is provided through surveys, evaluations from workshops, PTA meetings, professional development sessions, and staff meetings. Upon receiving the data, it is then broken down and placed in various categories. As a Data Team we work collectively to discuss the data and refine our SMART goals, literacy and professional development goals to support our students, teachers, parents, and the school community.

3) **Charter School Enrollment, Demographics and Other Highlights** – *continued*

Our learning environment uses Positive Discipline, and we have policies and procedures that support a safe and healthy learning environment, which is what parents admire most, based on survey data. Second to our safe and healthy learning environment, we have developed a learning environment where learners are valued and challenged beyond normal limits, supporting our Gifted and Talented Program. Moreover, exceptional learners are provided with support based on their IEPs as well as individualized lesson plans, one and small group support to facilitate the development and mastery of benchmark goals and assessments. Secondly, our School Based Support Team and Guidance staff works diligently to ensure compliance with the IDEA (Individual With Disability Education Act) and its framework. Furthermore, as a school community we have implemented and applied a curriculum that is rigorous, relevant, and respective of the students we serve.

Additionally, teachers use pacing guides to ensure material is covered carefully and applying appropriate resources and tools.

In order to increase student achievement we have taken a number of measures to ensure student success by adding additional programs as well refining programs that are currently in place. As a learning community, we will have students partake in more service learning projects that are tightly aligned to the curriculum; allowing students to problem solve and think critically.

We will continue to conduct workshops that foster greater student achievement and parent participation. Our Guidance Counselor facilitates the operation of a middle school transition program, thereby allowing smooth transitioning into the middle grades.

Therefore, as teachers are learning and processing the information, and maintaining intellectual accountability for their own development and student achievement, they have recorded their reflections. Thus, by educators reflecting on their professional experiences this will consistently build a formidable repertoire of skills that can be contributed to valuable learning experiences given to our students.

As an example, the Parent Academy is bridging the gap between home and school, by educating parents and pupils. In fact, this outreach program engages and empowers parents, sets academic expectations, and together as a team, parents, staff, and students work together as a collective unit. This program provides parents with a toolkit, designed to educate parents about their child's academic development, strategies, resources, helpful homework hints, and suggestions for promoting high academic standards. Thus, this program is mission centered, and illustrates a marked concern for our students to perpetuate a cycle of successful learning experiences, that promote life-long learning.

3) **Charter School Enrollment, Demographics and Other Highlights** – *continued*

For this purpose, our professional development program centers on building competencies of staff, that will allow them to continuously utilize an inquiry based approach to developing comprehensive themes and interdisciplinary units of study. With attention to the cohort analysis, the staff will utilize the data to effectively create this hands-on minds on curriculum that will manifest itself into a relevant, rigorous, and rich curriculum. The school utilizes several strategies to assess the progress toward the attainment of its goals and objectives.

Pursuing this further, the staff carefully applied their competencies learned in professional development by developing learning on display, academic exhibits that display and carefully connect pieces of the curriculum while increasing student skill sets. Recently, within this school year the entire staff immersed themselves in seamlessly integrated interdisciplinary thematic units of study, that addressed multiple facets of the curriculum such as media literacy, measurement, multi- genre writing, elements of probative inquiry, questioning, engaging in research, and drafting articulate pieces of writing that followed a process driven approach for the development and execution of the academic exhibits. Following this further, the staff continued to work together collectively in cohort analysis and apply strategic approaches learned in professional development to advance the academic outcomes for student progress.

With this in mind, the Charter School we are continually refining our programs to meet the needs of our learners, their families, and the greater community which we serve in Newark, New Jersey.

4) **Internal Accounting Controls**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure 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). The system of 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.

4) Internal Accounting Controls - *continued*

As a recipient of federal awards and state financial assistance, the Charter School also is responsible for ensuring that adequate system of internal controls is in place to ensure compliance with applicable laws and regulations related to those programs. This system of 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 the system of internal controls, including that portion related to federal awards and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5) Budgetary Controls

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the fiscal year is reflected in the financial section.

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

During the 2019-2020 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

6) Accounting System and Report

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school. The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statements", Note 1.

7) **Financial Statement Information at Fiscal Year-End**

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 schedule presents a summary of the General Fund, and Special revenue funds for the fiscal year ended June 30, 2020:

**Summary of the General Fund
and Special Revenue Fund Revenues**

Revenue	2020	2019	Increase/ (decrease)	% Change
Local sources	\$ 241,524	\$ 229,506	\$ 12,018	5.24%
State sources	1,582,198	1,576,327	5,871	0.37%
Federal sources	123,809	102,530	21,279	20.75%
	<u>\$ 1,947,531</u>	<u>\$ 1,908,363</u>	<u>\$ 39,168</u>	<u>2.05%</u>

The Charter School experienced a 2.05% increase in revenue because enrollment was flat at 100 students for both fiscal years ended June 30, 2020 and 2019, respectively.

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

**Summary of the General Fund
and Special Revenue Fund Expenditures**

Expenditures	2020	2019	Increase/ (decrease)	% Change
Instruction	\$ 785,860	\$ 954,569	\$ (168,709)	-17.67%
Administrative	630,362	740,652	(110,290)	-14.89%
Support	320,255	384,816	(64,561)	-16.78%
Capital outlay	-	-	-	100.00%
	<u>\$ 1,736,477</u>	<u>\$ 2,080,037</u>	<u>\$ (343,560)</u>	<u>-16.52%</u>

The Charter School's expenditures decreased by about 16.52% compared to a flat revenue in 2020 compared to 2019. The significant decrease in expenditures was planned by the Board to address the deficit in the prior year ended June 30, 2019.

8) Cash Management

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

9) Risk Management

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation.

10) Other Information

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA.

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 New Jersey OMB Circular Letter 15-08 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”.

The auditor’s report on the basic financial statements 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.

The 2019-2020 school-year was one of modest academic achievement at the Discovery Charter School. However, the Charter School continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

11) COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 21, 2020, New Jersey State Governor Phil Murphy ordered the closure of the physical location of every “non-life sustaining” and “non-essential” business. The Charter School had to close its physical locations and has since been coping with the challenges posed by COVID-19. For the 2020-2021 school year academic instructions are being planned and executed with flexibilities around virtual learning. Future potential impacts may include continued disruptions or restrictions on instructional and administrative staffs’ ability to work. The Board of the Charter School continues to monitor the challenges and plans to adapt and make changes as they become necessary.

12) Acknowledgments

A note of appreciation is extended to the Finance Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to the Discovery Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Discovery Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully Submitted

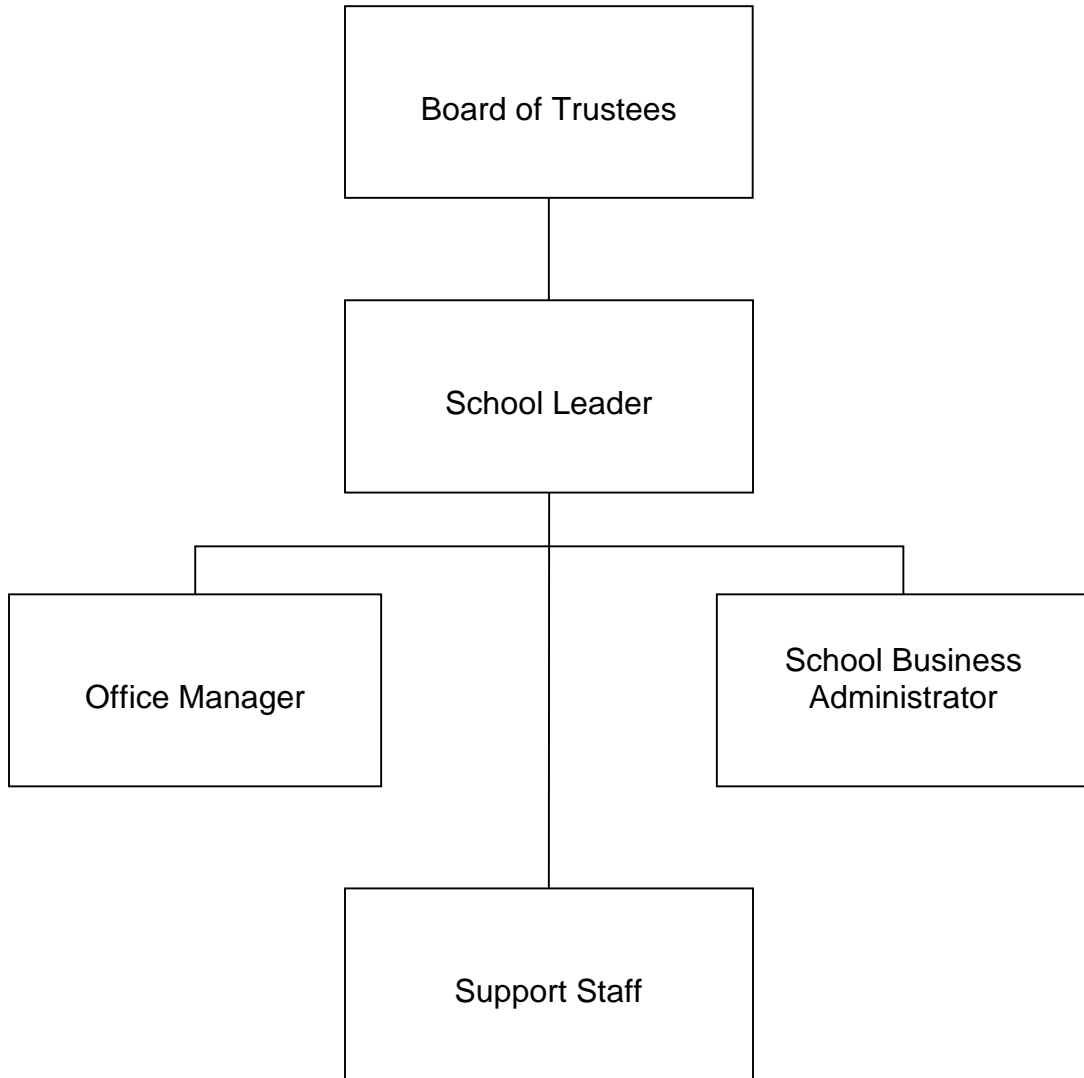
Denis Cretinon

Denis Cretinon
School Leader

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DISCOVERY CHARTER SCHOOL

Organizational Chart



DISCOVERY CHARTER SCHOOL
ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2020

Members of Board of Trustees

Adam Padla	President
Resa Drasin	Trustee
Tracey McNair	Trustee
Michael Cruz	Trustee
Seth Hiler	Trustee
Chidi Ugwu	Trustee

Administration

Denis Cretinon, School Leader

Albert Barre, School Business Administrator/Board Secretary

DISCOVERY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

Olugbenga Olabintan
Certified Public Accountant/Consultant
137 Camden Street
Newark, NJ 07103

Attorney

None

Official Depository

Provident Bank
222 Halsey Street
Newark, NJ 07102

Financial Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Discovery Charter School
Newark, New Jersey
County of Essex

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 Discovery Charter School, in the County of Essex, State of New Jersey (the "Charter School") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Those standards require that 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.

Opinion

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and 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 accompanying supplementary information, which consists of the introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical tables are presented for purposes of additional analysis and are not required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statement, schedule of expenditures of federal awards and schedule of state financial assistance are the responsibility of management and were derived from and relates 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 information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Olugbenga Olabintan, CPA

November 30, 2020
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant

A handwritten signature in black ink, appearing to read 'Olugbenga Olabintan', written over a horizontal line.

Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Required Supplementary Information

Part I

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

Introduction

This section of the Discovery Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

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 Statement – 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 required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- Net position of governmental activities ended the fiscal year with a deficit of \$32,169. Net position of business-type activities, which represent food service operations ended the fiscal year with 3,438.
- General revenues accounted for \$1,823,722 in revenue or 90 percent of total revenues of \$2,032,201. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$208,479 or 10 percent of total revenues.
- The Charter School had \$1,810,430 in expenses related to governmental activities; \$123,809 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$1,823,722 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2020, of \$373,307.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Discovery Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Discovery Charter School, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities, the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Reporting the Charter School as a Whole

Statement of Net Position and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

Statement of Net Position and Statement of Activities-continued

These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care programs enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, liabilities exceeded assets by \$32,169 at the close of 2020. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

	Governmental		Business		Total	
	Activities		Type			
	2020	2019	2020	2019	2020	2019
Assets and deferred outflows						
of resources						
Current assets	\$ 502,401	\$ 283,535	\$ 27,253	\$ 23,772	\$ 529,654	\$ 307,307
Capital assets, net	-	-	-	-	-	-
Deferred outflows of resources	443,695	532,997	-	-	443,695	532,997
Total assets and deferred outflows of resources	946,096	816,532	27,253	23,772	973,349	840,304
Liabilities and deferred outflows						
of resources:						
Current liabilities	129,094	121,282	23,815	23,772	152,909	145,054
Long term liabilities	623,558	650,459	-	-	623,558	650,459
Deferred outflows of resources	229,051	217,499	-	-	229,051	217,499
Total liabilities and deferred inflows of resources	981,703	989,240	23,815	23,772	1,005,518	1,013,012
Net position						
Invested in						
Capital assets						
(net of related debt)	-	-	-	-	-	-
Unrestricted	(35,607)	(172,708)	3,438	-	(32,169)	(172,708)
Total net position	\$ (35,607)	\$ (172,708)	\$ 3,438	\$ -	\$ (32,169)	\$ (172,708)

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School increased by \$140,539 during the current fiscal year ended June 30, 2020. The majority of the decrease is attributable to a surplus of \$137,101 in the Governmental Activities. Operating grants and contributions increased by 4 percent.

The table that follows reflects the change in net position for fiscal year 2020.

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charge for services			\$653	\$2,298	\$653	\$2,298
Operating grants and contributions	\$123,809	\$102,530	84,017	98,030	207,826	200,560
Total program revenues	123,809	102,530	84,670	100,328	208,479	202,858
General revenues:						
Local aid	211,241	201,547			211,241	201,547
Federal and state aid	1,582,198	1,576,327			1,582,198	1,576,327
Miscellaneous	30,283	27,959			30,283	27,959
Transfers	-	(5,059)	-	5,059	-	-
Total general revenues	1,823,722	1,800,774	-	5,059	1,823,722	1,805,833
Total revenues	1,947,531	1,903,304	84,670	105,387	2,032,201	2,008,691
Expenses:						
Instructions	785,860	954,569			785,860	954,569
Administrative & support services	1,024,570	1,229,674			1,024,570	1,229,674
Capital outlay	-	-			-	-
Food service	-	-	81,232	106,243	81,232	106,243
Total expenses	1,810,430	2,184,243	81,232	106,243	1,891,662	2,290,486
Change in net position	\$ 137,101	\$ (280,939)	\$ 3,438	\$ (856)	\$ 140,539	\$ (281,795)

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2020.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

Governmental Activities - *continued*

	Total Cost of Services	Net Cost of Services
Instruction	\$ 785,860	\$ 696,280
Administrative & support services	1,024,570	990,341
Unallocated depreciation	-	-
Total Expenses	\$ 1,810,430	\$ 1,686,621

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation. This program had revenues of \$84,670 and operating expenses of \$81,232 for fiscal year 2020. The Charter School intended to have food services be self- operating without assistance from the General Fund. During the year ended June 30, 2020, the food service operation earned a surplus of \$3,438.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$1,947,531 and expenditures of \$1,736,477 resulting in a current year's surplus of \$211,054.

The Charter School's budget is prepared according to New Jersey law 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.

During the course of fiscal 2020, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$1,617,329, which included a local tax levy of \$211,241. Expenditures and other financing uses were budgeted at \$1,577,125. The Charter School anticipated budgeted fund balance of \$202,457 in its 2019-2020 budget year.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

The State of New Jersey reimbursed the Charter School \$28,351 during the year ended June 30, 2020 for the employer's share of social security contributions for TPAF members. The State also paid \$169,809 into the TPAF pension representing on-behalf employer's portion of the Pension System Contributions, Post-Retirement Medical Benefits Contributions and Long Term Disability Insurance Premium Contributions. These unbudgeted amounts were included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2020, the Charter School had \$-0- invested in capital assets in its governmental activities.

The Charter School's 2020-2021 budget does not anticipate any spending on capital projects.

Long-term debt

At June 30, 2020, the Charter School had \$623,558 and \$650,459 at June 30, 2020 and 2019, respectively, in net pension liability regarding the Public Employees Retirement System. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2020-2021. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2020
(Unaudited)

COVID-19 and Paycheck Protection Program Loan

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 21, 2020, New Jersey State Governor Phil Murphy ordered the closure of the physical location of every “non-life sustaining” and “non-essential” business for what may be an extended period of time. The Charter School had to close its physical locations. Future potential impacts may include continued disruptions or restrictions on its employees’ ability to work and impairment of its ability to obtain grants and contributions. Though the impact on the Charter School’s operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund and other state aid and the local tax levy. There have been additional operating expenses (related to COVID-19) in the General Fund not planned for or expected at the time of the adoption of the Charter School’s fiscal year 2020-2021 budget.

During the fiscal year ended June 30, 2020, the Charter School did NOT apply for and was NOT approved a loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration.

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 reflect the Charter School’s accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

DISCOVERY CHARTER SCHOOL
Business Office
240 Halsey Street
Newark, New Jersey 07102
Tel: (973) 623-0222

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2020.

DISCOVERY CHARTER SCHOOL

A-1

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 360,417	\$ 22,677	\$ 383,094
Restricted cash and cash equivalents	76,289	-	76,289
Accounts receivable	25,948	4,576	30,524
Other current assets	-	-	-
Interfund receivables	39,747	-	39,747
Total assets	<u>502,401</u>	<u>27,253</u>	<u>529,654</u>
Deferred outflows of resources			
Pension deferred outflows	<u>443,695</u>	<u>-</u>	<u>443,695</u>
Total assets and deferred outflows of resources	<u>\$ 946,096</u>	<u>\$ 27,253</u>	<u>\$ 973,349</u>
Liabilities			
Accounts payable	\$ 129,094	\$ 6,352	\$ 135,446
Interfunds payables	-	17,463	17,463
Intergovernmental payable	-	-	-
Deferred revenue	-	-	-
Net pension liability	623,558	-	623,558
Total liabilities	<u>752,652</u>	<u>23,815</u>	<u>776,467</u>
Deferred inflows of resources			
Pension deferred inflows	<u>229,051</u>	<u>-</u>	<u>229,051</u>
Total liabilities and deferred inflows of resources	<u>981,703</u>	<u>23,815</u>	<u>1,005,518</u>
Net position			
Unrestricted, undesignated	<u>(35,607)</u>	<u>3,438</u>	<u>(32,169)</u>
Total net position	<u>(35,607)</u>	<u>3,438</u>	<u>(32,169)</u>
Total liabilities, deferred inflows of resources & net position	<u>\$ 946,096</u>	<u>\$ 27,253</u>	<u>\$ 973,349</u>

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 785,860	\$ -	\$ 89,580	\$ (696,280)	\$ -	\$ (696,280)
Administrative & support services:						
General administration	704,315	-	-	(704,315)	-	(704,315)
Support services	320,255	-	34,229	(286,026)	-	(286,026)
Capital outlay	-	-	-	-	-	-
Unallocated depreciation	-	-	-	-	-	-
Total governmental activities	<u>1,810,430</u>	<u>-</u>	<u>123,809</u>	<u>(1,686,621)</u>	<u>-</u>	<u>(1,686,621)</u>
Business-type activities:						
Food service	81,232	653	84,017	-	3,438	3,438
After care/summer programs	-	-	-	-	-	-
Total business-type activities	<u>81,232</u>	<u>653</u>	<u>84,017</u>	<u>-</u>	<u>3,438</u>	<u>3,438</u>
Total primary government	<u>\$ 1,891,662</u>	<u>\$ 653</u>	<u>\$ 207,826</u>	<u>(1,686,621)</u>	<u>3,438</u>	<u>(1,683,183)</u>
General revenues and transfers:						
Local sources				211,241	-	211,241
Federal and state sources				1,582,198	-	1,582,198
Miscellaneous				30,283	-	30,283
Transfers				-	-	-
Total general revenues and transfers				<u>1,823,722</u>	<u>-</u>	<u>1,823,722</u>
Change in net position				137,101	3,438	140,539
Net position - beginning				(172,708)	-	(172,708)
Net position - ending				<u>\$ (35,607)</u>	<u>\$ 3,438</u>	<u>\$ (32,169)</u>

See accompanying notes to financial statements.

Funds Financial Statements

Governmental Funds

DISCOVERY CHARTER SCHOOL
Governmental Funds

B-1

Balance Sheet

June 30, 2020

	General Fund	Special Revenue Fund	Totals Governmental Funds
Assets			
Cash and cash equivalents	\$ 350,263	\$ 10,154	\$ 360,417
Restricted cash and cash equivalents	76,289	-	76,289
Accounts receivable:	-	-	-
State	5,140	-	5,140
Federal	-	19,858	19,858
Other	950	-	950
Other current assets	-	-	-
Interfund receivable	59,122	-	59,122
Total assets	\$ 491,764	\$ 30,012	\$ 521,776
Liabilities and fund balances			
Interfund accounts payables	\$ -	\$ 19,375	\$ 19,375
Accounts payable	118,457	10,637	129,094
Intergovernmental payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	118,457	30,012	148,469
Fund balances:			
Unreserved:			
Undesignated	373,307	-	373,307
Total fund balances	373,307	-	373,307
Total liabilities and fund balances	\$ 491,764	\$ 30,012	

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

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)	443,695
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)	(229,051)
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(623,558)
Net position of governmental activities - A-1	\$ (35,607)

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2020

	General Fund	Special Revenue Fund	Total
Revenues:			
Local Sources:			
Local Tax Levy	\$ 211,241	\$ -	\$ 211,241
Miscellaneous	30,283	-	30,283
Total Revenues - Local Sources	241,524	-	241,524
Federal Sources	-	123,809	123,809
State Sources	1,384,038	-	1,384,038
Reimbursed TPAF-Social Security (non-budgeted)	28,351	-	28,351
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	169,809	-	169,809
Total Revenues	1,823,722	123,809	1,947,531
Current expense:			
Instruction	696,280	89,580	785,860
Administrative	432,202	-	432,202
Support services	286,026	34,229	320,255
Capital outlay	-	-	-
Reimbursed and on-behalf payments:			
Reimbursed TPAF-Social Security (non-budgeted)	28,351	-	28,351
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	169,809	-	169,809
Total expenditures	1,612,668	123,809	1,736,477
Excess (deficiency) of revenues over (under) expenditures	211,054	-	211,054
Other financing sources (uses):			
operating transfer out:			
Transfer to food service fund	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	211,054	-	211,054
Fund balances, beginning of year	162,253	-	162,253
Fund balances, end of year	\$ 373,307	\$ -	\$ 373,307

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2020

B-3

Total net change in fund balances - governmental funds (B-2) \$ 211,054

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Depreciation expense	\$	-
Capital outlays		-
		-

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (73,953)

Change in net position of governmental activities (A-2) \$ 137,101

See accompanying notes to financial statements.

Proprietary Funds

**DISCOVERY CHARTER SCHOOL
Proprietary Funds**

B-4

Statement of Net Position

June 30, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 22,677
Accounts receivable:	
Federal	4,532
State	44
Interfund receivable - general fund	-
Total current assets	<u>\$ 27,253</u>

Liabilities

Current liabilities:

Interfund payable - general fund	17,463
Accounts payable	6,352
Total current liabilities	<u>\$ 23,815</u>

Net position

Unrestricted	3,438
Total net position	<u>\$ 3,438</u>
Total net position	<u><u>3,438</u></u>

See accompanying notes to financial statements.

**DISCOVERY CHARTER SCHOOL
Proprietary Funds**

B-5

Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2020

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Daily sales - reimbursable program	\$ 505
Daily sales - non-reimbursable program	105
Miscellaneous revenue	43
Total Operating revenues	<u>653</u>
Operating expenses:	
Cost of sales - reimbursable program	36,277
Cost of sales - non-reimbursable program	105
Salaries	-
Employee benefits	-
Professional /technical service	41,840
Supplies and materials	2,619
Depreciation	
Miscellaneous	391
	<u>81,232</u>
Operating income (loss)	<u>(80,579)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	832
Federal sources:	-
National school lunch program	50,424
Healthy, Hunger Free Kids, Act (HHFKA)	1,062
National school breakfast program	31,699
Total nonoperating revenues	<u>84,017</u>
Net income/(loss) before contributions & transfers	3,438
Other financing sources:	
Operating transfer in/(out) - board contribution	-
	<u>-</u>
Change in net position	3,438
Total net position-beginning of year	<u>-</u>
Total net position-end of year	<u><u>\$ 3,438</u></u>

See accompanying notes to financial statements.

**DISCOVERY CHARTER SCHOOL
Proprietary Fund**

B-6

Statement of Cash Flows

Year ended June 30, 2020

Cash flows from operating activities:

Operating loss	\$ (80,579)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	4,153
Due to/due from general fund	(9)
Accounts payable	52
Net cash used in operating activities	<u>(76,383)</u>

Cash flows from noncapital financing activities:

Cash received from state reimbursements	832
Cash received from federal reimbursements	83,185
Operating subsidies and transfers from other funds	-
Net cash provided by noncapital financing activities	<u>84,017</u>

Cash flows from investing activities:

Net change in cash and cash equivalents	7,634
Cash and cash equivalents, beginning	15,043
Cash and cash equivalents, ending	<u>\$ 22,677</u>

See accompanying notes to financial statements.

Fiduciary Funds

DISCOVERY CHARTER SCHOOL
Fiduciary Funds

B-7

Statement of Fiduciary Net Position

June 30, 2020

	<u>Unemployment Compensation</u>	<u>Teachers Trust Fund Account</u>	<u>Students Scholarship Trust Fund</u>	<u>Agency Fund Payroll</u>	<u>TOTAL</u>
Assets					
Cash and cash equivalents	\$ -	\$ 2,996	\$ 3,423	\$ 29,705	\$ 36,124
Interfund receivables	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 2,996</u>	<u>\$ 3,423</u>	<u>\$ 29,705</u>	<u>\$ 36,124</u>
Liabilities					
Payroll deductions and withholdings	\$ -	\$ -	\$ -	\$ 12,148	\$ 12,148
Interfund payables	-	1,542	5,999	14,743	22,284
Due to students group	-	-	-	2,814	2,814
Total liabilities	<u>-</u>	<u>1,542</u>	<u>5,999</u>	<u>\$ 29,705</u>	<u>37,246</u>
Net Position					
Held in trust for claims	-	1,454	(2,576)		(1,122)
Total net position	<u>\$ -</u>	<u>\$ 1,454</u>	<u>\$ (2,576)</u>		<u>\$ (1,122)</u>

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL
Fiduciary Funds

B-8

Combining Statement of Changes in Fiduciary Net Position
Trust Funds

Year ended June 30, 2020

	Unemployment Compensation	Teachers Trust Fund Account	Students Scholarship Trust Fund	Total Trust Fund
Additions:				
Fundraising income	\$ -	\$ 1,483	\$ 8,016	\$ 9,499
General fund appropriation	3,568	-	-	3,568
Total additions	<u>3,568</u>	<u>1,483</u>	<u>8,016</u>	<u>13,067</u>
Deductions:				
Fundraising expenses	-	-	5,832	5,832
Payments to NJ Unemployment Compensation Fund	3,568	-	-	3,568
Total deductions	<u>3,568</u>	<u>-</u>	<u>5,832</u>	<u>9,400</u>
Change in net position	-	1,483	2,184	3,667
Net position, beginning	<u>-</u>	<u>(29)</u>	<u>(4,760)</u>	<u>(4,789)</u>
Net position, ending	<u>\$ -</u>	<u>\$ 1,454</u>	<u>\$ (2,576)</u>	<u>\$ (1,122)</u>

See accompanying notes to financial statements.

Notes to Basic Financial Statements

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1 Description of the Charter School and Reporting Entity

Discovery Charter School (the “Charter School”) was incorporated in the State of New Jersey in June 1999 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Principal/Chief School Administrator is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities 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 Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

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

Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The Discovery Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies

This summary of significant accounting policies of Discovery Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Discovery Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

A Basis of Presentation

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

Charter School Government-wide Financial 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 Charter School, except for fiduciary funds.

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

Governmental Funds

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

General Fund - The General Fund is the primary operating fund of the Charter School. It is used to account for all financial resources except those that are legally or administratively 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 sub-fund.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, 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.

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 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). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2020 there was no Capital Projects Fund.

Proprietary Funds

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. ***Basis of accounting*** refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

Basis of Accounting

In the government wide statement of net position and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i. e the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determine and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E Cash, Cash Equivalent and Investments

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

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

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

N.J.S.A. 17:9-41 et. seq. established the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposit of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Position.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method.

Description of Capital Assets

Estimated Lives (Years)

Equipment

5-10

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

I Compensated Absences

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

The Charter School had no compensated absences as of June 30, 2020.

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-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. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

M Net Position

Net position represents the difference between assets and liabilities in the Government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

N Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the state of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget.

P GASB Pronouncements

GASBS Implemented in the 2018 Prior Fiscal Year

The GASB issued Statement No. 75, *Accounting and Financial Reporting/or Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The District has adopted GASB Statement No. 75 during the prior year ended June 30, 2018, which resulted in the recording of full accrual revenues and expenses and additional financial statement disclosures.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The District has adopted GASB Statement No. 85 during the prior year ended June 30, 2018 and it did not have a significant impact on the financial statements.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2 Summary of Significant Accounting Policies - *continued*

P GASB Pronouncements - *continued*

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities in January 2017*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not yet determined the impact of this statement on the financial statements. **The GASB issued Statement No. 87, *Leases in June 2017*.** This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2020. Management has not yet determined the impact of this statement on the financial statements.

3 Deposits and Investments

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that 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 (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

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 5% of the average daily balance of collected 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.

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2020, the Charter School's carrying amount of deposits and investments are as follows:

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

3 Deposits and Investments - continued

	General Fund	Special Revenue	Enterprise Funds	Agency Funds	Total
Operating A/C	\$ 350,263	\$ 10,154	\$ 22,677	\$ 36,124	\$ 419,218
Restricted Escrow	76,289	-	-	-	76,289
Total	<u>\$ 426,552</u>	<u>\$ 10,154</u>	<u>\$ 22,677</u>	<u>\$ 36,124</u>	<u>\$ 495,507</u>

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2020, the Charter School’s carrying amount of deposits was \$495,507 and the bank balance was \$537,430. Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2020 were secured by federal deposit insurance and \$287,430 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (“GUDPA”).

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1 - Insured or collateralized with securities held by the Charter School or by its agent in the Charter School’s name. **Category 2** - Collateralized with securities held by the pledging public depository’s trust department or agent in the Charter School’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 Charter School’s name.

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. 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.
3. Bonds or other obligations of the Charter School.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

3 Deposits and Investments - *continued*

4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2020, the Charter School did not hold any investments.

4 Capital Assets

The Charter School did not have any capital assets as of June 30, 2020.

5 Lease Obligation

Facility Lease

The Charter School entered a new lease for the premises located at 240 Halsey Street, Newark, New Jersey. The Charter School moved into the new premises in late June 2013 after completion of the school year. The effective commencement date of the new lease is June 30, 2013, and the said lease runs for a term of twenty (20) years. Total lease payments for the year ended June 30, 2020 amounted to \$185,665.

Equipment Lease

The Charter School leases an item of office equipment (Konica Minolta Copier) under an operating lease agreement. The commencement date of the equipment lease is September 18, 2013, for a five year period. The lease expired during the year ended June 30, 2019. For the year ended June 30, 2020, the Charter School incurred \$28,366 in equipment lease expenditures.

Future minimum lease payments required under both operating leases are as follows:

Year Ending June 30:	Space Lease	Equipment Lease	Total
2021	\$ 193,585	\$ -	\$ 193,585
2022	199,392	-	199,392
2023	205,374	-	205,374
2024	211,535	-	211,535
2025	217,881	-	217,881
Thereafter	1,995,597	-	1,995,597
	<u>\$ 3,023,364</u>	<u>\$ -</u>	<u>\$ 3,023,364</u>

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

6 Pension Plans

Description of Plans

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

Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

6 Pension Plans - *continued*

Defined Contribution Retirement Program (DCRP)

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

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

Significant Legislation

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

Pension Plan Design Changes

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

6 Pension Plans - *continued*

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2020 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

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

Contribution Requirements

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

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

Contribution Requirements— *continued*

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

6 Pension Plans – *continued*

Annual Pension Costs (APC)

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

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

The Charter School's contribution to PERS for the year ended June 30, 2020 was \$34,192.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$28,351 during the year ended June 30, 2020 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also the State paid \$169,809 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the Charter School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures

Teachers Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

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

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity.

Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$3,003,571 as measured on June 30, 2019 and \$2,514,578 as measured on June 30, 2018.

For the year ended June 30, 2020, the Charter School recognized pension expense of \$177,159 and revenue of \$177,159 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2020 is based upon changes in the collective net pension liability with a measurement period of June 30, 2018 through June 30, 2019. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2018 and June 30, 2019.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers Pension and Annuity Fund (TPAF) - *continued*

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

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Collective deferred outflows of resources	\$ 9,932,767,606	\$ 12,473,998,870
Collective deferred inflows of resources	\$17,539,845,423	\$16,180,773,643
Collective net pension liability (non-employer State of New Jersey)	\$61,370,943,870	\$63,617,852,031
State's portion of the net pension liability that was associated with the Charter School	\$ 3,003,571	\$ 2,514,578
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.004894%	0.003953%

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate - price	2.75%
Inflation rate - wage	3.25%
Salary increases: through 2026	1.55% - 4.45% based on years of service
Salary increases: thereafter	2.75% - 5.65% based on years of service
Investment rate of return	7.00%

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers' Pension and Annuity Fund (TPAF) - *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 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long-Term Expected Rate of Return

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers’ Pension and Annuity Fund (TPAF) - *continued*

Long-Term Expected Rate of Return - continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
US Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-US 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 State's total pension liability was 5.60% and 4.86% as of June 30, 2019 and 2018, respectively. 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% and 3.87% as of June 30, 2019 and 2018, respectively, 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 70% of the actuarially determined contributions for the State. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers' Pension and Annuity Fund (TPAF) - *continued*

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <https://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-tpaf20.pdf>

Pension Plan Fiduciary Net Position

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2020, the Charter School reported a liability of \$623,558 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 to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2018. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2019 and 2018. At June 30, 2019, the Charter School's proportion was 0.0034606571% which was an increase of 0.0001570718% from its proportion measured as of June 30, 2018 which was 0.0033035853%.

For the year ended June 30, 2020, the Charter School recognized pension expense of \$34,192. At June 30, 2020, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,192	\$ 2,755
Changes in assumptions	62,265	216,435
Net difference between projected and actual earnings on pension plan investments	-	9,843
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	336,046	18
Subtotal	409,503	229,051
Charter School's contributions subsequent to the measurement date	34,192	-
Total	\$ 443,695	\$ 229,051

\$34,192 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2020, the plan measurement date is June 30, 2019) will be recognized as a reduction of the net pension liability measured as of June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense
2020	\$ 20,885
2021	67,749
2022	60,496
2023	28,406
2024	2,917
Thereafter	-
	\$ 180,452

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

	June 30, 2019	June 30, 2018
Collective deferred outflows of resources	\$ 3,149,522,616	\$ 4,684,852,302
Collective deferred inflows of resources	\$ 7,645,087,574	\$ 7,646,736,226
Collective net pension liability (Non-State Local Group)	\$ 18,018,482,972	\$ 19,689,501,539
Charter School's portion of the net pension liability	\$ 623,558	\$ 650,459
Charter School's proportion (percentage)	0.00346066%	0.00330358%

Actuarial Assumptions

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

Inflation rate - price	2.75%
Inflation rate - wage	3.25%
Salary increases: through 2026	2.00%-6.00% based on years of service
Salary increases: thereafter	3.00%-7.00% based on years of service
Investment rate of return	7.00%

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% 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:

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) – *continued*

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7 Pension Plans – GASB 68 Disclosures - 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 collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Charter School's proportionate share of the pension liability	\$ 793,134	\$ 623,558	\$ 488,659
	2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Charter School's proportionate share of the pension liability	\$ 817,878	\$ 650,459	\$ 510,006

Pension Plan Fiduciary Net Position

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8 Post Retirement Benefits

Plan Description and Benefits Provided

The Charter School is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the Charter School.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52: 14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more 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 total non-employer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms.

At June 30, 2018, the following employees were covered by the benefit terms:

Active plan member = 216,892

Inactive plan members entitled to but not yet receiving benefits = 148,051

Inactive plan members or beneficiaries currently receiving benefits = -0-

Total plan members = 364,943

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8 Post Retirement Benefits – *continued*

Total Non-employer OPEB Liability

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State’s level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the [NJ State’s CAFR \(https://www.nj.gov/treasury/omb/publications/archives.shtml\)](https://www.nj.gov/treasury/omb/publications/archives.shtml)

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary increases:		
Through 2026	1.55 to 4.45% based on years of service	2.00 to 6.00% based on years of service
Thereafter	1.55 to 4.45% based on years of service	3.00 to 7.00% based on years of service

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8 Post Retirement Benefits – *continued*

Actuarial Assumptions and Other Inputs - *continued*

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2011 - June 30, 2014, and July 1, 2010 - June 30, 2013 for TPAF, PFRS and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2019 was 3.58%. This represents the municipal bond return rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8 Post Retirement Benefits – continued

Changes in the Total OPEB Liability Reported by the State of New Jersey

	Increase/(Decrease) Total OPEB Liability
Balance as of June 30, 2018 measurement date	\$ 46,110,832,982
Changes recognized for the fiscal year:	
Service cost	\$ 1,734,404,850
Interest on total OPEB liability	1,827,787,206
Difference between expected and actual experiences	(7,323,140,818)
Effect of changes of assumptions	622,184,027
Gross benefits paid by the State	(1,280,958,373)
Contributions from the members	37,971,171
Net changes	\$ (4,381,751,937)
Balance as of June 30, 2019 measurement date	\$ 41,729,081,045

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2019 and 2018, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2019		
	At 1% Decrease (2.50%)	At 1% Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB liability attributable to the Charter School	\$ 967,971	\$ 819,346	\$ 701,286
	2018		
	At 1% Decrease (2.87%)	At 1% Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB liability attributable to the Charter School	\$ 731,107	\$ 618,427	\$ 528,858

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8 Post Retirement Benefits – continued

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2019 and 2018, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a healthcare trend rate that is I-percentage-point lower or I-percentage-point higher than the current rate:

	2019		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 675,105	\$ 819,346	\$ 1,010,292

	2018		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 511,166	\$ 618,427	\$ 760,284

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

For the fiscal year ended June 30, 2020 the Charter School recognized OPEB expense of \$149,030 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8 Post Retirement Benefits – continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (10,484,965,300)
Net difference between expected and actual earnings on OPEB plan investments	-	-
Assumption changes	-	(8,481,529,343)
Subtotal	-	(18,966,494,643)
Contributions made in fiscal year 2019 after June 30, 2018 measurement date	TBD	N/A
Total	\$ -	\$ (18,966,494,643)

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

Measurement Period - Fiscal Year Ending June 30:	Total
2020	\$ (2,546,527,182)
2021	\$ (2,546,527,182)
2022	\$ (2,546,527,182)
2023	\$ (2,546,527,182)
2024	\$ (2,546,527,182)
Thereafter	\$ (6,233,858,733)
	\$ (18,966,494,643)

9 Deferred Compensation

The Charter School does not currently offer its employees a deferred compensation plan.

10 Economic Dependency

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

11 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

12 Risk Management

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

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

13 Interfund Receivables, Payables and Transfers

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

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 59,122	\$ -
Special Revenue Fund	-	19,375
Enterprise Fund	-	17,463
Trust and Agency Fund	-	22,284
	<u>\$ 59,122</u>	<u>\$ 59,122</u>

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2020

14 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements.

15 Receivables

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

State aid	\$ 5,184
Federal aid	24,390
Other	950
Total receivables	<u>\$ 30,524</u>

16 Fund Balance Appropriated – General Fund (Exhibit B- 1)

Of the \$373,307 General Fund balance at June 30, 2020, \$-0- is reserved, \$373,307 is unreserved and undesignated.

17 Reconciliation of Government-Wide and Fund Financial Statements

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

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

Fund balance per B-1	\$ 373,307
Cost of capital assets net accumulated depreciation	-
Pension deferred outflows	443,695
Pension deferred inflows	(229,051)
Deferred pension liability as of June 30, 2020	<u>(623,558)</u>
Net position (per A-1) as of June 30, 2020	<u>\$ (35,607)</u>

Required Supplementary Information

Part II

Budgetary Comparison

**DISCOVERY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Local Sources:					
Local tax levy	\$ 208,995	\$ 2,246	\$ 211,241	\$ 211,241	\$ -
Miscellaneous	22,050	-	22,050	30,283	8,233
Total -local sources	<u>231,045</u>	<u>2,246</u>	<u>233,291</u>	<u>241,524</u>	<u>8,233</u>
State Sources:					
State aids	1,383,719	319	1,384,038	1,384,038	-
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	28,351	28,351
TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted)				45,883	45,883
Teacher's Pension & Annuity Fund (On-Behalf-Non-Budgeted)				123,682	123,682
Long Term Disability Insurance (On-Behalf-Non-Budgeted)	-	-	-	244	244
Total state sources	<u>1,383,719</u>	<u>319</u>	<u>1,384,038</u>	<u>1,582,198</u>	<u>198,160</u>
Total revenues	<u>1,614,764</u>	<u>2,565</u>	<u>1,617,329</u>	<u>1,823,722</u>	<u>206,393</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	441,072	(128,968)	312,104	312,104	-
Other salaries for instruction	265,267	(11,410)	253,857	253,384	473
Purchased professional technical services	65,000	18,388	83,388	65,803	17,585
Other purchased services	39,258	(7,808)	31,450	28,366	3,084
General educational supplies	55,000	(8,400)	46,600	20,437	26,163
Textbooks	6,000	(6,000)	-	-	-
Miscellaneous expenses	31,050	(3,000)	28,050	16,186	11,864
	<u>902,647</u>	<u>(147,198)</u>	<u>755,449</u>	<u>696,280</u>	<u>59,169</u>

**DISCOVERY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2020

Administrative cost:					
Salaries	149,672	(68,006)	81,666	80,207	1,459
Total benefit costs	256,041	21,452	277,493	232,563	44,930
Professional /Technical service	84,816	(16,716)	68,100	65,702	2,398
Other purchased services	18,000	771	18,771	18,728	43
Communications and Telephones	31,350	(4,000)	27,350	24,401	2,949
Supplies and materials	20,000	(5,000)	15,000	8,209	6,791
Miscellaneous expenses	12,000	(4,000)	8,000	2,392	5,608
	<u>571,879</u>	<u>(75,499)</u>	<u>496,380</u>	<u>432,202</u>	<u>64,178</u>
Support services:					
Salaries	-	-	-	-	-
Purchased prof/tech service	40,000	12,070	52,070	33,020	19,050
Other purchased services	35,000	(3,017)	31,983	23,280	8,703
Rent on land and buildings	190,472	6,771	197,243	193,344	3,899
Insurance-fidelity, liability property	15,000	(1,500)	13,500	13,500	-
Supplies and materials	4,000	(1,000)	3,000	716	2,284
Energy & Utilities	14,000	(2,000)	12,000	11,372	628
Miscellaneous expenses	13,200	(5,700)	7,500	5,609	1,891
Transportation other than to/from school	13,000	(5,000)	8,000	5,185	2,815
Total support services	<u>324,672</u>	<u>624</u>	<u>325,296</u>	<u>286,026</u>	<u>39,270</u>

**DISCOVERY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2020

Capital outlay:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	28,351	(28,351)
TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted)				45,883	(45,883)
Teacher's Pension & Annuity Fund (On-Behalf-Non-Budgeted)				123,682	(123,682)
Long Term Disability Insurance (On-Behalf-Non-Budgeted)	-	-	-	244	(244)
Total expenditures	<u>1,799,198</u>	<u>(222,073)</u>	<u>1,577,125</u>	<u>1,612,668</u>	<u>134,022</u>
Excess (deficiency) of revenues over (under) expenditures	(184,434)	224,638	40,204	211,054	72,371
Other Financing Sources (Uses):					
Operating Transfer Out:					
Transfer to food service fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(184,434)	224,638	40,204	211,054	72,371
Fund balances, beginning of year	<u>162,253</u>	<u>-</u>	<u>162,253</u>	<u>162,253</u>	<u>-</u>
Fund balances, end of year	<u>\$ (22,181)</u>	<u>\$ 224,638</u>	<u>\$ 202,457</u>	<u>\$ 373,307</u>	<u>\$ 72,371</u>

**DISCOVERY CHARTER SCHOOL
Special Revenue Fund**

C-2

Budget Comparison Schedule

Year ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Federal sources	\$ 155,409	\$ -	\$ 155,409	\$ 123,809	\$ 31,600
Local sources	-	-	-	-	-
Total revenues -all sources	<u>155,409</u>	<u>-</u>	<u>155,409</u>	<u>123,809</u>	<u>31,600</u>
Expenditures					
Current expenditures:					
Instruction:					
Salaries of teachers	81,741	-	81,741	81,741	-
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	23,266	-	23,266	7,839	15,427
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>105,007</u>	<u>-</u>	<u>105,007</u>	<u>89,580</u>	<u>15,427</u>
Support services					
Support services salaries	4,795	-	4,795	4,795	-
Employee benefits	30,287	-	30,287	27,914	2,373
Purchased professional services	1,520	-	1,520	1,520	-
Other purchased services	-	-	-	-	-
Supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>36,602</u>	<u>-</u>	<u>36,602</u>	<u>34,229</u>	<u>2,373</u>
Capital outlay:					
Facilities acquisition and construction services:					
Instructional equipment	13,800	-	13,800	-	13,800
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>13,800</u>	<u>-</u>	<u>13,800</u>	<u>-</u>	<u>13,800</u>
Total expenditures	<u>\$ 155,409</u>	<u>\$ -</u>	<u>\$ 155,409</u>	<u>\$ 123,809</u>	<u>\$ 31,600</u>

Notes to Required Supplementary Information

DISCOVERY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Notes to Required Supplementary Schedule
Year ended June 30, 2020

C-3

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

		<i>General Fund</i>	<i>Special Revenue Fund</i>
Sources/inflows of resources			
<i>Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:</i>	[C-1]	\$ 1,823,722	
	[C-2]		\$ 123,809
<i>Difference - budget to GAAP:</i>			
<i>Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.</i>		-	-
<i>Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds</i>	[B-2]	\$ 1,823,722	\$ 123,809
<i>Note 1</i>			
Uses/outflows of resources			
<i>Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule</i>	[C-2]		\$ 123,809
<i>Differences - budget to GAAP</i>			
<i>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 reporting purposes.</i>			-
<i>Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.</i>			
<i>Net transfer (outflows) to general fund</i>			-
<i>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</i>	[B-2]		\$ 123,809

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

DISCOVERY CHARTER SCHOOL

L-1

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS
Last Seven Fiscal Years

	Fiscal Year Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
Charter School's proportion of the net pension liability (assets)	0.0034606571%	0.0033035853%	0.0018619524%	0.0011919372%	0.0006668359%	0.0005783701%	0.0005798432%
Charter School's proportionate share of the net pension liability (assets)	623,558	650,459	433,433	353,018	149,691	108,287	110,820
Charter School's covered employee payroll	\$ 216,710	\$ 242,060	\$ 183,400	\$ 121,830	\$ 211,790	\$ 118,978	\$ 116,598
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	287.74%	268.72%	236.33%	289.76%	70.68%	91.01%	95.04%
Plan fiduciary net position as a percentage of the total pension liability - local	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Note

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

DISCOVERY CHARTER SCHOOL

L-2

Schedule of the Charter School's Contributions - PERS
Last Seven Fiscal Years

	Fiscal Year Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 34,192	\$ 33,497	\$ 18,431	\$ 10,750	\$ 5,733	\$ 4,768	\$ 4,369
Contribution in relation to the contractually required contribution	<u>(34,192)</u>	<u>(33,497)</u>	<u>(18,431)</u>	<u>(10,750)</u>	<u>(5,733)</u>	<u>(4,768)</u>	<u>(4,369)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 216,710	\$ 242,060	\$ 183,400	\$ 121,830	\$ 211,790	\$ 118,978	\$ 116,598
Contributions as a percentage of covered employee payroll	15.78%	13.84%	10.05%	8.82%	2.71%	4.01%	3.75%

Note

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

DISCOVERY CHARTER SCHOOL

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF
Last Seven Fiscal Years

	Fiscal Year Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
Charter School's proportion of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 3,003,571	\$ 2,514,578	\$ 2,178,468	\$ 3,719,591	\$ 1,806,800	\$ 1,614,769	\$ 2,026,751
Total	\$ 3,003,571	\$ 2,514,578	\$ 2,178,468	\$ 3,719,591	\$ 1,806,800	\$ 1,614,769	\$ 2,026,751
Charter School's covered employee payroll	\$ 610,454	\$ 551,200	\$ 464,419	\$ 402,000	\$ 357,442	\$ 440,986	\$ 432,166
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

**Note

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

Note

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

M-1

**Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the Charter School
and Changes in the Total OPEB Liability and Related Ratios
Public Employee's Retirement System and Teachers' Pension and Annuity Fund
Last Four Fiscal Years**

	Fiscal Year Ending			
	2019	2018	2017	2016
Total OPEB Liability				
Service cost	\$ 105,834	\$ 74,579	\$ 89,147	**
Interest cost	27,561	24,549	19,920	**
Difference between expected and actual experiences	79,712	(12,840)	-	**
Changes of assumptions	12,217	(70,968)	(92,843)	**
Member contributions	746	572	528	**
Gross benefit payments	(25,151)	(16,537)	(14,339)	**
Net change in total OPEB liability	200,919	(645)	2,413	**
Total OPEB liability - beginning	618,427	619,072	616,659	**
Total OPEB liability, ending	<u>\$ 819,346</u>	<u>\$ 618,427</u>	<u>\$ 619,072</u>	<u>\$ 616,659</u>
Covered employee payroll - PERS and TPAF	\$ 273,496	\$ 182,940	\$ 155,731	**
Total OPEB liability as a percentage of covered employee payroll	300%	338%	398%	0.00%
State's proportionate share of the net OPEB liability (asset) associated with the Charter School	0.00%	0.00%	0.00%	0.00%
Charter School's contributions	\$ -	\$ -	\$ -	\$ -

** Information not available.

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to Required Supplementary Information
Year Ended June 30, 2020

1. Pension – Public Employees’ Retirement System (PERS)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2018 to 5.00% as of June 30, 2019.

2. Pension – Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2018 to 4.25% as of June 30, 2019.

3. Other Post-Retirement Benefit Plan – Public Employees’ Retirement System (PERS) and Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.58% as of June 30, 2018 to 3.50% as of June 30, 2019.

Other Supplementary Information

School Level Schedules

Special Revenue Fund

**DISCOVERY CHARTER SCHOOL
Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2020

	<u>Title IA 2019-2020</u>	<u>Title IIA 2019-2020</u>	<u>I.D.E.A. 2019-2020</u>	<u>CARES Act 2020-2022</u>	<u>Total</u>
Revenues					
Federal sources	\$ 74,166	\$ 6,473	\$ 23,312	\$ 19,858	\$ 123,809
Local sources					-
Total revenues -all sources	<u>\$ 74,166</u>	<u>\$ 6,473</u>	<u>\$ 23,312</u>	<u>\$ 19,858</u>	<u>\$ 123,809</u>
Expenditures					
Instruction:					
Salaries of teachers	\$ 50,923	\$ -	\$ 17,268	\$ 13,550	\$ 81,741
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	3,900	-	-	3,939	7,839
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>54,823</u>	<u>-</u>	<u>17,268</u>	<u>17,489</u>	<u>89,580</u>
Support services:					
Support services salaries	-	4,795	-	-	4,795
Employee benefits	17,823	1,678	6,044	2,369	27,914
Purchased professional services	1,520	-	-	-	1,520
Other purchased services	-	-	-	-	-
Supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>19,343</u>	<u>6,473</u>	<u>6,044</u>	<u>2,369</u>	<u>34,229</u>
Capital Outlay:					
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 74,166</u>	<u>\$ 6,473</u>	<u>\$ 23,312</u>	<u>\$ 19,858</u>	<u>\$ 123,809</u>

Capital Projects Fund
At June 30, 2020, there was no capital project fund.

Enterprise Fund

DISCOVERY CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Position

June 30, 2020

	<u>Food Services</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 22,677
Accounts receivable:	
Federal	4,532
State	44
Interfund receivable - general fund	
Total current assets	<u>\$ 27,253</u>
Liabilities	
Current Liabilities:	
Interfund payable - general fund	17,463
Accounts payable	6,352
Total current liabilities	<u>\$ 23,815</u>
Net position	
Unrestricted	3,438
Total net position	<u><u>\$ 3,438</u></u>

DISCOVERY CHARTER SCHOOL
Enterprise Fund

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2020

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Daily sales - reimbursable program	\$ 505
Daily sales - non-reimbursable program	105
Miscellaneous revenue	43
Total Operating revenues	<u>653</u>
Operating expenses:	
Cost of sales - reimbursable program	36,277
Cost of sales - non-reimbursable program	105
Salaries	-
Employee benefits	-
Professional /technical service	41,840
Supplies and materials	2,619
Depreciation	-
Miscellaneous	391
Total operating expenses	<u>81,232</u>
Operating income (loss)	<u>(80,579)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	832
Federal sources:	-
National school lunch program	50,424
Healthy, Hunger Free Kids, Act (HHFKA)	1,062
National school breakfast program	31,699
Total nonoperating revenues	<u>84,017</u>
Net income/(loss) before contributions & transfers	3,438
Other financing sources:	
Operating transfer in/(out) - board contribution	<u>-</u>
	<u>-</u>
Change in net position	3,438
Total net position-beginning of year	<u>-</u>
Total net position-end of year	<u><u>\$ 3,438</u></u>

DISCOVERY CHARTER SCHOOL
Enterprise Fund

G-3

Statement of Cash Flows

Year ended June 30, 2020

	<u>Food Services</u>
Cash flows from operating activities:	
Operating loss	\$ (80,579)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	4,153
Due to/due from general fund	(9)
Accounts payable	52
Net cash used in operating activities	<u>(76,383)</u>
 Cash flows from noncapital financing activities:	
Cash received from state reimbursements	832
Cash received from federal reimbursements	83,185
Operating subsidies and transfers from other funds	-
Net cash provided by noncapital financing activities	<u>84,017</u>
 Cash flows from investing activities:	-
 Net change in cash and cash equivalents	7,634
Cash and cash equivalents, beginning	15,043
Cash and cash equivalents, ending	<u>\$ 22,677</u>

Fiduciary Fund

**DISCOVERY CHARTER SCHOOL
Fiduciary Funds**

H-1

Combining Statement of Fiduciary Net Position

June 30, 2020

	<u>Trust</u>			<u>Agency</u>			
	<u>Unemployment Compensation</u>	<u>Teachers Trust Fund Account</u>	<u>Students Scholarship Trust Fund</u>	<u>Total Trust Fund</u>	<u>Student Activity Fund</u>	<u>Agency Fund Payroll</u>	<u>Total Trust Fund</u>
Assets							
Cash and cash equivalents	\$ -	\$ 2,996	\$ 3,423	\$ 6,419	\$ 2,814	\$ 26,891	\$ 29,705
Interfund receivables	-		-	-	-		-
Total assets	<u>\$ -</u>	<u>\$ 2,996</u>	<u>\$ 3,423</u>	<u>\$ 6,419</u>	<u>\$ 2,814</u>	<u>\$ 26,891</u>	<u>\$ 29,705</u>
Liabilities							
Payroll deductions and withholdings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,148	\$ 12,148
Interfund payables	-	1,542	5,999	7,541	-	14,743	14,743
Due to students group	-	-	-	-	2,814	-	2,814
Total liabilities	<u>-</u>	<u>1,542</u>	<u>5,999</u>	<u>7,541</u>	<u>\$ 2,814</u>	<u>\$ 26,891</u>	<u>\$ 29,705</u>
Net Position							
Held in trust for claims	-	1,454	(2,576)	(1,122)			
Total net position	<u>\$ -</u>	<u>\$ 2,996</u>	<u>\$ 3,423</u>	<u>\$ 6,419</u>			

DISCOVERY CHARTER SCHOOL
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Position
Trust Funds

Year ended June 30, 2020

	<u>Unemployment Compensation</u>	<u>Teachers Trust Fund Account</u>	<u>Students Scholarship Trust Fund</u>	<u>Total Trust Fund</u>
Additions:				
Fundraising income	\$ -	\$ 1,483	\$ 8,016	\$ 9,499
General fund appropriation	3,568	-	-	3,568
Total additions	<u>3,568</u>	<u>1,483</u>	<u>8,016</u>	<u>13,067</u>
Deductions:				
Fundraising expenses	-	-	5,832	5,832
Payments to NJ Unemployment Compensation Fund	3,568	-	-	3,568
Total deductions	<u>3,568</u>	<u>-</u>	<u>5,832</u>	<u>9,400</u>
Change in net position	-	1,483	2,184	3,667
Net position, beginning	<u>-</u>	<u>(29)</u>	<u>(4,760)</u>	<u>(4,789)</u>
Net position, ending	<u>\$ -</u>	<u>\$ 1,454</u>	<u>\$ (2,576)</u>	<u>\$ (1,122)</u>

DISCOVERY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements

H-3

Year ended June 30, 2020

	<u>Balance</u> <u>June 30, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Assets				
Student activities fund	\$ 2,421	\$ 843	\$ 450	\$ 2,814
Total assets	<u>\$ 2,421</u>	<u>\$ 843</u>	<u>\$ 450</u>	<u>\$ 2,814</u>

DISCOVERY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements

H-4

Year ended June 30, 2020

	<u>Balance June 30, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2020</u>
Assets				
Cash and cash equivalents	\$ 25,540	\$ 859,607	\$ 858,256	\$ 26,891
Total assets	<u>\$ 25,540</u>	<u>\$ 859,607</u>	<u>\$ 858,256</u>	<u>\$ 26,891</u>
Liabilities				
Payroll deductions and withholdings	\$ -	\$ 844,864	\$ 832,716	\$ 12,148
Interfund payable	25,540	14,743	25,540	14,743
Total liabilities	<u>\$ 25,540</u>	<u>\$ 859,607</u>	<u>\$ 858,256</u>	<u>\$ 26,891</u>

Long Term Debt
At June 30, 2020, there was no long term debt.

DISCOVERY CHARTER SCHOOL
Long-Term Debt
Schedule of Obligations Under Renovation Loan

I-2

Year ended June 30, 2020

NONE

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2019</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2020</u>
		_____	_____	_____	_____
		\$ -	\$ -	\$ -	\$ -
		=	=	=	=

Statistical Section

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-1

NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(35,607)	(172,708)	108,231	238,888	118,439	134,577	175,193	105,992	208,515	197,245
Total governmental activities net position	<u>\$ (35,607)</u>	<u>\$ (172,708)</u>	<u>\$ 108,231</u>	<u>\$ 238,888</u>	<u>\$ 118,439</u>	<u>\$ 134,577</u>	<u>\$ 175,193</u>	<u>\$ 105,992</u>	<u>\$ 208,515</u>	<u>\$ 197,245</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	3,438	-	856	3,604	7,553	11,491	26,595	23,158	9,611	30,663
Total business-type activities	<u>\$ 3,438</u>	<u>\$ -</u>	<u>\$ 856</u>	<u>\$ 3,604</u>	<u>\$ 7,553</u>	<u>\$ 11,491</u>	<u>\$ 26,595</u>	<u>\$ 23,158</u>	<u>\$ 9,611</u>	<u>\$ 30,663</u>
School-wide										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(32,169)	(172,708)	109,087	242,492	125,992	146,068	201,788	129,150	218,126	227,908
Total charter school net position	<u>\$ (32,169)</u>	<u>\$ (172,708)</u>	<u>\$ 109,087</u>	<u>\$ 242,492</u>	<u>\$ 125,992</u>	<u>\$ 146,068</u>	<u>\$ 201,788</u>	<u>\$ 129,150</u>	<u>\$ 218,126</u>	<u>\$ 227,908</u>

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
Instruction										
Regular	\$ 785,860	\$ 954,569	\$ 960,924	\$ 795,976	\$ 898,741	\$ 758,254	\$ 704,101	\$ 742,312	\$ 573,967	\$ 679,155
Support Services:										
General administration	704,315	849,917	705,331	564,349	434,405	387,807	339,281	431,870	489,015	325,262
School administrative services	291,904	335,816	306,899	281,286	256,334	220,813	223,124	209,143	204,169	250,032
On-behalf TPAF/FICA reimbursements	28,351	43,941	40,084	33,054	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Unallocated depreciation	-	-	-	-	7,044	27,955	15,518	14,683	6,801	-
Total governmental activities expenses	<u>1,810,430</u>	<u>2,184,243</u>	<u>2,013,238</u>	<u>1,674,665</u>	<u>1,596,524</u>	<u>1,394,829</u>	<u>1,282,024</u>	<u>1,398,008</u>	<u>1,273,952</u>	<u>1,254,449</u>
Business-type activities:										
Food service	81,232	106,243	114,427	116,142	99,898	80,091	42,259	36,708	63,456	35,826
Child Care	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	<u>81,232</u>	<u>106,243</u>	<u>114,427</u>	<u>116,142</u>	<u>99,898</u>	<u>80,091</u>	<u>42,259</u>	<u>36,708</u>	<u>63,456</u>	<u>35,826</u>
Total charter school expenses	<u>\$ 1,891,662</u>	<u>\$ 2,290,486</u>	<u>\$ 2,127,665</u>	<u>\$ 1,790,807</u>	<u>\$ 1,696,422</u>	<u>\$ 1,474,920</u>	<u>\$ 1,324,283</u>	<u>\$ 1,434,716</u>	<u>\$ 1,337,408</u>	<u>\$ 1,290,275</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Operating grants and contributions	\$ 123,809	\$ 102,530	\$ 107,463	\$ 75,527	\$ 43,398	\$ 25,926	\$ 12,963	\$ 17,862	\$ 24,045	\$ 25,480
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>123,809</u>	<u>102,530</u>	<u>107,463</u>	<u>75,527</u>	<u>43,398</u>	<u>25,926</u>	<u>12,963</u>	<u>17,862</u>	<u>24,045</u>	<u>25,480</u>
Business-type activities:										
Charges for services										
Food service	653	2,298	1,326	6,853	4,894	447	899	-	563	984
Child care	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	84,017	98,030	90,353	85,340	63,912	64,540	44,797	50,255	41,837	35,531
Capital grants and contributions	-	5,059	20,000	20,000	-	-	-	-	-	-
Total business type activities program revenues	<u>84,670</u>	<u>105,387</u>	<u>111,679</u>	<u>112,193</u>	<u>68,806</u>	<u>64,987</u>	<u>45,696</u>	<u>50,255</u>	<u>42,400</u>	<u>36,515</u>
Total charter school program revenues	<u>\$ 208,479</u>	<u>\$ 207,917</u>	<u>\$ 219,142</u>	<u>\$ 187,720</u>	<u>\$ 112,204</u>	<u>\$ 90,913</u>	<u>\$ 58,659</u>	<u>\$ 68,117</u>	<u>\$ 66,445</u>	<u>\$ 61,995</u>
Net (expense)/revenue										
Governmental activities	\$ (1,686,621)	\$ (2,081,713)	\$ (1,905,775)	\$ (1,599,138)	\$ (1,553,126)	\$ (1,368,903)	\$ (1,269,061)	\$ (1,380,146)	\$ (1,249,907)	\$ (1,228,969)
Business-type activities	3,438	(856)	(2,748)	(3,949)	(31,092)	(15,104)	3,437	13,547	(21,056)	689
Total charter school-wide net expense	<u>\$ (1,683,183)</u>	<u>\$ (2,082,569)</u>	<u>\$ (1,908,523)</u>	<u>\$ (1,603,087)</u>	<u>\$ (1,584,218)</u>	<u>\$ (1,384,007)</u>	<u>\$ (1,265,624)</u>	<u>\$ (1,366,599)</u>	<u>\$ (1,270,963)</u>	<u>\$ (1,228,280)</u>

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General revenues and other changes in net position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 211,241	\$ 201,547	\$ 221,409	\$ 204,687	\$ 173,608	\$ 171,945	\$ 154,133	\$ 143,893	\$ 134,976	\$ 126,580
Grants and contributions	1,582,198	1,576,237	1,552,711	1,531,004	1,279,541	1,238,920	1,131,221	1,113,208	1,065,572	967,635
Miscellaneous income	30,283	27,959	20,998	3,758	83,839	23,474	52,908	20,522	60,629	30,747
Transfers	-	(5,059)	(20,000)	(20,000)	-	-	-	-	-	-
Total governmental activities	<u>1,823,722</u>	<u>1,800,684</u>	<u>1,775,118</u>	<u>1,719,449</u>	<u>1,536,988</u>	<u>1,434,339</u>	<u>1,338,262</u>	<u>1,277,623</u>	<u>1,261,177</u>	<u>1,124,962</u>
Business-type activities:										
Miscellaneous income	-	5,059	20,000	20,000	27,154	-	-	-	4	16
Total business-type activities	<u>-</u>	<u>5,059</u>	<u>20,000</u>	<u>20,000</u>	<u>27,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>16</u>
Total charter school-wide	<u>\$ 1,823,722</u>	<u>\$ 1,805,743</u>	<u>\$ 1,795,118</u>	<u>\$ 1,739,449</u>	<u>\$ 1,564,142</u>	<u>\$ 1,434,339</u>	<u>\$ 1,338,262</u>	<u>\$ 1,277,623</u>	<u>\$ 1,261,181</u>	<u>\$ 1,124,978</u>
Change in net position										
Governmental activities	\$ 137,101	\$ (275,970)	\$ (110,657)	\$ 140,311	\$ (16,138)	\$ 65,436	\$ 69,201	\$ (102,523)	\$ 11,270	\$ (104,007)
Business-type activities	3,438	(856)	(2,748)	(3,949)	(3,938)	(15,104)	3,437	13,547	(21,052)	705
Total charter school	<u>\$ 140,539</u>	<u>\$ (276,826)</u>	<u>\$ (113,405)</u>	<u>\$ 136,362</u>	<u>\$ (20,076)</u>	<u>\$ 50,332</u>	<u>\$ 72,638</u>	<u>\$ (88,976)</u>	<u>\$ (9,782)</u>	<u>\$ (103,302)</u>

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-3

Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund										
Unreserved	\$ 373,307	\$162,253	\$ 333,927	\$ 402,256	\$ 236,070	\$ 246,152	\$ 175,193	\$ 105,992	\$ 208,515	\$ 197,245
Total general fund	<u>\$ 373,307</u>	<u>\$162,253</u>	<u>\$ 333,927</u>	<u>\$ 402,256</u>	<u>\$ 236,070</u>	<u>\$ 246,152</u>	<u>\$ 175,193</u>	<u>\$ 105,992</u>	<u>\$ 208,515</u>	<u>\$ 197,245</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-4

Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,								
	2020	2018	2017	2016	2015	2014	2013	2012	2011
Revenues									
Local tax levy	\$ 241,524	\$ 229,506	\$ 208,445	\$ 257,447	\$ 195,419	\$ 207,041	\$ 164,415	\$ 195,605	\$ 157,327
State sources	1,582,198	1,576,327	1,531,004	1,245,999	1,189,855	1,073,485	1,056,275	1,017,528	923,151
Federal sources	123,809	102,530	75,527	76,940	74,991	70,699	74,795	72,089	69,964
Total revenue	<u>1,947,531</u>	<u>1,908,363</u>	<u>1,814,976</u>	<u>1,580,386</u>	<u>1,460,265</u>	<u>1,351,225</u>	<u>1,295,485</u>	<u>1,285,222</u>	<u>1,150,442</u>
Expenditures									
Instruction	785,860	954,569	795,976	643,540	607,582	578,192	552,936	494,266	573,340
Administration	432,202	553,614	418,514	683,550	532,956	465,190	621,246	568,716	433,097
Support Services	320,255	379,757	314,340	256,334	220,813	223,124	209,143	204,169	248,012
Capital Outlay	-	-	-	7,044	27,955	15,518	14,683	6,801	-
Total expenditures	<u>1,538,317</u>	<u>1,887,940</u>	<u>1,528,830</u>	<u>1,590,468</u>	<u>1,389,306</u>	<u>1,282,024</u>	<u>1,398,008</u>	<u>1,273,952</u>	<u>1,254,449</u>
Change in net position	<u>\$ 409,214</u>	<u>\$ 20,423</u>	<u>\$ 286,146</u>	<u>\$ (10,082)</u>	<u>\$ 70,959</u>	<u>\$ 69,201</u>	<u>\$ (102,523)</u>	<u>\$ 11,270</u>	<u>\$ (104,007)</u>

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-5

General Fund Other Local Revenue by Source
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Other local revenues										
Donations and contributions	\$ 30,283	\$ 27,959	\$ 20,998	\$ 3,758	\$ 36,769	\$ 23,455	\$ 52,762	\$ 20,057	\$ 56,841	\$ -
Miscellaneous		-	-	-	47,041		146	464	3,681	388
Total other local revenue	<u>\$ 30,283</u>	<u>\$ 27,959</u>	<u>\$ 20,998</u>	<u>\$ 3,758</u>	<u>\$ 83,810</u>	<u>\$ 23,455</u>	<u>\$ 52,908</u>	<u>\$ 20,521</u>	<u>\$ 60,522</u>	<u>\$ 388</u>

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Anticipation Notes (BANs)	Capital Leases			
2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	-
2012	-	-	-	-	-	-	0.00%	-
2013	-	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	-	0.00%	-
2016	-	-	-	-	-	-	0.00%	-
2017	-	-	-	-	-	-	0.00%	-
2018	-	-	-	-	-	-	0.00%	-
2019	-	-	-	-	-	-	0.00%	-
2020	-	-	-	-	-	-	0.00%	-

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

Note: Details regarding the Charter School's outstanding debt can be found in the notes to the financial statements.

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-14

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2011	277,984	\$ 15,293,011,776	\$ 55,014	13.00%
2012	278,414	15,425,249,256	55,404	13.00%
2013	279,499	15,565,858,308	55,692	13.00%
2014	280,980	16,386,472,620	58,319	13.00%
2015	281,944	16,925,098,320	60,030	13.00%
2016	281,764	16,914,292,920	60,030	13.00%
2017	281,764	16,914,292,920	60,030	7.90%
2018	281,764	16,914,292,920	60,030	7.90%
2019	281,764	16,914,292,920	60,030	7.90%
2020	281,764	16,914,292,920	60,030	7.90%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Personal capital income by municipality estimated based upon the 2010 Cesus published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-15

Principal Employers
Current Year
(Unaudited)

	2020		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u> <u>[Optional]</u>	<u>of Total</u> <u>Municipal</u> <u>Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airline	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	103,126		73.67%

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Newark-Economy.html>

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

Full-Time Equivalent Charter School Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Instruction	12	12	12	12	12	11	12	15	15	15
Administrative	3	3	3	3	3	2	2	2	1	3
Support Services	1	1	1	1	1	1	1	1	1	1
Food Service	-	-	-	-	-	1	-	-	-	-
Total	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>15</u>	<u>15</u>	<u>18</u>	<u>17</u>	<u>19</u>

Source: Charter School Personnel Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-17

Operating Statistics

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2011	74	\$ 1,254,499	\$ 16,953	2.31%	15	5:1	74.0	72	-1.33%	97.30%
2012	75	1,267,151	16,895	-0.34%	15	5:1	75.0	72	1.35%	96.00%
2013	75	1,383,325	18,444	9.17%	15	5:1	75.0	72	0.00%	96.00%
2014	75	1,266,506	16,887	-8.44%	12	5:1	75.0	72	0.00%	96.00%
2015	80	1,361,351	17,017	0.77%	11	5:1	80.0	80	6.67%	100.00%
2016	80	1,583,424	19,793	16.31%	12	6:1	80.0	80	0.00%	100.00%
2017	100	1,528,830	15,288	-22.76%	12	6:1	100.0	100	25.00%	100.00%
2018	100	1,812,468	18,125	18.55%	12	6:1	100.0	100	0.00%	100.00%
2019	100	1,887,940	18,879	4.16%	12	6:1	100.0	100	0.00%	100.00%
2020	100	1,538,317	15,383	-18.52%	12	6:1	100.0	100	0.00%	100.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-18

School Building Information
Last Ten Fiscal Years
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Fiscal Year Ended June 30,</u>			<u>2013</u>	<u>2012</u>	<u>2011</u>
					<u>2016</u>	<u>2015</u>	<u>2014</u>			
Square Feet	11,243	11,243	11,243	11,243	11,243	11,243	8,250	8,250	8,250	8,250
Capacity (students)	100	100	100	100	80	80	75	75	75	75
Enrollment	100	100	100	100	100	80	80	75	75	75

Source: School Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-19

Schedule of Required Maintenance Expenditures
By School Facility
Last Ten Fiscal Years
(Unaudited)

2010	Not Available
2011	Not Available
2012	Not Available
2013	Not Available
2014	Not Available
2015	Not Available
2016	Not Available
2017	\$ 284,047
2018	\$ 298,146
2019	\$ 338,442
2020	\$ 280,841
	-
Total	<u><u>\$ 1,201,476</u></u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-20

Insurance Schedule

June 30, 2020
(Unaudited)

	Coverage
School Package Policy	
Property	
Business Personal Property	\$ 300,000
Electronic Data Processing	200,000
Business Income	120,000
Crime	
Faithful Performance	50,000
Forgery 7 Alternation	50,000
Money & Securities	10,000
Money Order/Counterfeit	10,000
Board Treasurer	113,000
Board Secretary	113,000
General Liability	
Single Limit for Bodily Injury and Property Damage	5,000,000
Products/Completed Operations Aggregate	5,000,000
Annual Aggregate for Child Molestation/Sexual Abuse	5,000,000
Each Occurrence for Personal Injury/Advertising Injury	5,000,000
Each Claim for Employee Benefits Liability	5,000,000
Premise Medical Payments Per Person	5,000
Automobile Liability	
Hired and Non-Owned Automobile Liability	5,000,000
Student Accident	
Medical Benefit Amount (Full Excee)	1,000,000
Accidental Medical Excess Benefit (Gold Plan)	25,000
School Leaders E&O	
Coverage A - Each Loss with \$5,000 Deductible	1,000,000
Coverage B- Each Loss with \$5,000 Deductible	100,000
Coverage B- Annual Aggregate	300,000
Workers' Compensation	
Each Accident	1,000,000
Each Employee	1,000,000
Policy Limit	1,000,000

Source: Charter School Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-21

Charter School Performance Framework Financial Indicators
New Term Indicators

June 30, 2020
(Unaudited)

	2020	2019	2018
Cash	\$ 383,094	\$ 168,445	\$ 272,638
Current assets	146,560	138,862	214,388
Capital assets, net	-	-	-
Total assets	<u>529,654</u>	<u>307,307</u>	<u>487,026</u>
Current liabilities	152,909	145,054	152,243
Long term liabilities	-	-	-
Total liabilities	<u>152,909</u>	<u>145,054</u>	<u>152,243</u>
Net position	<u>\$ 376,745</u>	<u>\$ 162,253</u>	<u>\$ 334,783</u>
Total revenue	\$ 2,031,548	\$ 2,006,393	\$ 1,992,934
Total expenses	(1,817,709)	(2,181,221)	(2,065,337)
Change in net position	<u>\$ 213,839</u>	<u>\$ (174,828)</u>	<u>\$ (72,403)</u>

Depreciation expense	\$ -	\$ -	\$ -
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-

Final average daily enrollment	100	100	100
March 30th budgeted enrollment	100	100	100

	2020	2019	2018	Three Year Cumulative
NEAR TERM INDICATORS:				
Current ratio	3.46	2.12	3.20	8.78
Unrestricted days cash	76.93	28.19	48.18	153.30
Enrollment variance	100%	100%	100%	1.00
Default	N/A	N/A	N/A	N/A

Source: Charter School Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-22

Charter School Performance Framework Financial Indicators
Sustainability Indicators

June 30, 2020
(Unaudited)

	2020	2019	2018
Cash	\$ 383,094	\$ 168,445	\$ 272,638
Current assets	146,560	138,862	214,388
Capital assets, net	-	-	-
Total assets	<u>529,654</u>	<u>307,307</u>	<u>487,026</u>
Current liabilities	152,909	145,054	240,636
Long term liabilities	-	-	-
Total liabilities	<u>152,909</u>	<u>145,054</u>	<u>240,636</u>
Net position	<u>\$ 376,745</u>	<u>\$ 162,253</u>	<u>\$ 246,390</u>
Total revenue	\$ 2,031,548	\$ 2,006,393	\$ 1,992,934
Total expenses	(1,817,709)	(2,181,221)	(2,065,337)
Change in net position	<u>\$ 213,839</u>	<u>\$ (174,828)</u>	<u>\$ (72,403)</u>
Depreciation expense	\$ -	\$ -	\$ -
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	100	100	100
March 30th budgeted enrollment	100	100	100

	2020	2019	2018	Three Year Cumulative
SUSTAINABILITY INDICATORS:				
Total margin	11%	-9%	-4%	-1%
Debt to asset	N/A	N/A	N/A	N/A
Cash flow	\$ 214,649	\$ (104,193)	\$ (104,881)	\$ 5,575
Debt service coverage ratio	N/A	N/A	N/A	N/A

Source: Charter School Records

Single Audit Section

Olugbenga Olabintan

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K-1

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Chairperson and
Members of the Board of Trustees
Discovery Charter School
County of Essex
Newark, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Discovery Charter School, in the County of Essex, State of New Jersey, ("the Charter School") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon, dated November 30, 2020.

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 a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of 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 matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Purpose of this Report

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

Olugbenga Olabintan, CPA

November 30, 2020
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

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K-2

Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the State of New Jersey OMB's Circular Letter 15-08

The Honorable Chairperson and
Members of the Board of Trustees
Discovery Charter School
County of Essex,
Newark, New Jersey

Compliance

We have audited the Discovery Charter School's, in the County of Essex, State of New Jersey ("the Charter School") compliance with the types of compliance requirements described in the the *State of New Jersey Department of Treasury Circular 15-08-OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2020. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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 New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Those standards, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* 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 Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Department of Treasury Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 of that testing based on the requirements of the State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Accordingly, this report is not suitable for any other purpose.

Olugbenga Olabintan, CPA

November 30, 2020
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant

A handwritten signature in black ink, appearing to read 'Olugbenga Olabintan', written over a horizontal line.

Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

DISCOVERY CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Federal Award Identification Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2019	Deferred Revenue at June 30, 2019	Due to Grantor at June 30, 2019	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2020	Deferred Revenue at June 30, 2020	Due to Grantor at June 30, 2020
Special Revenue Fund:															
U.S. Department of Education, Pass Through Programs:															
Passed-Through New Jersey State Department of Education:															
Title I Part A - FY 2019-2020	84.010A	S010A190030	7/1/19-9/30/20	\$ 74,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,166	\$ (74,166)	\$ -	\$ -	-	\$ -
Title II A - FY 2019-2020	84.367A	S367A190029	7/1/19-9/30/20	6,473	-	-	-	-	-	6,473	(6,473)	-	-	-	-
IDEA Part B - FY 2019-2020	84.027	H027A190100	7/1/19-9/30/20	23,312	-	-	-	-	-	23,312	(23,312)	-	-	-	-
CARES Emergency Relief Grant	84.425D	S425D200021	3/13/20-9/30/22	51,458	-	-	-	-	-	-	(19,858)	-	(19,858)	-	-
Total Special Revenue/U.S. Department of Education - Pass Through Programs					-	-	-	-	-	103,951	(123,809)	-	(19,858)	-	-
Enterprise Fund:															
U.S. Department of Agriculture, Pass Through Programs:															
Passed-Through New Jersey Dept of Agriculture:															
National School Lunch Program	10.555	201NJ304N1099	7/1/19-6/30/20	50,424	-	-	-	-	-	47,697	(50,424)	-	(2,727)	-	-
Healthy, Hunger Free Kids, Act (HHFKA)	10.555	201NJ304N1099	7/1/19-6/30/20	1,062	-	-	-	-	-	1,006	(1,062)	-	(56)	-	-
National School Lunch Program	10.555	191NJ304N1099	7/1/18-6/30/19	59,778	(5,575)	-	-	-	-	5,575	-	-	-	-	-
School Breakfast Program	10.553	201NJ304N1099	7/1/19-6/30/20	31,699	-	-	-	-	-	29,950	(31,699)	-	(1,749)	-	-
School Breakfast Program	10.553	191NJ304N1099	7/1/18-6/30/19	37,233	(3,060)	-	-	-	-	3,060	-	-	-	-	-
Total Enterprise Fund/Total U.S. Department of Agriculture, Pass Through Programs					(8,635)	-	-	-	-	87,288	(83,185)	-	(4,532)	-	-
Total Expenditures of Federal Awards					\$ (8,635)	\$ -	\$ -	\$ -	\$ -	\$ 191,239	\$ (206,994)	\$ -	\$ (24,390)	\$ -	\$ -

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

DISCOVERY CHARTER SCHOOL

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2019	Deferred Revenue at June 30, 2019	Due to Grantor at June 30, 2019	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2020	Deferred Revenue at June 30, 2020	Due to Grantor at June 30, 2020
New Jersey State Department of Education														
General Fund:														
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	\$1,450,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,450,134	\$ (1,449,184)	\$ -	\$ (950)	\$ -	\$ -
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	1,368,830	-	-	1,858	-	-	-	-	(1,858)	-	-	-
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	70,109	-	-	-	-	-	70,109	(70,109)	-	-	-	-
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	56,636	-	-	-	-	-	56,636	(56,636)	-	-	-	-
State Adjustment Aid	20-495-034-5120-085	7/1/19-6/30/20	18,400	-	-	-	-	-	18,400	(18,400)	-	-	-	-
TPAF/FICA Reimbursements	20-495-034-5094-003	7/1/19-6/30/20	28,351	-	-	-	-	-	23,211	(28,351)	-	(5,140)	-	-
TPAF/FICA Reimbursements	19-495-034-5094-003	7/1/18-6/30/19	43,941	(1,836)	-	-	-	-	1,836	-	-	-	-	-
TPAF Post Retirement Medical Contribution	20-495-034-5094-001	7/1/19-6/30/20	45,883	-	-	-	-	-	45,883	(45,883)	-	-	-	-
TPAF Pension Contribution - Normal & NCGI	20-495-034-5094-002	7/1/19-6/30/20	123,682	-	-	-	-	-	123,682	(123,682)	-	-	-	-
TPAF Pension Contribution - Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	244	-	-	-	-	-	244	(244)	-	-	-	-
Total General Fund				(1,836)	-	1,858	-	-	1,790,135	(1,792,489)	(1,858)	(6,090)	-	-
New Jersey State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	832	-	-	-	-	-	788	(832)	-	(44)	-	-
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	1,019	(94)	-	-	-	-	94	-	-	-	-	-
Total Enterprise Fund				(94)	-	-	-	-	882	(832)	-	(44)	-	-
Total Expenditures of State Financial Assistance				<u>\$ (1,930)</u>	<u>\$ -</u>	<u>\$ 1,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,791,017</u>	<u>(1,793,321)</u>	<u>\$ (1,858)</u>	<u>\$ (6,134)</u>	<u>\$ -</u>	<u>\$ -</u>
Less Amounts Not Subject to Single Audit:														
TPAF Post Retirement Medical Contribution										45,883.00				
TPAF Pension Contribution - Normal & NCGI										123,682.00				
TPAF Pension Contribution - Long-Term Disability Insurance										244.00				
Total Expenditures of State Financial Assistance Subject to Single Audit										<u>\$ (1,623,512)</u>				

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2020

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedule of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made. The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2020

3. Relationship to Basic Financial Statements - *continued*

Federal awards and state financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ -	\$ 1,792,489	\$ 1,792,489
Special Revenue Fund	123,809	-	123,809
Enterprise Fund	83,185	832	84,017
Total	<u>\$ 206,994</u>	<u>\$ 1,793,321</u>	<u>\$ 2,000,315</u>

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.

5. Other Information

TPAF Social Security contribution in the amount of \$28,351 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2020. The amount reported as TPAF Pension System Contributions and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$169,809 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2020.

6. On Behalf Programs Not Subject to State Single Audit

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

7. De Minimis Indirect Cost

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards:

In accordance with the new requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the audit threshold was raised from \$500,000 to \$750,000. Thus, for fiscal years ending after December 26, 2015, organizations that expend less than \$750,000 in federal awards during a year are exempt from the single audit requirement for that year.

For the fiscal year ended June 30, 2020, the Charter School was determined to expend less than \$750,000 in federal awards and was therefore exempt from the federal single audit requirements for 2020.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Part I Summary of Auditors' Results

State Financial Assistance Section

State Financial Assistance Section

Dollar threshold used to distinguish between Type A and B programs: \$750,000

Auditee qualifies as low-risk auditee? Yes No

Type of auditor's report on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified that are not considered to be material weaknesses? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circulars 15-08 as applicable? Yes No

Identification of Major Programs:

<u>State Grant/Program Number(s)</u>	<u>Name of State Program or Cluster</u>
20-495-034-5120-078	Equalization Aid
20-495-034-5120-089	Special Education Aid
20-495-034-5120-084	Security Aid
20-495-034-5120-085	State Adjustment Aid

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Part II – Schedule of Financial Statement Findings

NONE

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Part III – Federal Awards Findings and Questioned Cost

NOT APPLICABLE FOR 2020

Part III – State Financial Assistance Findings and Questioned Cost

NONE

**DISCOVERY CHARTER SCHOOL
(County of Essex)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2020**

There were no prior year's audit findings.