

***PASSAIC ARTS AND SCIENCE CHARTER SCHOOL***

***ANNUAL COMPREHENSIVE  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2021***

**PASSAIC ARTS AND SCIENCE  
CHARTER SCHOOL**

***Passaic Arts and Science Charter School  
Board of Trustees  
Fair Lawn, New Jersey***

***Annual Comprehensive Financial Report  
For The Fiscal Year Ended June 30, 2021***

***ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
OF THE  
PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021***

***Prepared by***

***Passaic Arts and Science Charter School  
Finance Department***

***And***

***Barre & Company LLC, CPAs***

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***INTRODUCTORY SECTION***



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
**33-00 BROADWAY SUITE 301**  
**FAIR LAWN, NEW JERSEY 07410**

February 9, 2022

Honorable President and  
Members of the Board of Trustees  
Passaic Arts and Science Charter School  
Fair Lawn, New Jersey

Dear Board Members:

The annual comprehensive financial report of the Passaic Arts and Science Charter School (the "Charter School") for the fiscal year ended June 30, 2021, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## Charter School Organization

An appointed six member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Lead-Person is the Chief Executive Officer (C.E.O.) of the Charter School, responsible to the Board for total educational and support operations. The School Business Administrator is the Chief Financial Officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

**REPORTING ENTITY AND ITS SERVICES:** Passaic Arts and Science Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14, as amended. All funds of the school are included in this report. Passaic Arts and Science Charter School Board of Trustees constitutes the Charter School’s reporting entity.

Passaic Arts and Science Charter School provides a full range of educational services appropriate to Grades K-6. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2020-2021 school year with an enrollment of 1,689 students. The following details the student enrollment of the Charter School.

Fiscal Year	Average Daily Enrollment	
	Student Enrollment-ADE	Percent Change - ADE
2020-2021	1695	18.88%
2019-2020	1375	4.58%
2018-2019	1312	5.03%
2017-2018	1246	31.38%
2016-2017	855	15.20%
2015-2016	725	29.93%
2014-2015	508	6.89%
2013-2014	473	12.47%
2012-2013	414	14.73%

**ECONOMIC CONDITION AND OUTLOOK:** Passaic Arts and Science Charter School continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Bergen will continue to prosper.

**MAJOR INITIATIVES:** The Passaic Arts and Science Charter School's ASCS's mission is to provide the ideal environment for the intellectual and social development for its students by utilizing a combined effort of students, educators, families, and the community as a whole.

## **Mission and Educational Program in Practice**

Passaic Arts and Science Charter School aims to provide the ideal environment for the intellectual and social development of its students, utilizing the combined effort of students, educators, families, and the community as a whole, by providing boundless academic and co-curricular opportunities for individual skills and talents to develop. From the inception of the school, students have been provided a multitude of opportunities extended to them that have guided them on a path to success. Our mission and vision considers the educational goals that the New Jersey Department of Education has established for *all* students. This is evidenced in the four areas identified below, which are in direct correlation to the "Building Blocks of Education" outlined by Governor Christie.

**1. Academic Achievement** - concentration is placed on providing a multidimensional curriculum, research-based "best practices" instructional strategies, and student/program assessments. Literacy objectives within the NJSLs **must be met** to better prepare students for PARCC assessments, college acceptance, and workforce readiness. Summary writing, analysis of rich and varied literature and non-fiction text, critical research skills, and opinions supported by text-based evidence are the cornerstone elements of the NJSLs. In mathematics, lessons are aligned to the NJSLs and the content prioritized and supported with online programs for student instruction and assignments. Teachers and students have access to rich, NJSLs-aligned, engaging content, and embedded assessments with instant data.

**2. Digital Learning Environment** - concentration is placed on classroom organization, integration of technology, teacher development, and effective instructional programs. This allows the district to provide the most relevant, research-based educational experience to our students. The design of the program currently embraces technological literacy and integration, and in the absence of these resources, curricula cannot be delivered as designed. The rigors of the Common Core State Standards and the next-generation digital assessments require us to adjust both the method and mode of instruction to prepare our students for college and careers. We fully expect student assessment data to evidence student growth as a result, in part, of digital instruction.

**3. Co-curricular Programs** - concentration is placed on academic and non-academic programs that are designed to meet the needs of the **whole child** (academically, socially and emotionally). Passaic Arts and Science Charter School has a vibrant arts education model, which includes multiple performances including full-length theatrical productions, concerts, cultural dances and festivals. The school is often the host location for a variety of educational presentations, educational guest speakers, science fairs and Olympiads, and math competitions. Additionally, the district hosts a summer learning institute, whereby all instructional staff come together in the form of a professional learning community in order to explore best practices in education.

**4. Community Involvement** - concentration is placed on parent programs, community outreach, and fostering school, family and community collaboration/involvement. The students of Passaic ASCS are afforded the benefits of partnerships currently established with local universities, businesses, and community leaders.

Passaic ASCS recognizes a school as an anchor in a community and believes the school is the anchor that the community needs. All children deserve the opportunity to be educated in a rich, nurturing environment that promotes inquiry-based learning and innovation in an equitable, culturally-sensitive environment.

**CURRICULUM ALIGNMENT TO STANDARDS:** In order to ensure that Passaic ASCS's curriculum is aligned to state standards, the school has developed a high-quality curriculum framework that embodies the rigor required by the state standards and goals for which teachers and students are held accountable. This curriculum is developed in-house by a team of teachers under the supervision of the content area Program Director (K-3, ELA, mathematics, science). The standards-based curriculum governs the way that instructional programs are run and the way that teachers teach. The curriculum framework considers the need for proper implementation of the state standards, and therefore provides adequate time for implementation, monitoring, and evaluation.

For example, in math, teachers are provided with a local standard list. Each NJSLs-M is unpacked and turned into one or multiple local standards. Teachers also are provided with unit plans in UbD format that includes interactive pacing guides. On the pacing guides, teachers are provided links to resources specifically aligned to each local standard.

Passaic ASCS' curriculum exhibits clear alignment to the NJSLs, and draws guidance from select national standards. Emphasis is placed upon on the academic tasks (content, knowledge, skills) expected of the students.

Clear alignment and outcomes linked to the learning standards are evidenced in each content area. Curriculum has been aligned by "unpacking" the NJSLs and using content to plan for effective, rigorous, and engaging learning experiences. This design approach for content mastery and student understanding promotes high student achievement in all content and technical areas. Additionally, the established curriculum encourages logic, critical thinking, and problem-solving skills across disciplines. Curriculum maps are provided per unit. Standards, skills, and assessments for each unit are provided to the teachers at the beginning of the school year.

**SCHOOL ENGAGEMENT OF FAMILIES / GUARDIANS:** Passaic ASCS believes that family involvement is an integral component of our school culture. Our objective is to continue fostering close and positive relationships and constant communication between school, family and community. Our Parent-Teacher Organization (PTO) is a committee that maintains a strong presence at the school, and they are a vital component of enriching the experience of students. They make the purchase of sports equipment, musical instruments, yearbooks and classroom materials a reality for our Charter School. Additionally, the PTO organizes fundraisers to defray the cost of field trips for the students.

In the 2018-2019 Academic Year, Passaic ASCS campuses reached out to both families and the community-at-large with myriad programs and activities to enhance the experience of the students and school community as a whole. Parents are not only invited to attend, but asked to contribute to the planning and implementation programs and offerings. We look to continue to grow in terms of these opportunities, with expanded programs, meetings, and events to foster not only individual and whole student growth, but a continued support of our parent organization. With the 2018-2019 year seeing expansion to a third school, and the long-awaited debut of a high school grade (9<sup>th</sup>), these programs and activities are needed more than ever to ensure alignment with the Charter School's mission and vision.

Passaic ASCS cultivates and maintains steady school/family interaction through an array of activities. A selection of programs and events is provided below:

- 9/11 REFLECTION
- BACK TO SCHOOL NIGHT
- HISPANIC HERITAGE CELEBRATION
- GRANDPARENT'S NIGHT
- WEEK OF RESPECT
- VIOLENCE AWARENESS
- PASCs/ Clifton HALLOWEEN Trunk or Treat-
- PASCs HALLOWEEN COSTUME PARADE/CONTEST
- PARENT/TEACHER CONFERENCES
- VETERANS DAY REMEMBRANCE
- PASCs AWARDS CEREMONIES
- PICTURE DAY
- HERITAGE FESTIVAL
- HOLIDAY DINNER/FOOD DRIVE
- WINTER CONCERTS
- ANNUAL BREAKFAST WITH A SUPERMAN
- ANNUAL BREAKFAST WITH A WONDER WOMAN
- SCHOOL CHOICE WEEK
- BLACK HISTORY MONTH
- 100TH DAY OF SCHOOL
- ALADDIN KIDS
- READ ACROSS AMERICA WEEK
- MINI AND ME DANCE
- SEASONAL MOVIE NIGHTS
- TEACHER CAR PARADE
- VIRTUAL SPIRIT WEEKS
- VIRTUAL TALENT SHOW
- VIRTUAL ART SHOW
- Zoo Visit—Virtual
- Robot Dance Party— Virtual
- Field Day – Virtual
- GRADUATIONS – TBD
- FAMILY PAINT NIGHT
- DRESS DOWN DAYS
- BAKE SALES

- KRISPY KREME DONUT SALE
- BOX TOPS FOR EDUCATION
- SCHOLASTIC BOOK FAIR
- POPCORN FUNDRAISER
- GERTRUDE HAWK FUNDRAISER
- SCHOOL STORE FUNDRAISER
- PENGUIN PATCH FUNDRAISER

**PARTNERSHIP PROGRAMS:** Passaic Arts and Science Charter School has partnered with the organizations and institutions of higher learning listed below in order to improve teaching and learning across school campuses.

### **Rutgers University:**

Passaic Arts and Science Charter School has partnered with Rutgers, The State University of New Jersey for the School System Improvement (SSI) Project. Funded through the U.S. Department of Education Teacher Incentive Fund (TIF) Grant Program, teachers and administrators participate in the school-wide development and implementation of the educator and principal evaluation systems, professional development, and coaching via master mentor teachers. The program is anticipated to span 3-5 years.

### **Grand Canyon University**

Through our partnership with Grand Canyon University, school administrators completed online courses in order to obtain supervisory certification. Tuition costs were reduced due to this partnership. Two school administrators utilized this partnership in order to further their education.

### **Ramapo College**

Passaic ASCS will coordinate and oversee the Clinical Experience for the teachers from the Teacher Education program that will be placed on Passaic ASCS campuses. Through our partnership, students of Ramapo College will participate in Student Teaching Internships, practicum, and observations at Passaic ASCS.

### **Fairleigh Dickinson University**

Founded in 1984, the Middle College program is now affiliated with more than 100 high schools throughout New Jersey, including Passaic ASCS. The university's Faculty Advisory Committee reviews submitted curricula and high school staff members for inclusion in the program. FDU's Middle College program gives college-bound juniors and seniors the opportunity to experience university-style learning before they graduate high school. Qualifying students are high school juniors and seniors in advanced and honors sections in subjects such as literature, science, art, mathematics and other courses.

## **Susan G. Komen 5005 LBJ Freeway Suite.250 Dallas, TX 75244**

Through our Students in Action leadership club, students raised awareness about the Susan G. Komen breast cancer awareness program. Students ran a fundraiser, where t-shirts were purchased for a school wide "Pink Out" in which everyone wore pink. Students participated in this fundraiser to bring awareness of breast cancer, and to raise money to support the research.

### **Jefferson Awards Foundation "Students-in-Action"**

Students-in-Action empowered students to think big, choose their own public service passion, engage their own school and broader communities, and create maximum impact. There are 3 pillars of Students-in-Action: Leadership, Engagement, and Impact. Students-in-Action comprised of middle and high school students who possess the leadership traits and eagerness to make a difference in the school and in the community at large.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be reappropriated are reported as assignments of fund balance at June 30, 2021.

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

**RISK MANAGEMENT:** The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds.

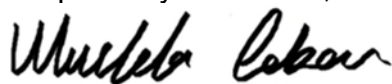
**OTHER INFORMATION:**

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

**ANTI-BULLYING:** On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2020-2021, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

**ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Passaic Arts and Science Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,



Mustafa Coban  
Business Administrator/Board Secretary



# CHARTER SCHOOL BOARDS



Chief Executive Officer (CEO)

Chief Financial Officer (CFO)

Financial Management

Purchasing/Accounting

Grants

Chief Operations Officer (COO)

iLearn Academy

School Activities

Student Engagement

Operations

Chief Academic Officer (CAO)

Academic Departments

Professional Dev. & Evaluation

Instructional Tech. & Assessment

Teacher Recruitment & Retention

College Guidance

Chief Innovation Officer (CIO)

Data & State Submissions

Information Technology

Database Development

Chief Special Programs Officer (CSPO)

English Language Learners

Special Educator

Gifted and Talented

Title Programs

Cohort Directors

Elementary

Middle

High

Directors

Human Resources

Marketing

Development

Facilities

Security Director

Consultants

## SCHOOLS

School Director

Assistant Director of Operations

Non-Teaching Staff

Assistant Director of Academics

Instructional Coach / Math

Instructional Coach / ELA

Teacher

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2021**

**Members of the Board of Trustees**

**Position**

Mona David

President

Vera Evangelista

Vice President

Joseph Ulusoy

Trustee

Tawana Wilder

Trustee

Julian Cabrera

Trustee

Falisa McArthur

Trustee

**Other Officials**

Nihat Guvercin

Lead Person

Mustafa Coban

Business Administrator/  
Board Secretary

Christopher Lessard

Treasurer

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

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Certified Public Accountants  
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Union, NJ 07083

***Attorney***

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Morristown, NJ 07962

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Lodi, NJ 07644

***FINANCIAL SECTION***

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**Independent Auditor's Report**

Honorable President  
Members of the Board of Trustees  
Passaic Arts and Science Charter School  
County of Passaic  
Fair Lawn, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Passaic Arts and Science Charter School (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Passaic Arts and Science Charter School, in the County of Passaic, State of New Jersey, as of June 30, 2021, and the respective changes in the financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Adoption of New Accounting Principle*

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2021, the Charter School adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

#### *Consistency of Financial Statements*

Because of the implementation of GASB Statement No. 84, several funds of the Charter School that were reported as fiduciary fund types in the prior fiscal year are now reported in governmental activities and governmental fund types. Our opinion is not modified with respect to this matter.

#### *Prior Period Restatement*

In addition, because of the implementation of GASB Statement No. 84, net position and fund balance as of July 1, 2020 on the statement of activities and statement of revenues, expenditures, and changes in fund balances, have been restated, as discussed in note 1 to the financial statements. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foundation Academy Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and the Office of School Finance, Department of Education, State of New Jersey, we have also issued our report dated February 9, 2022 on our consideration of the Passaic Arts and Science Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.



BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants



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

Union, New Jersey  
February 9, 2022



***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED**

The discussion and analysis of Passaic Arts and Science Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance. Certain comparative information between the current year (2020-2021) and the prior year (2019-2020) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2021 are as follows:

- ❖ General revenues accounted for \$33,393,110 in revenue or 87% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$5,014,511 or 13% of total revenues of \$38,407,621.
- ❖ The Charter School had \$28,260,271 in expenses; only \$5,014,511 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$33,393,110 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$28,678,231 in revenues and \$25,573,677 in expenditures. The General Fund's fund balance increased \$3,312,453 over 2020. This increase was anticipated by the Board of Trustees.

**Using this Annual Comprehensive Financial Report (ACFR)**

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements also look at the Charter School's most significant funds. In the case of Passaic Arts and Science Charter School, the General Fund is by far the most significant fund.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**Reporting the Charter School as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds 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 ask the question, "How did we do financially during 2021?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ Governmental Activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activities — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service 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 funds. The Charter School uses many funds to account for a multitude of financial transaction. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**Governmental Funds**

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. 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 statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer 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 governmental funds is reconciled in the financial statements.

**Enterprise Fund**

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

**Notes to the Financial Statements**

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

**The Charter School as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net position were \$10,997,478 for 2021 and \$3,737,584 for 2020.

**Governmental Activities**

The Charter School's total revenues were \$34,445,788 for 2021 and \$26,154,658 for 2020, this includes \$2,265,121 for 2021 and \$1,627,297 for 2020 of state reimbursed TPAF social security and pension contributions.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED**

**(CONTINUED)**

**Governmental Activities (Continued)**

The total cost of all program and services was \$28,260,271 for 2021 and \$24,614,230 for 2020. Instruction comprises 40% for 2021 and 40% for 2020 of Charter School expenses. The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

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

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

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

**Business-Type Activities**

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

- ❖ Proprietary Fund operating revenues exceeded operating expenses by \$1,260,378 for 2021 and by \$119,837 for 2020.
- ❖ Charges for services represent \$7,706 for 2021 and \$144,254 for 2020. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$3,954,127 for 2021 and \$1,752,881 for 2020.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$28,963,103 for 2021 and \$24,960,711 for 2020 and expenditures were \$28,900,288 for 2021 and \$22,543,944 for 2020. The net change in fund balance for fiscal years 2021 and 2020 was most significant in the general fund, an increase of 3,312,453 in 2021 and an increase of \$2,416,767 in 2020.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2021.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2020	Percent of Increase/ (Decrease)
Local Sources	\$ 5,044,963	17.42%	\$ 537,196	11.92%
State Sources	20,596,555	71.11%	1,914,268	10.25%
Federal Sources	3,321,585	11.47%	1,550,928	87.59%
<b>Total</b>	<b>\$ 28,963,103</b>	<b>100.00%</b>	<b>\$ 4,002,392</b>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2021.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2020	Percent of Increase/ (Decrease)
Instruction	\$ 9,523,799	32.95%	\$ 1,102,785	13.10%
Administration	9,293,372	32.16%	1,361,925	17.17%
Support Services	9,487,863	32.83%	3,831,150	67.73%
Capital Outlay	595,254	2.06%	60,484	11.31%
<b>Total</b>	<b>\$ 28,900,288</b>	<b>100.00%</b>	<b>\$ 6,356,344</b>	

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
FAIR LAWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights**

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.

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

**Capital Assets (Net of Depreciation) and Debt Administration**

The Charter School had \$1,239,700 invested in machinery and equipment at the end of the fiscal year 2021 and \$888,327 for 2020. As of June 30, 2021 and 2020 there was no outstanding debt.

**For the Future**

The Passaic Arts and Science Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

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

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Nihat Guvercin, CEO at iLearn Schools, 33-00 Broadway, Suite 301, Fair Lawn, New Jersey 07410.

## **SECTION A - BASIC FINANCIAL STATEMENTS**

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



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 6,349,129	\$ 1,176,386	\$ 7,525,515
Internal Balances	208,818	(208,818)	-
Receivables	2,941,024	416,111	3,357,135
Inventories		23,582	23,582
Prepaid Expenses	3,412,500		3,412,500
Security Deposits	189,600		189,600
Capital Assets, Net	1,239,700	80,932	1,320,632
<b>Total Assets</b>	<b>14,340,771</b>	<b>1,488,193</b>	<b>15,828,964</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	2,677,213		2,677,213
<b>Total Deferred Outflows of Resources</b>	<b>2,677,213</b>	<b>-</b>	<b>2,677,213</b>
<b>LIABILITIES:</b>			
Payable to District	14,564		14,564
Accounts Payable	351,546	1,389	352,935
Pensions	5,012,166		5,012,166
<b>Total Liabilities</b>	<b>5,378,276</b>	<b>1,389</b>	<b>5,379,665</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	2,129,034		2,129,034
<b>Total Deferred Inflows of Resources</b>	<b>2,129,034</b>	<b>-</b>	<b>2,129,034</b>
<b>NET POSITION (DEFICIT):</b>			
Net Investment in Capital Assets	986,501	80,932	1,067,433
Restricted for:			
Student Activities	20,104	-	20,104
Other Purposes	75,000	-	75,000
Net Investment in Capital Assets Unrestricted	8,429,069	1,405,872	9,834,941
<b>Total Net Position (Deficit)</b>	<b>\$ 9,510,674</b>	<b>\$ 1,486,804</b>	<b>\$ 10,997,478</b>

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
 Statement of Activities  
 For The Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 9,560,967	\$ 1,729,424	\$ -	\$ 503,129	\$ -	\$ (10,787,262)	\$ (10,787,262)
Administration	9,755,299	343,634		546,355		(9,552,578)	(9,552,578)
Support Services	6,116,238	490,697	3,232			(6,603,703)	(6,603,703)
Unallocated Depreciation	264,012					(264,012)	(264,012)
<b>Total Governmental Activities</b>	<b>25,696,516</b>	<b>2,563,755</b>	<b>3,232</b>	<b>1,049,484</b>	<b>-</b>	<b>(27,207,555)</b>	<b>(27,207,555)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Service	2,701,455		7,668	3,954,127		1,260,340	1,260,340
Total Business-Type Activities	2,701,455		7,668	3,954,127		1,260,340	1,260,340
Total Primary Government	\$ 28,397,971		\$ 10,900	\$ 5,003,611	\$ -	\$ (27,207,555)	\$ (25,947,215)
<b>GENERAL REVENUES</b>							
General Purposes						\$ 20,775,442	\$ 20,775,442
Federal and State Aid Not Restricted						9,321,201	9,321,201
Miscellaneous Income						48,585	48,623
Special Item						3,039,945	3,039,945
Total General Revenues						33,185,173	33,185,211
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers						207,899	(207,899)
Total Other Financing Sources (Uses)						207,899	(207,899)
Change in Net Position						6,185,517	7,237,996
Net Position - Beginning						3,303,259	3,737,584
Prior Period Adjustments						21,898	21,898
Net Position, July 1 (Restated)						3,325,157	3,759,482
Net Position - Ending						\$ 9,510,674	\$ 10,997,478

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

***SECTION B – FUND FINANCIAL STATEMENTS***

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

***GOVERNMENTAL FUNDS***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Governmental Funds

Balance Sheet

June 30, 2021

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,253,892	20,237	\$ 6,274,129
Cash - Restricted	75,000		75,000
Receivables:			
Interfund Receivables	1,139,382		1,139,382
Receivables From Other Governments	27,193	1,153,660	1,180,853
Receivables, Net	1,760,171		1,760,171
Security Deposits	189,600		189,600
Total Current Assets	<u>9,445,238</u>	<u>1,173,897</u>	<u>10,619,135</u>
Total Assets	<u>\$ 9,445,238</u>	<u>\$ 1,173,897</u>	<u>\$ 10,619,135</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 930,564	\$ 930,564
Payable to District	14,564		14,564
Accounts Payable	30,346	223,229	253,575
Payroll Deductions and Withholdings	97,971	-	97,971
Total Current Liabilities	<u>142,881</u>	<u>1,153,793</u>	<u>1,296,674</u>
Total Liabilities	<u>142,881</u>	<u>1,153,793</u>	<u>1,296,674</u>
Fund Balances:			
Restricted For:			
Charter School Escrow Reserve	75,000		75,000
Student Activities		20,104	20,104
Assigned To:			
Encumbrances	306,585		306,585
Unassigned:			
General Fund	<u>8,920,772</u>		<u>8,920,772</u>
Total Fund Balances	<u>9,302,357</u>	<u>20,104</u>	<u>9,322,461</u>
Total Liabilities and Fund Balances	<u>\$ 9,445,238</u>	<u>\$ 1,173,897</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$2,354,433 and the accumulated depreciation is \$1,198,228.	1,239,700
Prepaid rent are expenses in governmental activities but are capitalized as prepaid assets in the statement of net position	3,412,500
Net pension liability of \$5,012,166, deferred inflows of resources of \$2,129,034 less deferred outflows of resources of \$2,677,213 related to pensions are not reported in the governmental funds	<u>(4,463,987)</u>
Net Position of Governmental Activities	<u>\$ 9,510,674</u>

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ 4,993,146	\$ -	\$ 4,993,146
Miscellaneous	48,585	3,232	51,817
<b>Total Local Sources</b>	<b>5,041,731</b>	<b>3,232</b>	<b>5,044,963</b>
State Sources	20,596,555		20,596,555
Federal Sources		3,321,585	3,321,585
<b>Total Revenues</b>	<b>25,638,286</b>	<b>3,324,817</b>	<b>28,963,103</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction	8,091,293	1,432,506	9,523,799
Administration	9,293,372		9,293,372
Support Services	7,634,663	1,853,200	9,487,863
Capital Outlay	554,349	40,905	595,254
<b>Total Expenditures</b>	<b>25,573,677</b>	<b>3,326,611</b>	<b>28,900,288</b>
Special Items:			
Proceeds from Forgiveness of PPP Loan	3,039,945		3,039,945
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	207,899	-	207,899
<b>Total Other Financing Sources (Uses)</b>	<b>207,899</b>	<b>-</b>	<b>207,899</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,312,453</b>	<b>(1,794)</b>	<b>3,310,659</b>
<b>FUND BALANCES, JULY 1</b>	<b>5,989,904</b>		<b>5,989,904</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>-</b>	<b>21,898</b>	<b>21,898</b>
<b>FUND BALANCE, JULY 1, RESTATED</b>	<b>5,989,904</b>	<b>21,898</b>	<b>6,011,802</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 9,302,357</b>	<b>\$ 20,104</b>	<b>\$ 9,322,461</b>

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Fiscal Year Ended June 30, 2021

Total net change in fund balances - governmental fund (from B-2)		\$ 3,310,659
Amounts reported for governmental activities in the statement of activities (A-2) which are different:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (342,055)	
Capital Outlay	595,254	253,199
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p>		
		(790,841)
<p>Prepaid rent expense is expensed in the governmental funds while capitalized in the statement of net position</p>		
		3,412,500
Change in net position of governmental activities		\$ 6,185,517

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

***PROPRIETARY FUNDS***



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**
 Proprietary Fund  
 Statement of Fund Net Position  
 June 30, 2021

	Business-Type Activities		
	Food Service	After Care	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,118,771	\$ 57,615	\$ 1,176,386
Intergovernmental Accounts Receivable:			
State	385,653		385,653
Federal	30,458		30,458
Inventories	23,582		23,582
Total Current Assets	<u>1,558,464</u>	<u>57,615</u>	<u>1,616,079</u>
Noncurrent Assets:			
Machinery and Equipment	155,264		155,264
Less Accumulated Depreciation	<u>(74,332)</u>		<u>(74,332)</u>
Total Noncurrent Assets	<u>80,932</u>	<u>-</u>	<u>80,932</u>
Total Assets	<u>\$ 1,639,396</u>	<u>\$ 57,615</u>	<u>\$ 1,697,011</u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Current Liabilities:			
Interfund Accounts Payable	\$ 208,818	\$ -	\$ 208,818
Accounts Payable	<u>1,389</u>		<u>1,389</u>
Total Liabilities	<u>210,207</u>	<u>-</u>	<u>210,207</u>
Net Position:			
Net Investment in Capital Assets	80,932		80,932
Unrestricted	<u>\$ 1,348,257</u>	<u>\$ 57,615</u>	<u>\$ 1,405,872</u>
Total Net Position	<u>1,429,189</u>	<u>57,615</u>	<u>1,486,804</u>
Total Liabilities and Net Position	<u>\$ 1,639,396</u>	<u>\$ 57,615</u>	<u>\$ 1,697,011</u>

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities			
	Food Service Program			Total Enterprise
	Food Service	Fixed Contract Price	After Care	
<b>OPERATING REVENUES:</b>				
Charges for Services:				
Daily Sales - Program (Reimbursable Program) Meals	\$ 3,044	\$ -	\$ -	\$ 3,044
Daily Sales - Non-Program (Non-reimbursable Program) Meals			4,624	4,624
Miscellaneous Income	38			38
<b>Total Operating Revenues</b>	<b>3,082</b>	<b>-</b>	<b>4,624</b>	<b>7,706</b>
<b>OPERATING EXPENSES:</b>				
Cost of Sales - Program (Reimbursable Programs) Meals	1,449,359	-		1,449,359
Salaries	655,577	-		655,577
Management Fees	9,159	-		9,159
Purchased Property Services	42,714			42,714
Other Purchased Services	37,985			37,985
Supplies and Materials	285,587	-	200	285,787
Indirect Costs	207,899			207,899
Depreciation Expense	10,960	-		10,960
Miscellaneous Expenses	209,914	-		209,914
<b>Total Operating Expenses</b>	<b>2,909,154</b>	<b>-</b>	<b>200</b>	<b>2,909,354</b>
<b>OPERATING (LOSS)</b>	<b>(2,906,072)</b>	<b>-</b>	<b>4,424</b>	<b>(2,901,648)</b>
<b>NONOPERATING REVENUES:</b>				
State Source:				
State School Breakfast/Lunch Program	119,388	-		119,388
Federal Source:				
National School Breakfast/Lunch/Snack Program/FFVP	3,745,934	-		3,745,934
USDA Commodities	88,805			88,805
<b>Total Nonoperating Revenues</b>	<b>3,954,127</b>	<b>-</b>	<b>-</b>	<b>3,954,127</b>
<b>CHANGE IN NET POSITION</b>	<b>1,048,055</b>	<b>-</b>	<b>4,424</b>	<b>1,052,479</b>
<b>TOTAL NET POSITION, JULY 1</b>	<b>381,134</b>	<b>-</b>	<b>53,191</b>	<b>434,325</b>
<b>TOTAL NET POSITION, JUNE 30</b>	<b>\$ 1,429,189</b>	<b>\$ -</b>	<b>\$ 57,615</b>	<b>\$ 1,486,804</b>

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Proprietary Fund

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

	Business-Type Activities		
	Food Service	After Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 46,684	\$ 4,624	\$ 51,308
Cash Payments to Suppliers and Employees	(2,976,463)	(200)	(2,976,663)
Net Cash Used In Operating Activities	(2,929,779)	4,424	(2,925,355)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash Received From State And Federal Reimbursements	3,865,322		3,865,322
USDA Commodities	88,805		88,805
Net Cash Provided By Noncapital Financing Activities	3,954,127	-	3,954,127
Net Increase In Cash And Cash Equivalents	1,024,348	4,424	1,028,772
Cash And Cash Equivalents, Beginning Of Year	94,423	53,191	147,614
Cash And Cash Equivalents, End Of Year	\$ 1,118,771	\$ 57,615	\$ 1,176,386
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating (Loss) Used for Operating Activities	\$ (2,906,072)	\$ 4,424	\$ (2,901,648)
Depreciation	10,960		10,960
<b>Change In Assets And Liabilities:</b>			
(Increase) Decrease In Receivables	43,602		43,602
Increase (Decrease) In Interfund Payable	(76,801)		(76,801)
Increase In Accounts Payable	(1,468)		(1,468)
Net Cash Used In Operating Activities	\$ (2,929,779)	\$ 4,424	\$ (2,925,355)

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

***FIDUCIARY FUNDS  
(NOT APPLICABLE)***

***NOTES TO THE FINANCIAL STATEMENTS***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**1. Basis of Presentation**

The financial statements of Passaic Arts and Science Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

**2. Reporting Entity**

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14, as amended of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Under GASB Statement No. 14 (as amended), the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which it exercises operating control. The operations of the Passaic Arts and Science Charter School includes three schools an elementary, middle and high school. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**3. Basic Financial Statements – Government-Wide Statements**

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the Charter School. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

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

**4. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

**Governmental Fund Types**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Basic Financial Statements – Fund Financial Statements (Continued)**

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. 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, local property taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings 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 are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). 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.

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



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Basic Financial Statements – Fund Financial Statements (Continued)**

Enterprise Funds – The Enterprise Funds are 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 costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income.

The Charter School’s Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

In its accounting and financial reporting, the Charter School follows the pronouncements of the GASB.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Basic Financial Statements – Fund Financial Statements (Continued)**

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 – Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local government, including New Jersey school districts and their charter schools. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, or fiscal year 2020-2021. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. After considering the criteria and guidance, it was determined that Payroll, Payroll Agency, and Unemployment Compensation Insurance (Fund 60), previously reported as fiduciary funds, that such activities are more appropriately reported in a general fund (Fund 10). Additionally, the charter school previously reported the activity of the Student Activity (Fund 90) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity are more appropriately reported in a special revenue fund (Fund 20).

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**5. Measurement Focus and Basis of Accounting**

The government-wide proprietary statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**6. Budgets/Budgetary Control**

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Budgets/Budgetary Control (Continued)**

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

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

	2021	2020
Total Revenues & Expenditures (Budgetary Basis)	\$3,324,961	\$ 1,770,657
Adjustments:		
Less Encumbrances at June 30, 2021	144	-
Plus Encumbrances at June 30, 2020	-	-
Total Revenues and Expenditures (GAAP Basis)	\$3,325,105	\$ 1,770,657

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

**7. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity –**

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**8. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity –**

Deposits and Investments (continued)

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

Additionally, the Charter School had adopted a cash management plan that 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 a loss of funds on deposit with a failed banking institution in New Jersey.

**2. Short-term Interfund Receivables/Payables**

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

**3. Inventories**

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

**4. Capital Assets**

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition cost as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc..

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

5. Fund Equity

Restricted represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Assigned fund balances represent plans for future use of financial resources.

6. Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2021. The Charter School had prepaid expenses for the fiscal year ended June 30, 2021 in the amount of \$3,412,500 representing prepaid rent.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (non-allocation method). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

7. Unearned Revenue

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

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

9. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

**10. Fund Balance Reserves**

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

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

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

**11. Compensated Absences**

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place. As of June 30, 2021 the Charter School reported no compensated absence liability.

**12. Impact of Recently Issued Accounting Principles**

During fiscal years 2021 through 2022, the Charter School has adopted the following GASB statements.

**The GASB has adopted the following as of June 30, 2021**

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



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)**

**A. Impact of Recently Issued Accounting Principles**

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

**13. Pensions**

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

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**

**A. Deposits and Investments**

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**

Deposits and Investments (continued)

Deposits (continued)

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

As of June 30, 2021, cash and cash equivalents of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Funds</u>	<u>Total</u>
Operating				
Account	<u>\$ 6,328,892</u>	<u>\$ 20,237</u>	<u>\$ 1,176,386</u>	<u>\$ 7,525,515</u>

The Charter School had no investments at June 30, 2021.

The carrying amount of the Board's cash and cash equivalents at June 30, 2021 was \$7,525,515 and the bank balance was \$8,328,971. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)**

Deposits and Investments (Continued)

Deposits (Continued)

As of June 30, 2021, none of the cash and cash equivalents for Passaic Arts and Science Charter School were exposed to custodial credit risk.

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

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
  - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
  - (2) Government money market mutual funds;
  - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
  - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
  - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
  - (6) Local government investment pools;
  - (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
  - (8) Agreements for the repurchase of fully collateralized securities, if:
    - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
    - b. the custody of collateral is transferred to a third party;
    - c. the maturity of the agreement is not more than 30 days; and
    - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)**

Deposits and Investments (Continued)

Investments (Continued)

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2021.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2021.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2021.

Receivables

Receivables at June 30, 2021, consisted of accounts, intergovernmental, grants, and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Funds		Total Governmental Activities	Proprietary Fund		Total Business Type Activities	Total
	General Fund	Special Revenue Fund		Food Service Fund	Total		
State Awards	\$ 1,760,171	\$ -	\$ 1,760,171	\$ 30,458	\$ 30,458		\$1,790,629
Federal Awards	-	1,153,660	1,153,660	385,653	385,653		1,539,313
Other	27,193		27,193	-	-		27,193
Gross Receivables	1,787,364	1,153,660	2,941,024	416,111	416,111		3,357,135
Less: Allowance for Uncollectibles	-	-	-	-	-		-
Total Receivables, Net	\$ 1,787,364	\$ 1,153,660	\$ 2,941,024	\$416,111	\$ 416,111		\$3,357,135

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)**

Deposits and Investments (Continued)

Receivables (Continued)

A. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2021:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,139,382	\$ -
Special Revenue Fund		930,564
Proprietary Fund		208,818
Total	<u>\$ 1,139,382</u>	<u>\$ 1,139,382</u>

Interfund balances are expected to be liquidated by the end of June 30, 2022.

During fiscal year 2021, a transfer of indirect costs in the amount of \$207,899 was made between the General Fund and Proprietary.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)**

Deposits and Investments (Continued)

**B. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Site Improvements	-	-	-	-
Building and Building Improvements	\$ 1,363,593	\$ 450,000	\$ -	\$ 1,813,593
Machinery and Equipment	395,586	145,254	-	540,840
Vehicles	122,549	-	-	122,549
Infrastructure	-	-	-	-
Total Capital Assets Being Depreciated	<u>1,881,728</u>	<u>595,254</u>	<u>-</u>	<u>2,476,982</u>
Less Accumulated Depreciation For:				
Site Improvements	-	-	-	-
Building and Building Improvements	647,656	249,333	-	896,989
Machinery and Equipment	223,196	78,043	-	301,239
Vehicles	24,375	14,679	-	39,054
Infrastructure	-	-	-	-
Total Accumulated Depreciation	<u>895,227</u>	<u>342,055</u>	<u>-</u>	<u>1,237,282</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>986,501</u>	<u>253,199</u>	<u>-</u>	<u>1,239,700</u>
Government Activity Capital Assets, Net	<u>\$ 986,501</u>	<u>\$ 253,199</u>	<u>\$ -</u>	<u>\$ 1,239,700</u>
<b>Business-Type Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 155,264	\$ -	\$ -	\$ 155,264
Less Accumulated Depreciation	(63,372)	(10,960)	-	(74,332)
Enterprise Fund Capital Assets, Net	<u>\$ 91,892</u>	<u>\$ (10,960)</u>	<u>\$ -</u>	<u>\$ 80,932</u>

Capital Assets (Continued)

Depreciation expense of was charged to functions as follows:

<b>Depreciation Expense:</b>	
Instructional	\$ 37,168
Administration	-
Support	40,875
Unallocated	<u>264,012</u>
Total	<u>\$ 342,055</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)**

Rental Leases

The school leases classroom and office space at 40 Tulip Street, Passaic, New Jersey. The original lease, for sixty (60) months commencing July 1, 2015 and expiring on June 30, 2020, has since been renegotiated and replaced with a 40 year lease commencing on July 1, 2020 and expiring June 30, 2060. The master lease is between iLearn Schools Inc., the Charter Management Company, and the lessor. There is a sub-lease between iLearn and the Charter School. In accordance with the terms of the sub-lease, the school prepaid \$3,436,000 representing the rent for the entire term of the lease. The prepaid rent is recognized as a prepaid asset on the government-wide financial statements but recognized as rent expense on the governmental funds financial statements. The lease is non-cancelable, non-renewable and the prepaid rent is non refundable.

The school leases classroom and office space at 10 St. Francis Way, Passaic, New Jersey under a lease agreement for four (4) years commencing July 1, 2011 and ending June 30, 2015. The lease contains two 5 year option periods, each calling for a three per cent (3%) per year rent increase. The school exercised its 2<sup>nd</sup> option on the building to extend the lease until June 30, 2025.

Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 508,430
2023	523,683
2024	539,393
2025	555,575
Total future minimum lease payments	<u>\$ 2,127,081</u>

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)**

In addition, the school leases classroom and office space at 418 Mt Prospect Avenue, Passaic, New Jersey. The lease is for seventy-two (72) months commencing July 1, 2018 and ending June 30, 2024 with an option to renew for an additional five (5) years. Future minimum lease payments are as follows:

<b>Year Ended June 30,</b>	<b>Amount</b>
2022	\$ 302,224
2023	325,472
2024	348,720
Total future minimum lease payments	\$ 976,416

The school leases classroom and office space at 43 Clifton Ave, Clifton, New Jersey. The lease is for sixty (60) months commencing July 1, 2017 and ending June 30, 2022 with an option for an additional five (5) years. Future minimum lease payments are as follows:

<b>Year Ended June 30,</b>		
	2022	\$ 463,455
Total future minimum lease payments		\$ 463,455

The school leases classroom and office space at 188 First Street Passaic, New Jersey. The lease is for sixty (60) months commencing September 1, 2017 and ending June 30, 2022 with an option for an additional five (5) years. Future minimum lease payments are as follows:

<b>Year Ended June 30,</b>		
	2022	\$ 569,340
Total future minimum lease payments		\$ 569,340

The school leases classroom and office space at 154 First Street Passaic, New Jersey. The initial lease period called for rent of \$5,000 per month for the period of January 1, 2020 to August 31, 2020. The current lease is for sixty (60) months commencing September 1, 2020 and ending June 30, 2024 with an option for an additional five (5) years. Future minimum lease payments are as follows:

<b>Year Ended June 30,</b>	<b>Amount</b>
2022	\$ 372,000
2023	403,000
2024	434,000
Total future minimum lease payments	\$ 1,209,000



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE III: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES/  
EXPENDITURES**

Notes Payable

On May 1, 2020 the charter school (the "Borrower"), was granted a loan (the "Loan") from Santander Bank, N.A. in the aggregate amount of \$3,039,945 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated May 1, 2020 issued by the Borrower, matures on May 1, 2022 and bears interest at a rate of 1.00% per annum, with payments of principal, interest, and fees due at the time that the SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period). The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for maintain payroll or make mortgage payments, lease payments, and utility payments incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. On June 14, 2021 the loan was forgiven in full and proceeds were recognized as income under Special Items.

**NOTE IV: PENSION PLANS**

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. In addition, certain employees may participate in the Defined Contribution Retirement Program (DCRP).

**A. Public Employees' Retirement System (PERS)**

**Plan Description**

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

**Benefits Provided**

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE IV: PENSION PLANS**

**Benefits Provided (Continued)**

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Basis of Presentation**

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratios of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2019 through June 30, 2020. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2021.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The state's pension contributions is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year measurement date 2020, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Contributions (continued)**

Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$ 338,244 for fiscal year 2021.

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

At June 30, 2021, the Charter School reported a liability of \$ 5,012,166 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 which was rolled forward to June 30, 2021. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At measurement date of June 30, 2020, the Charter School's proportion was 0.028595296% which was an increase of 0.00232423% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the Charter School recognized pension expense of \$ 282,303 . At June 30, 2021, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 163,574	\$ 17,831
Difference Between Expected and Actual Experience	91,813	2,111,203
Changes in Proportion	2,249,481	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	172,345	-
	<u>\$ 2,677,213</u>	<u>\$ 2,129,034</u>

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

*Changes in Proportion*

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

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

Fiscal Year Ending June 30,	Total
2022	\$ 63,471
2023	205,900
2024	183,613
2025	86,330
2026	8,864
	<u>\$ 548,179</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuations as of July 1, 2019. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Actuarial Assumptions (continued)**

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-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is like that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) 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 future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Long Term Expected Rate of Return (continued)**

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 measurement date are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Assets	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based on 78% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Discount Rate (continued)**

Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2020 calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Measurement Date June 30, 2020			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Charter School proportionate share of the Net Pension Liability	\$ 6,397,157	\$ 5,012,166	\$ 3,965,711

Measurement Date June 30, 2019			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(5.28%)	(6.28%)	(7.28%)
Charter School's proportionate share of the Net Pension Liability	\$ 6,553,644	\$ 5,152,439	\$ 4,037,772

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

**B. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions.



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Pension Description (continued)**

The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefit Provided**

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

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

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2020 measurement date. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contributions policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020 measurement date, the State's pension contribution was less than the actuarial determined amount.

**Special Funding Situation**

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contribution was less than the actuarial determined amount.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2021, the State of New Jersey contributed \$ 78,183 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 1,128,573 .

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Special Funding Situation (continued)**

The employee contribution rate was 6.92% effective July 1, 2020. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

As June 30, 2021, the State's proportionate share of the net pension liability associated with the Charter School was \$ 32,795,345 . The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020.

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, Charter School's proportion was 0.0498040%, which was a decrease of 0.0155205% from its proportion measured as of June 30, 2019.

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the Charter School	32,795,345
<b>Total</b>	<b>\$ 32,795,345</b>

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the Charter School in the amount of \$ 1,128,573 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2021 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Special Funding Situation (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 7,815,939,253	\$ 14,241,964,752
Difference Between Expected and Actual Experience	986,767,511	182,357,860
Changes in Proportion and differences between employer contributions and proportionate share of contributions	167,666,229	167,666,229
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	656,175,235	-
	<u>\$ 9,626,548,228</u>	<u>\$ 14,591,988,841</u>

The \$ 9,626,548,228 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 14,591,988,841 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2022	\$ (262,056,928)
2023	(188,358,995)
2024	(774,174,971)
2025	(1,939,112,462)
2026	(1,466,451,639)
Thereafter	(335,285,618)
	<u>\$ (4,965,440,613)</u>

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

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

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Long Term Expected Rate of Return (continued)**

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2020 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

**Discount Rate**

The discount rate used to measure the total pension liability was 5.40% as of June 30, 2020. 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 2.21% as of June 30, 2020 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.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Discount Rate (continued)**

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 78% 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2020 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Measurement Date June 30, 2020			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.40%)	(5.40%)	(6.40%)
Charter School's proportionate share of the Net Pension Liability	\$ 38,606,626	\$ 32,795,345	\$ 28,101,960

Measurement Date June 30, 2019			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.60%)	(5.60%)	(6.60%)
Charter School's proportionate share of the Net Pension Liability	\$ 9,429,588	\$ 8,771,297	\$ 6,807,403

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

**Pension Plan Fiduciary Net Position – TPAF**

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

**C. Defined Contribution Retirement Program (DCRP)**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP, which is a defined contribution plan. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295. The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2021. There were no employee contributions to DCRP for the fiscal year ended June 30, 2021.

**NOTE V: POST-RETIREMENT BENEFITS**

**General Information about the OPEB Plan**

**Plan Description and Benefits Provided**

The school is in a "special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE V: POST-RETIREMENT BENEFITS (CONTINUED)**

**General Information about the OPEB Plan (continued)**

Plan Description and Benefits Provided (continued)

The school is in a “special funding situation”, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees 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 No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The State Health Benefit 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 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

*Employees covered by benefit terms:*

At measurement date, June 30, 2020, the following employees were covered by the benefit terms:

Active plan member							216,804
Inactive plan members or beneficiaries currently receiving benefits							149,304
Inactive plan members entitled to but not yet receiving benefit payments							-
Total							366,108

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE V: POST-RETIREMENT BENEFITS (CONTINUED)**

**General Information about the OPEB Plan (continued)**

Plan Description and Benefits Provided (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

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%			
		<b>TPAF/ABP</b>	<b>PERS</b>	<b>PFRS</b>
Salary Increases				
Through 2026		1.55% to 4.45%	2.00% to 6.00%	3.25% to 15.25%
		based on service years	based on service years	based on service years
Rate thereafter		1.55% to 4.45%	3.00% to 7.00%	Applied to all
		based on service years	based on service years	future years

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies for the periods July 1, 2015- June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013- June 30, 2018 for TPAF, PERS and PFRS, respectively.

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE V: POST-RETIREMENT BENEFITS (CONTINUED)**

Actuarial Assumptions and Other Inputs (continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount rate

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total Non-Employer OPEB Liability

The table below summarizes the State's proportionate share of the change in the total non-employer OPEB liability associated with the Charter School for the fiscal year ended June 20, 2020:

					Total OPEB Liability
Balance at June 30, 2020					\$ 5,021,553
Service cost					1,459,752
Interest on Total OPEB Liability					223,628
Difference between expected and actual experience					2,460,679
Effect of Changes of Assumptions					2,006,966
Contributions - Employee					5,798
Gross Benefits Paid by the State					(191,276)
Net Changes					5,965,547
Balance at June 30, 2021					10,987,100

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE V: POST-RETIREMENT BENEFITS (CONTINUED)**

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

The following presents the total nonemployer OPEB liability measured as of June 30, 2020 calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date Ended June 30, 2020		
	At 1%	At current	At 1%
	Decrease (1.21%)	discount rate (2.21%)	Increase (3.21%)
Total OPEB Liability	\$ 7,987,734	\$ 10,987,100	\$ 5,787,038

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

The following presents the total nonemployer OPEB liability measured as of June 30, 2020 calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date Ended June 30, 2020		
	At 1%	Trend Rate	At 1%
	decrease		Increase
Total OPEB Liability	\$ 5,570,987	\$ 6,761,272	\$ 8,336,965

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

For the fiscal year ended June 30, 2021 the Charter School recognized OPEB expense of \$ 2,234,841 in the government-wide financial statements for the State's proportionate share of the OPEB Plan's OPEB expenses, associated with the Charter School. This expense and revenue was based on the OPEB Plan's June 30, 2020 measurement date.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE V: POST-RETIREMENT BENEFITS (CONTINUED)**

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

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 the measurement date June 30, 2020 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	\$ 1,668,128	\$ (1,485,909)
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	\$ 1,868,870	(1,253,690)
Sub Total	3,536,998	(2,739,599)
Contributions Made in Fiscal Year 2021 after June 30, 2020 Measurement Date	N/A	N/A
Total	3,536,998	(2,739,599)

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

Measurement Period ending June 30,	
2022	\$ 7,039
2023	\$ 7,039
2024	\$ 7,039
2025	\$ 7,039
2026	\$ 7,039
Total Thereafter	\$ 762,205
	\$ 797,398

**NOTE VI: RISK MANAGEMENT**

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of Charter Schools established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member Charter Schools in order to keep local property taxes at a minimum.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE VII: ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2021, the Charter School has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, non-contributory insurance, post-retirement medical costs, and long-term disability insurance were \$1,718,766 , \$546,355 , \$538,634 , and \$3,477 , respectively.

**NOTE VIII: CONTINGENCIES**

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Although the amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, an audit finding disclosed that a federal grant was charged with unallowable expenditures of \$1,014,308, which can be subject to recovery by the federal grantor.

Prepaid Assets – The Charter School recognized a prepaid asset in the amount of \$ 3,412,500 on the Governmental Wide financial statements resulting from the prepayment of rent. This asset amortizes over the life of the lease, which is 40 years. The lease agreement and prepaid rent transaction are cited as an unallowable activity under audit finding #2021-002 in the ‘Single Audit Section’. As such, the State may require the Charter School to reimburse the State for any unamortized portion of the prepaid asset.

**NOTE IX: CONCENTRATIONS**

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

**NOTE X: CHARTER MANAGEMENT ORGANIZATION**

The Charter School entered into a management agreement with ILearn Schools Inc., a New Jersey nonprofit corporation, to provide educational and management services including operational and administrative support to the School. The term of this agreement is from July 1, 2019 to June 30, 2021 and is renewable every two years. Under this agreement the School will pay ILearn, on a monthly basis, fees equal to 10.5% of total state, and local public revenues actually received by the School during the fiscal year. In 2021, the School paid \$2,339,654 to ILearn as a management fee based on the terms of the agreement.

In fiscal year 2021, the School entered into a sublease contract with ILearn for rental space at 40 Tulip Avenue in Passaic. The sublease has a term of 40 years and called for a prepayment of rent in the amount of \$3,436,000, which is for the entire term of the lease.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE XI: DETAILED DISCLOSURE REGARDING FUND EQUITY**

General Fund

General Fund balance at June 30, 2021 is \$9,302,357, of which \$8,920,772 is unassigned and \$306,585 is assigned for encumbrances.

**NOTE XII: RESTATEMENT OF FIDUCIARY ACTIVITIES**

The charter school previously reported the activity of the Payroll and Payroll Agency, (Fund 60) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activities have been more appropriately reported in a general fund (Fund 10). Net current assets and current liabilities previously reported in the agency fund were equal therefore there were no beginning balances which required restatement . All remaining assets and liabilities, if any, previously reported in the agency fund are not recognized at the fund level under the modified accrual basis of accounting, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2020.

Additionally, the charter school previously reported the activity of the Student Activity (Fund 90) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity have been more appropriately reported in a special revenue fund (Fund 20). Accordingly, the newly established special revenue fund reports a restated beginning balance as follows:

	NET POSITION	PRIOR PERIOD	RESTATED
	JULY 1, 2020 BALANCE	ADJUSTMENT	JULY 1, 2020 BALANCE
GOVERNMENTAL FUNDS-SPECIAL REVENUE FUND	\$ -	\$ 21,898	\$ 21,898

**NOTE XIII: SUBSEQUENT EVENTS**

The Passaic Arts and Science Charter School's management has informed us that there were no significant events that need to be disclosed after the balance sheet date through February 9, 2022.

**NOTE XIV: COVID-19**

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE XIV: COVID-19 (CONTINUED)**

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Although the School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the School's results of future operations, financial position, and liquidity in fiscal year 2022.



***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2021

	2021				
	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Levy Budget:					
Equalization Aid Local Share-Charter School Aid	\$ 5,179,889	\$ (186,743)	\$ 4,993,146	\$ 4,993,146	\$ -
<b>Total Local Levy Budget</b>	<b>5,179,889</b>	<b>(186,743)</b>	<b>4,993,146</b>	<b>4,993,146</b>	<b>-</b>
Categorical Aid:					
Equalization Aid State Share-Charter School Aid	18,139,819	(2,232,807)	15,907,012	15,782,296	(124,716)
Special Education Categorical Aid	689,344	(186,215)	503,129	503,129	-
Demonstrably Effective Program Aid	-	-	-	-	-
Early Childhood Program Aid	-	-	-	-	-
Security Aid	788,971	(129,591)	659,380	659,380	-
Bilingual Education	-	-	-	-	-
Nonpublic Aid	-	-	-	-	-
T&E Gap Aid	-	-	-	-	-
Technology Aid	-	-	-	-	-
Kindergarten Aid	-	-	-	-	-
Non Public Aid	-	844,518	844,518	844,518	-
<b>Total Categorical Aid</b>	<b>19,618,134</b>	<b>(1,704,095)</b>	<b>17,914,039</b>	<b>17,789,323</b>	<b>(124,716)</b>
Revenues From Other Sources:					
Interest Income				-	-
Tuition				0	
Donations and Contributions		1,110	1,110	1,110	
Miscellaneous Revenue	93,000	(42,525)	50,475	47,475	(3,000)
On-Behalf TPAF(Non-Budget)					
Reimbursed Social Security Contributions				546,355	546,355
Post Retirement Medical Contributions				538,634	
Non-Contributory Insurance Contributions				3,477	
Pension Contributions				1,718,766	1,718,766
<b>Total Revenues From Other Sources</b>	<b>93,000</b>	<b>(41,415)</b>	<b>51,585</b>	<b>2,855,817</b>	<b>543,355</b>
<b>Total Revenues</b>	<b>24,891,023</b>	<b>(1,932,253)</b>	<b>22,958,770</b>	<b>25,638,286</b>	<b>418,639</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	6,359,202	(31,844)	6,327,358	6,195,377	131,981
Other Salaries for Instruction	1,686,788	(92,492)	1,594,296	1,346,808	247,488
Purchased Prof/Tech Services	234,426	(177,625)	56,801	39,421	17,380
Other Purchased Services	147,654	(9,577)	138,077	63,462	74,615
General Supplies	790,357	(364,089)	426,268	193,992	232,276
Textbooks	142,822	50,000	192,822	190,176	2,646
Miscellaneous	60,000	6,000	66,000	62,057	3,943
<b>Total Instruction</b>	<b>9,421,249</b>	<b>(619,627)</b>	<b>8,801,622</b>	<b>8,091,293</b>	<b>710,329</b>
Administration:					
Salaries - General Administration	1,356,680	(16,098)	1,340,582	1,224,979	115,603
Salaries of Secretarial/Clerical Assistants	291,028	4,852	295,880	273,640	22,240
Total Benefits Cost	2,799,826	(230,810)	2,569,016	2,455,244	113,772
Purchases Prof/Tech Services	2,590,763	(158,864)	2,431,899	2,404,456	27,443
Communications/Telephone	62,769	(10,000)	52,769	28,634	24,135
Supplies and Materials	75,000	(11,000)	64,000	41,325	22,675
Miscellaneous Expenses	65,537		65,537	57,862	7,675
<b>Total Administration</b>	<b>7,309,103</b>	<b>(486,920)</b>	<b>6,822,183</b>	<b>6,486,140</b>	<b>336,043</b>

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
General Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2021

	2021				
	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 2,331,820	\$ 39,229	\$ 2,371,049	\$ 2,139,977	\$ 231,072
Purchased Prof/Ed Services	97,018	75,118	172,136	132,507	39,629
Purchased Prof/Tech Services	135,300	99,585	234,885	166,892	67,993
Maintenance Services	300,000	(29,400)	270,600	208,166	62,434
Rental of Land and Buildings	2,351,640	(501,197)	1,850,443	4,448,882	(2,598,439)
Transportation-Other Than To/From School	60,000	(50,000)	10,000	2,690	7,310
Insurance for Property, Liability and Fidelity	145,000	(14,293)	130,707	127,891	2,816
Supplies and Materials	198,000	1,011	199,011	173,804	25,207
Energy Costs (Heat and Electricity)	345,000	-	345,000	226,658	118,342
Travel	5,000	-	5,000	-	5,000
Miscellaneous Expenses	20,250	5,000	25,250	7,196	18,054
<b>Total Support Services</b>	<b>5,989,028</b>	<b>(374,947)</b>	<b>5,614,081</b>	<b>7,634,663</b>	<b>(2,020,582)</b>
Capital Outlay:					
Instructional Equipment	166,000	(68,264)	97,736	85,436	12,300
Non-Instructional Equipment	443,000	(192,380)	250,620	468,913	(218,293)
Miscellaneous Expenses	-	-	-	-	-
<b>Total Capital Outlay</b>	<b>609,000</b>	<b>(260,644)</b>	<b>348,356</b>	<b>554,349</b>	<b>(205,993)</b>
On-Behalf TPAF (Non-Budgeted):					
Reimbursed Social Security Contributions				546,355	(546,355)
Post Retirement Medical Contributions				538,634	(538,634)
Non-Contributory Insurance Contributions				3,477	(3,477)
Pension Contributions				1,718,766	(1,718,766)
<b>Total Expenditures</b>	<b>23,328,380</b>	<b>(1,742,138)</b>	<b>21,586,242</b>	<b>25,573,677</b>	<b>(1,726,558)</b>
Special Items:					
Proceeds from Forgiveness of PPP Loan				3,039,945	(3,039,945)
<b>Total Special Items:</b>				<b>3,039,945</b>	<b>(3,039,945)</b>
Other Financing Sources (Uses)					
Indirect Expenses Charged to Food Service				207,899	207,899
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>207,899</b>	<b>207,899</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,562,643	(190,115)	1,372,528	3,312,453	1,939,925
<b>FUND BALANCE, JULY 1</b>	<b>5,989,903</b>	<b>-</b>	<b>5,989,903</b>	<b>5,989,904</b>	<b>1</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 7,552,546</b>	<b>\$ (190,115)</b>	<b>\$ 7,362,431</b>	<b>\$ 9,302,357</b>	<b>\$ 1,939,926</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 7,552,546	\$ (190,115)	\$ 7,362,431	\$ 9,302,357	\$ 1,939,926
Budgeted Fund Balance	\$ 7,552,546	\$ (190,115)	\$ 7,362,431	\$ 9,302,357	\$ 1,939,926
<b>Total</b>	<b>\$ 7,552,546</b>	<b>\$ (190,115)</b>	<b>\$ 7,362,431</b>	<b>\$ 9,302,357</b>	<b>\$ 1,939,926</b>

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Local	\$ -	\$ -	\$ -	\$ 3,232	\$ 3,232
Federal	2,500,982	1,048,048	3,549,030	3,321,585	(227,445)
<b>Total Revenues</b>	<b>2,500,982</b>	<b>1,048,048</b>	<b>3,549,030</b>	<b>3,324,817</b>	<b>(224,213)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	117,252	159	117,411	117,410	1
Salaries of Teachers	21,849	160,440	182,289	122,600	59,689
Other Salaries for Instruction	243,983	199,646	443,629	405,727	37,902
Purchased Prof/Tech Services	11,326	-	11,326	-	11,326
Other Purchased Services	64,260	(64,260)	-	-	-
General Supplies	1,014,893	(197,597)	817,296	777,998	39,298
Other Objects	-	8,770	8,770	8,771	(1)
<b>Total Instruction</b>	<b>1,473,563</b>	<b>107,158</b>	<b>1,580,721</b>	<b>1,432,506</b>	<b>148,215</b>
Support Services:					
Other Salaries	3,200	96,080	99,280	69,290	29,990
Personal Services - Employee Benefits	97,870	129,065	226,935	213,353	13,582
Purchased Technical Services	149,041	(10,428)	138,613	128,600	10,013
Other Purchased Services	617,065	397,743	1,014,808	1,014,607	201
Supplies and Materials	4,286	5,587	9,873	-	9,873
Indirect Costs	13,849	(1)	13,848	13,848	-
Miscellaneous Expenditures	43,066	6,050	49,116	53,135	(4,019)
<b>Total Support Services</b>	<b>1,027,419</b>	<b>899,985</b>	<b>1,927,404</b>	<b>1,853,200</b>	<b>74,204</b>
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment	-	40,905	40,905	40,905	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>40,905</b>	<b>40,905</b>	<b>40,905</b>	<b>-</b>
<b>Total Expenditures</b>	<b>2,500,982</b>	<b>1,048,048</b>	<b>3,549,030</b>	<b>3,326,611</b>	<b>222,419</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,794)</b>	<b>\$ (1,794)</b>

***NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2021

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 25,638,286	[C-2] \$ 3,324,961
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		<u>(144)</u>
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>25,638,286</u>	[B-2] \$ <u>3,324,817</u>
<b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 25,573,677	[C-2] \$ 3,326,755
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		<u>(144)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>25,573,677</u>	[B-2] \$ <u>3,326,611</u>

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***



***SCHEDULE L - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
PENSIONS (GASB 68)***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Charter School's proportion of the net pension liability	N/A	0.007063563%	0.009495170%	0.010363854%	0.020526162%	0.020526162%	0.028595296%	0.030919524%
Charter School's proportionate share of the net pension liability	N/A	\$ 1,322,492	\$ 4,041,516	\$ 3,069,476	\$ 4,630,335	\$ 4,041,516	\$ 5,152,439	\$ 5,012,166
Charter School's covered payroll (plan measurement period)	N/A	\$ 668,593	\$ 2,052,344	\$ 1,496,490	\$ 2,758,105	\$ 3,354,321	\$ 2,447,339	\$ 3,195,099
Charter School's proportionate share of the net pension liability as a percentage of it's covered payroll	N/A	198%	197%	205%	168%	120%	211%	157%
Plan fiduciary net position as a percentage of the total pension liability	N/A	52.08%	47.93%	45.37%	51.55%	51.55%	53.60%	58.32%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	N/A	\$ 78,372	\$ 81,633	\$ 96,787	\$ 196,098	\$ 226,594	\$ 282,303	\$ 338,244
Contributions in relation to the contractually required contribution	N/A	(78,372)	(81,633)	(96,787)	(196,098)	(226,594)	(282,303)	(338,244)
Contribution deficiency/(excess)	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charter School's covered payroll (Fiscal Year)	N/A	\$ 668,593	\$ 2,052,344	\$ 1,496,490	\$ 2,758,105	\$ 3,354,321	\$ 2,447,339	\$ 3,195,099
Contributions as a percentage of covered payroll	N/A	11.72%	3.98%	6.47%	7.11%	6.76%	11.54%	10.59%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**LAST EIGHT FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
State's proportion of the net pension liability attributable of the Charter School	N/A	0.00000000%	0.0195544%	0.0195544%	0.02628315%	0.02052616%	0.03428350%	0.04980402%
State's proportionate share of the net pension liability attributable to the Charter School	\$ -	\$ 10,202,719	\$ 15,382,774	\$ 17,721,050	\$ 22,738,462	\$ 21,012,399	\$ 32,795,345	
Charter School's covered payroll (plan measurement period)	\$ 2,369,291	\$ 3,822,883	\$ 3,821,585	\$ 5,893,074	\$ 6,900,189	\$ 6,111,037	\$ 7,059,692	
Charter School's proportionate share of the net pension liability as a percentage of it's covered payroll	N/A	0.00%	266.89%	402.52%	300.71%	329.53%	343.84%	464.54%
Plan fiduciary net position as a percentage of the total pension liability	N/A	33.64%	28.71%	28.71%	33.25%	30.35%	29.08%	32.62%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

***SCHEDULE M – SCHEDULE RELATED TO ACCOUNTING AND REPORTING FOR  
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS***

**Passaic Arts and Science Charter School**  
**Required Supplementary Information Schedules**  
**Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios**  
**Last Five Fiscal Years**  
**(Unaudited)**

	Measurement Date Ending				
	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
OPEB Liability at Beginning of Measurement Period		\$ 4,604,752	\$ 5,023,292	\$ 3,947,531	\$ 5,021,553
Service cost		1,399,477	1,151,285	1,028,355	1,459,752
Interest on Total OPEB Liability		169,535	219,242	189,700	223,628
Difference between expected and actual experience	NOT AVAILABLE		(1,891,381)	(69,327)	2,460,679
Effect of Changes of Assumptions		(1,038,406)	(452,999)	74,872	2,006,966
Contributions - Employee		4,284	3,648	4,569	5,798
Gross Benefits Paid by the State		(116,350)	(105,556)	(154,147)	(191,276)
Net Change in Total OPEB Liability	NOT AVAILABLE	418,540	(1,075,761)	1,074,022	5,965,547
OPEB Liability at Beginning of Measurement Period		4,604,752	5,023,292	3,947,531	5,021,553
Total OPEB Liability at End of Measurement Period		<u>5,023,292</u>	<u>3,947,531</u>	<u>5,021,553</u>	<u>10,987,100</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Notes to Schedule:**

Changes in benefit terms:

None

*Differences Between Expected and Actual Experiences:* The decrease in the Total OPEB Liability from June 30, 2018 to June 30, 2019 is due to changes in the census claims and premium experiences. The increase in liability from June 30, 2019 to June 30, 2020 is due to changes in the census, claims and premiums experience.

*Changes in Assumptions:*

The increase in the liability from June 30, 2018 to June 30, 2019 is due to the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019; and changes in the trend, excise tax, updated decrements, future spouse election, PPO/HMO future retiree elections, salary scale and mortality assumptions. The increase in the liability from June 30, 2019 to June 30, 2020 is due to the combined effect of the decrease in the assumed discount rate from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020; and changes in the trend, excise tax, updated mortality improvement assumptions.

***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020 in accordance with Paragraph 44 of GASB Statement No. 67.



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 5.20% as of June 30, 2019 to 5.40% as of June 30, 2020 in accordance with Paragraph 44 of GASB Statement No. 67.

***OTHER SUPPLEMENTAL INFORMATION***

**SECTION E – SPECIAL REVENUE FUND**

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

**Passaic Arts and Science Charter School**  
 Special Revenue Fund  
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
 For the Fiscal Year Ended June 30, 2021

E-1

	NCLB Title I	NCLB Title III	I.D.E.A. Part B	I.D.E.A. Preschool	NCLB Title II Part A	NCLB Title IV	CARES Emergency Relief	Elementary and Secondary School Emergency Relief	Digital Divide	Corona Relief Fund	Student Activity / Athletics Fund	Charter School Planning	21st Century Community Learning Center	Grand Total
<b>REVENUE SOURCES:</b>														
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,232	\$ -	\$ -	\$ 3,232
Federal	885,323	25,028	316,311	5,854	62,028	38,506	650,247	364,061	319,911	191,420	-	72,637	390,403	3,321,728
<b>Total Revenues</b>	<b>885,323</b>	<b>25,028</b>	<b>316,311</b>	<b>5,854</b>	<b>62,028</b>	<b>38,506</b>	<b>650,247</b>	<b>364,061</b>	<b>319,911</b>	<b>191,420</b>	<b>3,232</b>	<b>72,637</b>	<b>390,403</b>	<b>3,324,961</b>
<b>EXPENDITURES:</b>														
Instruction:														
Salaries	113,070	-	-	4,340	-	-	-	-	-	-	-	-	-	117,410
Salaries of Teachers	-	-	-	-	-	-	-	-	-	-	-	-	122,600	122,600
Other Salaries for Instruction	-	-	253,598	-	35,770	-	-	-	-	-	-	63,722	52,637	465,727
Other Purchased Services	277,428	24,670	-	-	-	-	-	-	319,911	150,515	-	-	5,618	778,142
General Supplies	-	-	-	-	-	-	-	-	-	-	-	-	8,771	8,771
Other Objects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Instruction</b>	<b>390,498</b>	<b>24,670</b>	<b>253,598</b>	<b>4,340</b>	<b>-</b>	<b>35,770</b>	<b>-</b>	<b>-</b>	<b>319,911</b>	<b>150,515</b>	<b>-</b>	<b>63,722</b>	<b>189,626</b>	<b>1,432,650</b>
Support Services:														
Salaries	267,425	-	-	-	-	-	-	-	-	-	-	-	-	350,767
Other Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	69,290
Personal Services - Employee Benefits	152,443	-	19,400	1,514	9,600	2,736	-	-	-	-	-	8,915	28,345	213,353
Purchased Prof/Ed Services	-	-	-	-	4,378	-	-	-	-	-	-	-	-	9,600
Other Purchased Prof/Tech Services	74,957	-	29,465	-	-	-	650,247	364,061	-	-	-	-	19,800	128,600
Other Purchased Services	-	299	-	-	-	-	-	-	-	-	5,026	-	-	1,014,607
Supplies and Materials	-	-	13,848	-	-	-	-	-	-	-	-	-	-	5,026
Indirect Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	13,848
Miscellaneous Expenditures	-	59	-	-	48,050	-	-	-	-	-	-	-	-	48,109
<b>Total Support Services</b>	<b>494,825</b>	<b>358</b>	<b>62,713</b>	<b>1,514</b>	<b>62,028</b>	<b>2,736</b>	<b>650,247</b>	<b>364,061</b>	<b>-</b>	<b>-</b>	<b>5,026</b>	<b>8,915</b>	<b>200,777</b>	<b>1,853,200</b>
Facilities Acquisition and Construction Services:														
Non-Instructional Equipment	-	-	-	-	-	-	-	-	-	40,905	-	-	-	40,905
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,905</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,905</b>
<b>Total Expenditures</b>	<b>885,323</b>	<b>25,028</b>	<b>316,311</b>	<b>5,854</b>	<b>62,028</b>	<b>38,506</b>	<b>650,247</b>	<b>364,061</b>	<b>319,911</b>	<b>191,420</b>	<b>5,026</b>	<b>72,637</b>	<b>390,403</b>	<b>3,326,755</b>
<b>Total Outflows</b>	<b>885,323</b>	<b>25,028</b>	<b>316,311</b>	<b>5,854</b>	<b>62,028</b>	<b>38,506</b>	<b>650,247</b>	<b>364,061</b>	<b>319,911</b>	<b>191,420</b>	<b>5,026</b>	<b>72,637</b>	<b>390,403</b>	<b>3,326,755</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,794)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,794)</b>

**SECTION G – PROPRIETARY FUNDS**

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

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

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

***SECTION H – FIDUCIARY FUNDS  
(NOT APPLICABLE)***

**STATISTICAL SECTION (UNAUDITED)**

***Passaic Arts and Science Charter School has been in operation for nine (9). GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for nine (9) years are available and have been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.***

**Contents**

**Financial Trends**

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

**Revenue Capacity (Not Applicable To Charter School)**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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



***FINANCIAL TRENDS***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Net Position by Component  
(Accrual Basis of Accounting)  
(Unaudited)  
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 986,501	\$ 986,501	\$ 849,609	\$ 745,180	\$ 12,894	\$ 31,651	\$ 90,961	\$ 77,051	\$ 99,067	\$ (99,067)
Restricted	75,000	75,000	138,267	-	-	-	8,015	8,492	32,934	15,850
Unrestricted (Deficit)	8,449,173	2,241,758	774,955	(309,580)	623,131	463,697	1,960,827	1,847,501	1,749,021	1,065,201
<b>Total Governmental Activities Net Position (Deficit)</b>	<b>\$ 9,510,674</b>	<b>\$ 3,303,259</b>	<b>\$ 1,762,831</b>	<b>\$ 435,600</b>	<b>\$ 636,025</b>	<b>\$ 495,348</b>	<b>\$ 2,059,803</b>	<b>\$ 1,933,044</b>	<b>\$ 1,881,022</b>	<b>\$ 981,984</b>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$ 80,932	\$ 91,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	1,405,872	342,433	314,488	155,173	182,009	159,771	86,773	74,056	75,496	14,001
<b>Total Business-Type Activities Net Position</b>	<b>\$ 1,486,804</b>	<b>\$ 434,325</b>	<b>\$ 314,488</b>	<b>\$ 155,173</b>	<b>\$ 182,009</b>	<b>\$ 159,771</b>	<b>\$ 86,773</b>	<b>\$ 74,056</b>	<b>\$ 75,496</b>	<b>\$ 14,001</b>
<b>Charter School-wide</b>										
Net Investment in Capital Assets	\$ 1,067,433	\$ 1,078,393	\$ 849,609	\$ 745,180	\$ 12,894	\$ 31,651	\$ 90,961	\$ 77,051	\$ 99,067	\$ (99,067)
Restricted	75,000	75,000	138,267	-	-	-	8,015	8,492	32,934	15,850
Unrestricted	9,855,045	2,584,191	1,089,443	(154,407)	805,140	623,468	2,047,600	1,921,557	1,824,517	1,079,202
<b>Total Charter School Net Position</b>	<b>\$ 10,997,478</b>	<b>\$ 3,737,584</b>	<b>\$ 2,077,319</b>	<b>\$ 590,773</b>	<b>\$ 818,034</b>	<b>\$ 655,119</b>	<b>\$ 2,146,576</b>	<b>\$ 2,007,100</b>	<b>\$ 1,956,518</b>	<b>\$ 995,985</b>

Source: Annual Comprehensive Financial Report

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Changes in Net Position  
(Accrual Basis of Accounting)  
(Unaudited)  
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 11,290,391	\$ 9,753,564	\$ 9,074,704	\$ 8,130,789	\$ 5,370,072	\$ 5,792,112	\$ 3,784,056	\$ 3,292,064	\$ 2,390,779	\$ 2,291,837
Administration	10,098,933	8,219,338	7,071,783	7,187,518	3,683,237	3,138,242	1,977,141	1,358,182	934,533	622,482
Support Services	6,006,935	6,132,390	5,030,593	4,876,368	3,383,203	3,135,100	1,920,467	1,944,234	1,109,616	962,690
Capital Outlay	-	102,229	51,489	96,062	52,626	173,695	13,316	472,602	79,274	73,274
Unallocated Depreciation	264,012	250,554	232,135	174,842	1,450	2,900	2,900	22,015	11,007	11,007
Total Governmental Activities Expenses	28,260,271	24,458,075	22,260,674	20,469,599	12,492,788	12,232,249	7,684,564	6,610,718	4,929,645	3,987,290
Business-Type Activities:										
Food Service	2,701,455	1,777,298	723,114	808,498	526,392	438,124	339,918	360,925	203,118	186,052
Total Business-Type Activities Expenses	2,701,455	1,777,298	723,114	808,498	526,392	438,124	339,918	360,925	203,118	186,052
Total Charter School Expenses	\$ 30,961,726	\$ 26,235,373	\$ 22,983,788	\$ 21,278,097	\$ 13,019,180	\$ 12,670,373	\$ 8,024,482	\$ 6,971,643	\$ 5,132,763	\$ 4,173,342
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	\$ 3,232	\$ 1,183,470	\$ 509,073	\$ 246,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	1,049,484	1,183,470	509,073	246,514	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,052,716	1,183,470	509,073	246,514	-	-	-	-	-	-
Business-Type Activities:										
Charges for Services	7,668	144,254	98,005	98,904	28,115	92,346	57,760	66,959	61,394	195,538
Operating Grants and Contributions	3,954,127	1,752,881	784,424	682,020	520,515	418,776	294,875	292,527	203,219	6,515
Total Business-Type Activities Program Revenues	3,961,795	1,897,135	882,429	780,924	548,630	511,122	352,635	359,486	264,613	202,053
Total Governmental Activities Program Revenues	\$ 5,014,511	\$ 3,080,605	\$ 1,391,502	\$ 1,027,438	\$ 548,630	\$ 511,122	\$ 352,635	\$ 359,486	\$ 264,613	\$ 202,053
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (27,207,555)	\$ (23,430,760)	\$ (21,751,601)	\$ (20,223,085)	\$ (12,492,788)	\$ (12,232,249)	\$ (7,684,564)	\$ (6,610,718)	\$ (4,929,645)	\$ (3,987,290)
Business-Type Activities	1,260,340	119,637	135,315	137,414	22,236	72,996	12,177	(1,439)	61,465	14,001
Total Charter School-wide Net Expense	\$ (25,947,215)	\$ (23,310,923)	\$ (21,616,286)	\$ (20,085,671)	\$ (12,470,552)	\$ (12,159,253)	\$ (7,672,387)	\$ (6,612,157)	\$ (4,868,180)	\$ (3,973,289)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
General Purposes	\$ 20,775,442	\$ 19,812,400	\$ 17,910,459	\$ 14,174,619	\$ 1,385,231	\$ 1,385,231	\$ 1,071,366	\$ 907,165	\$ 772,927	\$ 579,688
Federal and State Aid Not Restricted	9,321,201	5,064,288	5,245,985	5,758,970	10,849,096	9,286,062	6,705,187	5,733,013	5,035,769	4,369,340
Tuition	-	-	-	-	29,583	7,596	-	-	-	-
Miscellaneous Income	48,585	94,500	22,388	89,471	372,846	8,905	34,769	22,563	19,987	20,266
Special Items	3,039,945	-	-	-	-	-	-	-	-	-
Total Governmental Activities	33,185,173	24,971,188	23,078,832	20,023,060	12,633,465	10,667,794	7,811,322	6,662,741	5,828,683	4,969,274
Business-Type Activities:										
Miscellaneous Income	38	-	-	738	-	-	-	-	-	-
Total Business-Type Activities	38	-	-	738	-	-	-	-	-	-
Total Charter School-wide	\$ 33,185,211	\$ 24,971,188	\$ 23,078,832	\$ 20,023,798	\$ 12,633,465	\$ 10,667,794	\$ 7,811,322	\$ 6,662,741	\$ 5,828,683	\$ 4,969,274
Other Financing Sources (Uses)										
Transfers- Government Activities	207,899	-	-	-	-	-	-	-	-	-
Transfers- Business-Type Activities	(207,899)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
<b>Change in Net Position</b>										
Governmental Activities	\$ 6,185,517	\$ 1,540,428	\$ 1,327,231	\$ (200,025)	\$ 140,677	\$ (1,564,455)	\$ 126,758	\$ 52,023	\$ 899,038	\$ 981,984
Business-Type Activities	1,052,479	119,537	159,315	(26,836)	22,236	72,996	12,177	(1,439)	61,465	14,001
Total Charter School	\$ 7,237,996	\$ 1,660,265	\$ 1,486,546	\$ (226,861)	\$ 162,915	\$ (1,491,457)	\$ 139,475	\$ 50,584	\$ 960,503	\$ 995,985

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Fund Balances - Governmental Funds  
 (Modified Accrual Basis of Accounting)

(Unaudited)

Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Restricted	401,689	\$ 100,791	\$ 63,267	\$ -	\$ -	\$ -	\$ 8,015	\$ 8,492	\$ 32,934	\$ 15,850
Unassigned	8,920,772	5,889,113	3,434,870	1,532,736	1,763,687	1,009,305	2,268,977	1,833,592	1,771,036	867,067
<b>Total General Fund</b>	<b>\$ 9,322,461</b>	<b>\$ 5,989,904</b>	<b>\$ 3,498,137</b>	<b>\$ 1,532,736</b>	<b>\$ 1,763,687</b>	<b>\$ 1,009,305</b>	<b>\$ 2,276,992</b>	<b>\$ 1,842,084</b>	<b>\$ 1,803,970</b>	<b>\$ 882,917</b>
All Other Governmental Funds										
Restricted	\$ 20,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund										
<b>Total All Other Governmental Funds</b>	<b>\$ 20,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Source: Annual Comprehensive Financial Report

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Changes in Fund Balances - Governmental Funds  
(Modified Accrual Basis of Accounting)  
(Unaudited)

Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Revenues:</b>										
Local Sources:										
Local Tax Levy	\$ 4,993,146	\$ 4,413,267	\$ 3,929,636	\$ 2,747,686	\$ 1,381,940	\$ 1,365,231	\$ 1,071,366	\$ 907,165	\$ 772,927	\$ 579,668
Tuition					29,583	7,596				
Miscellaneous	51,817	94,500	22,388	89,471	79,898	8,905	34,769	22,563	19,987	20,266
Intermediate Sources					367,994					
State Sources	20,596,555	18,682,287	16,789,152	14,944,220	10,329,458	8,630,671	6,283,727	5,289,319	4,699,160	4,244,171
Federal Sources	3,321,585	1,770,657	1,658,685	924,085	519,638	655,391	421,460	443,694	336,609	125,169
Total Revenues	28,963,103	24,960,711	22,399,861	18,705,462	12,708,511	10,667,794	7,811,322	6,662,741	5,828,683	4,969,274
Special Items	3,039,945									
<b>Expenditures:</b>										
Instruction	9,523,799	8,421,014	7,682,442	7,140,504	4,363,653	4,868,550	3,184,033	2,861,449	2,075,852	1,970,029
Administration	9,293,372	7,931,447	6,837,680	6,181,794	4,407,347	3,995,422	2,389,140	1,863,341	1,301,727	1,003,117
Support Services	9,487,863	5,656,713	5,423,063	4,588,483	3,127,824	2,895,510	1,803,241	1,843,935	1,067,449	923,863
Capital Outlay	595,254	534,770	416,255	1,025,232	55,305	175,999	-	55,902	472,602	189,348
Total Expenditures	28,900,288	22,543,944	20,359,460	18,936,013	11,954,129	11,935,481	7,376,414	6,624,627	4,907,630	4,086,357
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,815	2,416,767	2,040,401	(230,551)	754,382	(1,267,687)	434,908	38,114	921,053	882,917
<b>Other Financing Sources (Uses):</b>										
Transfers	207,899									
Total Other Financing Sources (Uses)	207,899									
Net Change in Fund Balance	\$ 3,310,659	\$ 2,416,767	\$ 2,040,401	\$ (230,551)	\$ 754,382	\$ (1,267,687)	\$ 434,908	\$ 38,114	\$ 921,053	\$ 882,917

Source: Annual Comprehensive Financial Report

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
*(Modified Accrual Basis of Accounting)*  
 (Unaudited)  
*Last Ten Fiscal Years*

Fiscal Year Ending June 30,	Donations	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2021	\$ 1,110	\$ 400	\$ 47,075	\$ 48,585
2020	1,015	-	93,485	94,500
2019		274	22,114	22,388
2018	-	1,920	87,551	89,471
2017	-	700	79,198	79,898
2016	-	167	8,738	8,905
2015	933	-	33,836	34,769
2014	575	-	21,988	22,563
2013	-	-	19,987	19,987
2012	-	-	20,266	20,266

**Source: Charter School records**

***OPERATING INFORMATION***

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
 Full-Time Equivalent Charter School Employees by Function  
 (Unaudited)  
*Last Ten Fiscal Years*

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Instruction	150	140	134	124	89	74	52	39	40	33
Administrative	33	16	27	12	10	19	5	5	3	2
Support Services	34	53	25	39	30	12	28	27	13	11
Total	<u>217</u>	<u>209</u>	<u>186</u>	<u>175</u>	<u>129</u>	<u>105</u>	<u>85</u>	<u>71</u>	<u>56</u>	<u>46</u>

Source: Charter School Personnel Records



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Operating Statistics  
(Unaudited)  
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2021	1689	\$ 28,305,034	\$ 16,758	19.47%	150	11:1	1695	1601	18.88%	94.45%
2020	1569	22,009,174	14,028	1.78%	140	11:1	1375	1319	4.58%	95.93%
2019	1447	19,943,205	13,782	-2.89%	134	11:1	1312	1274	5.03%	97.10%
2018	1262	17,910,781	14,192	-13.53%	124	10:1	1246	1217	31.38%	97.67%
2017	837	11,898,824	16,412	-26.45%	89	9:1	855	855	15.20%	100.00%
2016	725	11,759,482	22,314	43.39%	74	10:1	725	725	29.93%	100.00%
2015	527	7,376,414	15,562	-0.50%	52	10:1	508	508	6.89%	100.00%
2014	474	6,568,725	15,640	26.95%	39	12:1	473	451	12.47%	95.35%
2013	420	4,435,028	12,320	0.00%	40	11:1	414	409	14.73%	98.79%
2012	360	3,897,009	-	0.00%	33	11:1	353	349	0.00%	98.87%

**Sources: Charter School records**

**Note:** Enrollment based on annual final Charter School count.

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
 School Building Information  
 (Unaudited)  
 Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Charter School Building</b>										
<u>Middle School</u>										
Name of School (Year)										
Square Feet	25390	25,390	25,390	25,390	25,390	25,390	25,390	31,800	31,800	N/A
Capacity (students)	500	500	500	349	240	240	240	420	420	N/A
Enrollment	455	455	455	349	235	236	237	420	360	N/A
<u>High School</u>										
Square Feet	31800	31,800	31,800	31,800	31,800	31,800	31,800			
Capacity (students)	320	320	320	244	260	300	240			
Enrollment	300	254	177	244	255	291	237			
<u>Elementary</u>										
Square Feet	19100	19,100	19,100	19,100	19,100					
Capacity (students)	400	400	400	244	240					
Enrollment	352	359	353	244	235					
<u>Middle (Clifton)</u>										
Square Feet	30897	30,897	30,897							
Capacity (students)	400	400	400							
Enrollment	192	379	278							
<u>Elementary (Clifton)</u>										
Square Feet	23248	23,248								
Capacity (students)	400	400								
Enrollment	390	390								

Number of Schools at June 30, 2021

Elementary School = 1

Middle School = 1

High School = 1

**Source:** Charter School Facilities Office

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Insurance Schedule

June 30, 2021

	<u>Coverage</u>	<u>Deductible</u>
<b>PACKAGE POLICY - G.R. MURRAY INSURANCE</b>		
<b><i>Property</i></b>		
Blanket for Extra Expense	\$ 50,000,000	
Blanket Valuable Papers & Records	10,000,000	
Flood Zones A&V	10,000,000	\$ 500,000
All other Flood Zones	50,000,000	10,000
<b><i>EDP</i></b>		
Blanket Hardware/Software	500,000	
Transit	25,000	
Loss of Income	10,000	
<b><i>Boiler &amp; Machinery</i></b>		
Property Damage & Extra Expense	100,000,000	1,000
<b><i>Crime</i></b>		
Public Employee Dishonesty	250,000	
Loss of Money & Securities	50,000	
Money Orders & Counterfeit	50,000	
Forgery or Alteration	50,000	
Computer Fraud - Deductible is for each coverage part	250,000	
<b><i>General Liability</i></b>		
Each Occurrence	16,000,000	
Products/Completed Ops Annual Agg	16,000,000	
Sexual Abuse Per Occurrence	16,000,000	
Sexual Abuse Annual Pool Agg	17,000,000	
Personal & Advertising Injury Per Occurrence	16,000,000	
Personal & Advertising Injury Annual Agg	16,000,000	
Employee Benefits	16,000,000	1,000
Medical Payments	5,000	
<b><i>Business Auto</i></b>		
Hired & Non-Owned Auto Liability	16,000,000	

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**

Insurance Schedule

June 30, 2021

	<u>Coverage</u>	<u>Deductible</u>
<b>Workers Compensation</b>		
Employers Liability Limits		
Bodily Injury by Accident - Each Accident	2,000,000	
Bodily Injury by Disease- Each Employee	2,000,000	
Bodily Injury by Disease - Aggregate Limit	2,000,000	
Bodily Injury and Property Damage	16,000,000	
Products/Completed Operations	16,000,000	
Sexual Abuse Per Occurrence	16,000,000	
Sexual Abuse Annual NJSIG Aggregate	17,000,000	
Personal & Advertising Injury	16,000,000	
Employee Benefits Liability	16,000,000	1,000
Premises Medical Payments - Per Accident	10,000	
Premises Medical Payments - Per Person	5,000	
Terrorism	1,000,000	
<b>Automobile</b>		
Hired & Non-Owned - Bodily Injury and Property Damage	16,000,000	
Terrorism	1,000,000	

PASSAIC ARTS AND SCIENCE CHARTER SCHOOL  
 New Jersey Performance Framework Financial Ratios  
 Charter School Performance Framework Financial Indicators  
 Audited Performance Indicators  
 Fiscal Ratios  
 Last Three Fiscal Years

	2019 Audit	2020 Audit	2021 Audit	Source
Cash	2,594,780	8,389,193	7,525,515	Audit: Exhibit A-1
Current Assets (include cash)	4,542,380	9,842,794	14,506,352	Audit: Exhibit A-1
Current Liabilities	763,349	3,510,457	367,499	Audit: Exhibit A-1
Total Expenses	22,983,788	26,391,528	30,961,726	Audit: Exhibit A-2
Change in Net Position	1,486,546	1,660,265	7,237,996	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	1,312.00	1,375.00	1,695.00	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	1,506	1,569	1,689	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/notes/bond payable:</i>				
Depreciation Expense	-	-	-	Auditor/Workpapers
Interest Expense	-	-	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

Performance Indicators	2019	2020	2021	3-YR CUM	Calculation****	Target****
<b>Near-Term Indicators</b>						
1a. Current Ratio (working capital ratio)	5.95	2.80	39.48		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b. Unrestricted days cash on hand	41.21	116.02	88.72		Cash (Total Expenses/365)	60 days or 30-60 days with positive trend
1c. Enrollment Variance	87%	88%	100%	92%	Average Daily Enrollment Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.** Default on loans or delinquent in debt payments	NO	NO	NO		Auditor	not in default
<b>Sustainability Indicators</b>						
2a**** 3 Year Cumulative Cash Flow	1,248,725	5,794,413	(863,678)	6,179,460	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b Debt Service Coverage Ratio	N/A	N/A	N/A		N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

\* For renaissance schools: use Oct 15 count if no final count; use head count if ADE not available  
 \*\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? No  
 \*\*\*\* 2021 =2021 Cash -2020 Cash -2020 Cash -2019 Cash -2018 Cash  
 Refer to NJ Performance Framework



***SINGLE AUDIT SECTION***

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

**INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Trustees  
Passaic Arts and Science Charter School  
County of Passaic  
Fair Lawn, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and each major fund of Passaic Arts and Science Charter School (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated February 9, 2022 dated February 9, 2022, which contains an emphasis of matter paragraph describing the adoption of a new accounting principle, consistency of financial statements, and prior period adjustment.

***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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

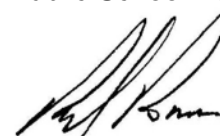
### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

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

Union, New Jersey  
February 9, 2022



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH UNIFORM GUIDANCE AND NEW JERSEY CIRCULAR 15-08 OMB**

The Honorable President and  
Members of the Board of Trustees  
Passaic Arts and Science Charter School  
County of Passaic  
Fair Lawn, New Jersey

***Report on Compliance for Each Major Federal and State Program***

We have audited the Passaic Arts and Science Charter School’s (Charter School) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the New Jersey Circular 15-08 OMB *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2021. The Charter School’s major federal and state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit*

*Requirements for Federal Awards* (Uniform Guidance), audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey Circular 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey Circular 15-08 OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or 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 federal and state program. However, our audit does not provide a legal determination of the Charter School's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Passaic Arts and Science Charter School, in the County of Passaic, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of the Passaic Arts and Science 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 federal or 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 federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey Circular 15-08 OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 federal or 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 federal or 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 federal or 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. 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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.


Passaic Arts and Science Charter School's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Passaic Arts and Science Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Purpose of this Report***

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 Uniform Guidance and New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.



BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants



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

Union, New Jersey  
February 9, 2022

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2021

Federal Assistance Listing Number	Federal Award Identification	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2020	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Pass Through To Recipients	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2021	Due to Grantor
<b>U.S. Department of Education</b>															
<b>Passed-through State Department of Education</b>															
Special Revenue Fund:															
84.010A	N/A	S0010A210030	NCLB - 6080 - 21	885,323	7/1/20	6/30/21	\$ -	\$ (268,337)	\$ (885,323)	\$ -	\$ -	\$ -	\$ (1,153,660)	\$ -	\$ -
84.010A	N/A	S0010A200030	NCLB - 6080 - 20	900,522	7/1/18	6/30/19	(201,865)	201,865	(62,028)	-	-	-	-	-	-
84.367A	84.367A	S367A210029	NCLB - 6080 - 21	62,028	7/1/20	6/30/21	-	62,028	(24,884)	-	-	-	-	-	-
84.365A	84.365A	S365A210030	NCLB - 6080 - 21	24,884	7/1/20	6/30/21	(628)	24,884	(38,506)	-	-	-	-	-	-
84.367A	84.367A	S367A200028	NCLB - 6080 - 20	72,218	9/1/19	8/31/20	(38,533)	39,333	(38,506)	-	-	-	-	-	-
84.186A	84.186A	S324A210031	NCLB - 6080 - 21	38,506	9/1/20	8/31/21	(17,469)	17,469	-	-	-	-	-	-	-
84.186A	84.186A	S324A200027	NCLB - 6080 - 20	41,850	9/1/19	8/31/20	-	-	-	-	-	-	-	-	-
Special Education Cluster (IDEA):															
84.027A	84.027A	H027A210031	IDEA - 6080 - 21	316,311	7/1/20	6/30/21	(37,762)	316,311	(316,311)	-	-	-	-	-	-
84.027A	84.027A	H027A200027	IDEA - 6080 - 20	283,333	7/1/19	6/30/20	-	3,582	(5,854)	-	-	-	-	-	-
84.173A	84.173A	S455A210029	IDEA - 6080 - 21	1,854	7/1/20	6/30/21	(1,732)	1,732	-	-	-	-	-	-	-
84.173A	84.173A	S455A200027	IDEA - 6080 - 20	5,576	7/1/19	8/31/20	(39,494)	361,659	(322,165)	-	-	-	-	-	-
Other Special Revenue Funds:															
84.282A	N/A	S425D200027	N/A	-	9/1/20	8/31/21	-	-	-	-	-	-	-	-	-
84.282A	N/A	S425D200027	N/A	-	9/1/19	8/31/20	-	72,637	(72,637)	-	-	-	-	-	-
84.287C	N/A	S425D200027	N/A	390,403	9/1/19	8/31/20	(34,126)	36,163	(390,403)	-	-	-	-	-	-
84.425	COVID-19; 84.425D	S425D200027	N/A	319,911	9/1/20	10/31/20	-	319,911	(319,911)	-	-	-	-	-	-
84.425	COVID-19; 84.425D	S425D200027	N/A	384,061	3/1/20	9/30/22	-	384,061	(384,061)	-	-	-	-	-	-
84.425	COVID-19; 84.425D	S425D200027	N/A	650,247	3/1/20	9/30/22	(34,126)	650,247	(650,247)	-	-	-	-	-	-
Total Other Special Revenue Funds															
21.019	COVID-19		N/A	191,420	8/1/20	10/1/20	(333,715)	191,420	(191,420)	-	-	-	(1,153,660)	-	-
Total Special Revenue Fund															
<b>U.S. Department of Treasury</b>															
<b>Passed-through State Department of Education</b>															
COVID-19; Coronavirus Relief Fund															
Total Department of Treasury Funds															
Total Special Revenue Fund															
<b>U.S. Department of Agriculture</b>															
<b>Passed-through State Department of Agriculture</b>															
Enterprise Fund:															
Child Nutrition Cluster:															
10.553	COVID-19	211NJ30AN1099	N/A	1,355,838	7/1/20	6/30/21	-	1,217,854	(1,355,838)	-	-	-	(137,984)	-	-
10.553	COVID-19	201NJ30AN1099	N/A	417,329	7/1/19	6/30/20	(112,516)	112,516	(2,340,083)	-	-	-	(243,594)	-	-
10.555	COVID-19	211NJ30AN1099	N/A	2,340,083	7/1/20	6/30/21	(179,162)	2,086,489	(2,340,083)	-	-	-	(381,578)	-	-
10.555	COVID-19	201NJ30AN1099	N/A	1,032,483	7/1/19	6/30/20	(291,778)	144,470	(3,695,921)	-	-	-	(4,075)	-	-
10.559	COVID-19	201NJ30AN1099	N/A	144,470	7/1/19	6/30/20	(6,861)	45,938	(50,013)	-	-	-	(385,653)	-	-
10.592	N/A	211NJ30AN1099	N/A	63,321	7/1/19	6/30/20	(288,739)	3,659,020	(3,745,934)	-	-	-	(1,539,313)	-	-
10.592	N/A	201NJ30AN1099	N/A	62,321	7/1/19	6/30/20	(632,454)	6,160,660	(7,067,519)	-	-	-	(1,539,313)	-	-
Total Enterprise Fund															
Total Federal Financial Awards															

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2021

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2020		Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Year's Balance	Balance at June 30, 2021		Cumulative Total Expenditures
			From	To	Unearned Revenue (Accounts Receivable)	Due to Grantor					Unearned Revenue/Interfund Payable	Due to Grantor	
<b>State Department of Education</b>													
General Fund:													
State Aid-Public Cluster													
Equalization Aid	21-495-034-5120-078	\$ -	7/1/20	6/30/21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
"Local Levy" State Share - Charter School Aid	20-495-034-5120-071	-	7/1/19	6/30/20	-	-	-	-	-	-	-	-	-
Equalization Aid	21-495-034-5120-078	15,782,296	7/1/20	6/30/21	15,782,296	(1,760,171)	14,022,125	(15,782,296)				15,782,296	
Equalization Aid	20-495-034-5120-078	15,399,133	7/1/19	6/30/20	(70,233)		70,233					503,129	
Special Education Categorical Aid	21-495-034-5120-089	-	7/1/20	6/30/21	-	-	503,129	(503,129)				659,380	
Special Education Categorical Aid	20-495-034-5120-089	-	7/1/19	6/30/20	-	-	659,380	(659,380)				792,918	
Security Aid	21-495-034-5120-084	659,380	7/1/20	6/30/21	792,918	(1,760,171)	792,918	(792,918)				17,737,723	
Security Aid	20-495-034-5120-084	-	7/1/19	6/30/20	-	-	16,047,765	(17,737,723)				51,600	
Adjustment Aid	21-495-034-5120-085	792,918	7/1/20	6/30/21	792,918	(1,760,171)	792,918	(792,918)				538,634	
Adjustment Aid	20-495-034-5120-085	-	7/1/20	6/30/21	-	-	51,600	(51,600)				1,718,766	
Nonpublic Aid	21-100-034-5065-042	-	7/1/20	6/30/21	-	-	538,634	(538,634)				3,477	
On-Behalf TPAF - Post Retirement Medical	21-495-034-5094-001	538,634	7/1/20	6/30/21	538,634		538,634					546,355	
On-Behalf TPAF - Post Retirement Medical	20-495-034-5094-001	-	7/1/19	6/30/20	-	-	-	-				25,653	
On-Behalf TPAF - Non-Contributory Insurance	21-495-034-5094-002	1,718,766	7/1/20	6/30/21	1,718,766		1,718,766					(27,193)	
On-Behalf TPAF - Non-Contributory Insurance	20-495-034-5094-002	-	7/1/20	6/30/21	-	-	3,477	(3,477)				(95,886)	
Reimbursed TPAF - Social Security	21-495-034-5094-003	546,355	7/1/20	6/30/21	546,355		519,162	(546,355)				88,930	
Reimbursed TPAF - Social Security	20-495-034-5094-003	435,628	7/1/19	6/30/20	435,628		25,653					5,907	
Total General Fund							18,905,077	(20,596,555)			(1,767,364)		119,388
<b>State Department of Agriculture</b>													
Enterprise Fund:													
National School Lunch Program (State Share)	21-100-010-3350-023	119,388	7/1/20	6/30/21	119,388		88,930	(119,388)			(30,458)		119,388
National School Lunch Program (State Share)	20-100-010-3350-023	20,000	7/1/19	6/30/20	20,000		5,907						119,388
Total Enterprise Fund							94,837	(119,388)			(30,458)		20,715,943
Total All Funds							18,999,914	(20,715,943)			(1,817,822)		20,715,943
State Financial Assistance Not Subject To Major Program Determination:													
On-Behalf TPAF PRM Contributions	21-495-034-5094-001	\$ 538,634	7/1/20	6/30/21	\$ 538,634	\$ -	\$ (538,634)	\$ 538,634	\$ -	\$ -	\$ -	\$ -	\$ 538,634
On-Behalf TPAF Pension Contributions	21-495-034-5094-002	1,718,766	7/1/20	6/30/21	1,718,766		(1,718,766)	1,718,766					1,718,766
On-Behalf TPAF Non-Contributory Insurance	21-495-034-5094-004	3,477	7/1/20	6/30/21	3,477		(3,477)	3,477					3,477
Total State Financial Assistance Subject to Single Audit							16,739,037	(18,455,066)					2,260,877

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

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
of Federal Awards and State Financial Assistance

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in these schedules are presented in accordance with the requirements of Title 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
of Awards and Financial Assistance  
June 30, 2021

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**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 20,596,555	\$ 20,596,555
Special Revenue Fund	3,321,585		3,321,585
Food Service Fund	3,695,921	119,388	3,815,309
Total Awards & Financial Assistance	<u>\$ 7,017,506</u>	<u>\$ 20,715,943</u>	<u>\$ 27,733,449</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING**

Passaic Arts and Science Charter School has no loan balances outstanding at June 30, 2021.

**NOTE 6. OTHER INFORMATION**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2021. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2021.

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
of Awards and Financial Assistance  
June 30, 2021

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

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

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 885,323
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	62,028
Total	\$ 972,379

**NOTE 9. DE MINIMIS INDIRECT COST**

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

**NOTE 10. MAJOR PROGRAMS**

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



**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

2) Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

2) Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?   X   Yes \_\_\_\_\_ No

Identification of major federal programs:

**Assistance Listing Number(s)**

**Name of Federal Program or Cluster**

**EDUCATION STABILIZATION FUND:**

84.425D	Elementary and Secondary School Emergency Relief Fund CARES Emergency Relief Act Digital Divide
84.425D	
84.425D	

**CHILD NUTRITION PROGRAM:**

10.555	National School Lunch Program
10.553	School Breakfast Program
10.559	Summer Food Service Program

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

**Section I – Summary of Auditor’s Results (Continued)**

**State Awards**

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

Auditee qualified as low-risk auditee?  Yes  No

Internal control over major programs:

    1) Material weakness(es) identified?  Yes  No

    2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

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

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
	<b>STATE AID – PUBLIC:</b>
<u>21-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>21-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>21-495-034-5120-084</u>	<u>Security Aid</u>
<u>21-495-034-5120-085</u>	<u>Adjustment Aid</u>

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

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***Section II – Financial Statement Findings***

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

No Current Year Findings

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

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

**CURRENT YEAR FEDERAL AWARDS**

**Item #2021-001 – Expenses Charged to the Education Stabilization Fund (CARES) Grants are Not in Compliance With the Grant Agreement**

Criteria: The grant calls for allowable expenses to be directly address preparedness and response to the COVID-19 pandemic situation.

Condition: The School transferred rent expenses from Fund 10 to Fund 20 and charged \$1,014,308 of rent expenses to the Education and Stabilization Fund (CARES) Grant. These are rent expenses from leases that had been in effect prior to the COVID-19 pandemic. There are no incremental costs charged to the School for any renovations or improvements by landlord that directly address preparedness and response to the COVID-19 pandemic situation. Therefore the School incurred no costs that should be charged to the grant. We questioned \$1,014,308 because these expenditures were not in compliance with grant requirements.

Cause: The CARES Act grants were released in an emergency situation when it was unclear whether the Charter Schools would have State Aid significantly decreased resulting in an interruption to school programs. The Charter School charged critical expenditures, such as rent, to the grant in order avoid closure of school facilities in the event that State funding was severely curtailed due to the pandemic. The School provided the County with a budget outlining the expenses to be charged to the grant, and a rationale explaining the need for the funds. The grant was approved by the County which provided the School with a level of assurance that the expenditures would be in compliance with grant requirements.

## **CURRENT YEAR FEDERAL AWARDS (CONTINUED)**

### **Item #2021-001 – Expenses Charged to the Education Stabilization Fund (CARES) Grants are Not in Compliance With the Grant Agreement (Continued)**

Cause (Continued): The emergency situation, the unstable environment, and the School's reliance on the County's approval of the grant expenditures, led to these unallowable expenditures charged to the grant.

Effect: The grant was overcharged with non allowable expenses.

Questioned Costs: \$1,014,308

Context: The instance of non compliance is considered to be non-systematic and the result of an exceptional set of circumstances related to an emergency pandemic situation.

Recommendations: Management should establish procedures and controls to ensure that grant compliance requirements are carefully reviewed and understood prior to submitting expenditures for reimbursement.

Responsible Official's Response and Corrective Action Planned: Passaic Arts and Science Charter School applied for CARES Act funding and appropriately stated its use of funds to in EWEG system, explaining that the buildings are not owned by the school, and any improvements necessary to the building would be the responsibility of the landlord and lease payments would cover such expenditures. The school received approval from the NJDOE program officers accordingly.

Secondly, auditor's interpretation that the grant calls for allowable expenses to directly address preparedness and response to the COVID-19 pandemic situation is not consistent with the guidelines school received by the NJDOE. The guidelines provide multiple-use options to the schools that include addressing preparedness and response to the Covid 19 pandemic situation.

There are also other allowable use options for schools to choose from that are not directly related to the Covid 19 pandemic. Below are some examples for instance.

1. *a) Any activity authorized by the ESEA of 1965, b) the Individuals with Disabilities Education Act ("IDEA"), c) the Adult Education and Family Literacy Act, d) the Carl D. Perkins Career and Technical Education Act or e) subtitle B of title VII of the McKinney-Vento Homeless Assistance Act*
2. *Providing principals and other school leaders with the resources necessary to address the needs of their individual schools.*
3. *Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, students experiencing homelessness, and foster care youth, including how outreach and service delivery will meet the needs of each population.*
4. *Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff of the local educational agency.*

## **CURRENT YEAR FEDERAL AWARDS (CONTINUED)**

### **Item #2021-001 – Expenses Charged to the Education Stabilization Fund (CARES) Grants are Not in Compliance With the Grant Agreement (Continued)**

School used the #4 option in its application and received approval from the program officers at NJDOE.

Lastly, the recommendation is that “management should establish procedures and controls to ensure that grant compliance requirements are carefully reviewed and understood prior to submitting expenditures for reimbursement.” Such procedures and controls already exist and were followed in regards to this grant, and School will continue ensuring that all future grant proceeds are reviewed carefully for compliance with grant requirements. The School Business Administrator communicated clearly and directly with the county office to ensure that the planned expenditures were met with approval.

Person Responsible for Corrective Action: We disagree with the auditor’s finding. We believe our actions meet the requirements of the program. We contacted the regional office of the NJDOE and obtained approval, as required by the grant agreement.

Planned Implementation Date of Corrective Action: N/A

Person Responsible for Corrective Action: N/A

## **CURRENT YEAR STATE AWARDS**

### **Item #2021-002 – The School Prepaid Rent is Out of Compliance with State Regulations.**

Criteria: The following forms the basis for determining compliance with New Jersey State laws and regulations:

NJAC 6A:23A-22.2(b) provides that:

(b) A charter school board of trustees may acquire real property by a lease or a lease with an option to purchase for use as a school facility providing that the charter school board of trustees shall ensure:

1. The lease contains a provision terminating the obligation to pay rent upon the denial, revocation, non-renewal, or surrender of the charter; and
2. The lease does not contain a provision accelerating the obligation to pay rent in the event of default.

NJAC 6A:26-10.10 provides that all multiyear leases of facilities contain a clause "making them subject to the availability and appropriation annually of sufficient funds as may be required to meet the extended obligation, or shall contain an annual cancellation clause.

Condition: On September 20, 2020, the Charter School entered into a 40 year sub-lease with its Charter Management Organization (iLearn Schools Inc. “iLearn”). This sub-lease is subject to all of the terms and conditions of the Master Lease including the covenants therein. As part of the sub-lease agreement, the school made the "basic prepaid rent" prepayment on January 13, 2021 in the full amount of \$3,436,000, which represents the prepayment of all rents due during the term of the lease.

## **CURRENT YEAR STATE AWARDS (CONTINUED)**

### **Item #2021-002 – The School Prepaid Rent is Out of Compliance with State Regulations (Continued)**

Although the lease contains a termination provision in the event of the loss of the charter, there is no provision that would provide the charter school with the right to rescind or undo the lease. The sub-lease agreement provides that “no portion of basic pre-paid rent shall be refunded” in the event of a loss of charter.

In the event that the charter school would lose its charter from non-renewal and be forced to terminate the lease, iLearn, Inc., acting as sub-landlord (and tenant in the master lease), will still have the ability to rent the premises to another sub-tenant for the remaining term of the sub-lease.

Passaic Arts and Science Charter School would forfeit the deposit and the State would have no recourse of recovery in the event that the school lose its charter while iLearn could continue to benefit by renting the facility.

Our review revealed that this situation is one of first impression given the uniqueness of the lease structure and that the language of the pertinent laws and regulations does not specifically address the issue of "prepayment" of rent by a charter school. However, we believe that the intent of these laws and regulations, to protect taxpayers and provide transparency in lease transactions, when applied to the facts at issue here raises serious questions regarding the ability of the charter school to enter into this lease provision.

Cause: The Charter School was motivated to reduce its rent payment, which was achieved by agreeing to a 40 year lease and prepayment of the rent for the entire term of the lease.

Effect: If the Charter School's charter is not renewed during the lease term, any remaining portion of the prepaid rent will be non-refundable. Depending on when a charter non-renewal occurs, the non-refundable prepaid rent could be in excess of \$3,000,000.

Questioned Costs: \$3,436,000

Context: iLearn assisted the Charter School with negotiating the lease agreement. In assuring that the transaction was compliant with New Jersey regulations and laws, iLearn utilized the services of its attorney prior to entering into the agreement. Once approved by iLearn's attorney, the lease was signed and then presented and approved by the Charter School's Board of Trustees.

Recommendations: Such a unique and unusual transaction could have warranted additional discussions, especially with the State's Department of Education, to confirm compliance with state laws and regulations. We would further recommend that, whenever an attorney is required to review a contract or agreement, the Charter School Board should rely on the review and opinion of its own school attorney as opposed to the attorney of its charter management organization.

**CURRENT YEAR STATE AWARDS (CONTINUED)**

**Item #2021-002 – The School Prepaid Rent is Out of Compliance with State Regulations  
(Continued)**

Responsible Official's Response and Corrective Action Planned:

PASCS disputes the audit finding regarding the 40 Tulip Street lease. Despite PASCS's repeated requests, Barre & Company has not provided sufficient documentation in support of its claim that a representative of the Department of Education expressed concern about the lease, nor has Barre & Company identified a single law, rule, or regulation that the lease violates. A charter school is authorized to acquire real property from public or private sources, by purchase, lease, lease with option to purchase, or by gift, for use as a school facility. N.J.S.A. 18A:36A-6(c). There is no statutory or regulatory prohibition against the prepayment of rent which enabled PASCS, a high performance charter school, to secure a stable facility at a lower cost to the school than other options.

Planned Implementation Date of Corrective Action: N/A

Person Responsible for Corrective Action: N/A

**PASSAIC ARTS AND SCIENCE CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by  
Management  
For the Fiscal Year Ended June 30, 2021

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**STATUS OF PRIOR-YEAR FINDINGS**

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

NONE