

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2021

***PATERSON ARTS AND SCIENCE
CHARTER SCHOOL***

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

***ANNUAL COMPREHENSIVE ANNUAL REPORT
For The Fiscal Year Ended June 30, 2021***

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

Prepared by

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

And

Barre & Company LLC, CPAs

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INTRODUCTORY SECTION

PATERSON 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
Paterson Arts and Science Charter School
County of Passaic
Fair Lawn, New Jersey

Dear Board Members:

The Annual Comprehensive Annual Report of the Paterson 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 Annual 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 five 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 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.

1. REPORTING ENTITY AND ITS SERVICES: Paterson 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. Paterson Arts and Science Charter School Board of Trustees constitutes the Charter School’s reporting entity.

Paterson Arts and Science Charter School provides a full range of educational services appropriate to Grades K-12. 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 929 students. The following details the student enrollment of the Charter School.

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment-ADE</u>	<u>Percent Change - ADE</u>
-2021	929	7.33%
-	832	11.67%
-	771	18.06%
-	681	14.87%
-	558	16.63%

2. ECONOMIC CONDITION AND OUTLOOK: Paterson 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 Paterson Arts and Science Charter School will continue to prosper.

3. MAJOR INITIATIVES: The Paterson Arts and Science Charter School 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: Paterson 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.

Our mission and vision is in direct alignment with the Science, Technology, Engineering, Arts, and Math (STEAM) philosophy. STEAM is an interdisciplinary educational philosophy that is strongly grounded in, and supported by, educational research. Through challenging, project-based learning experiences, core competencies are learned and evidenced by students. STEAM challenges our students to not only learn the content standards, but also to apply this new knowledge of 21st century skills and discoveries to tackle evolving real-world challenges.

The tenets of the Paterson ASCS mission statement focus on high academic achievement, to be supported by digital literacy and a variety of co-curricular activities, provided in healthy environment that encourages mutual respect and social responsibility, supported by the efforts of students, teachers, families, and the school community/community at large. Within the academic framework, the following explains key design elements and evidence of innovative practices:

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 CCSS 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 CCSS. In mathematics, lessons are aligned to the CCSS and the content prioritized and supported with online programs for student instruction and assignments. Teachers and students have access to rich, CCSS-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 *New Jersey Student Learning Standards* coupled with the next-generation digital assessments require us to adjust both the method and mode of instruction to prepare our students for college and careers. The design of the program currently embraces technological literacy and integration; in the absence of technological resources, curricula cannot be delivered as designed. Student assessment data is used 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). Paterson 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 participates with its sister schools, Bergen ASCS, Passaic ASCS, and Hudson ASCS in an annual 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 Paterson ASCS are afforded the benefits of partnerships currently established with local universities, businesses, and community leaders. Paterson ASCS recognizes a school as an anchor in a community; we believe the school is the anchor that this 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 atmosphere.

Paterson ASCS believes that family involvement is an integral component of our school culture. Our objective is to continue fostering close and positive relationships along with constant communication between school, family, and community. Our Parent-Teacher Organization (PTO) is a committee that maintains a strong presence at the school, and is vital to enriching the experience of students. The PTO makes 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 2020-2021 academic year, Paterson ASCS reached out to both the parents and the community with myriad programs and activities to enhance the experience of the students and school community as a whole. A selection of these activities is provided below. Paterson 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. PTO members 2020-2021 school year in order to ensure a successful joining of parent/family community with the school.

- BACK-TO-SCHOOL NIGHT
- Patriots Day-9/11 Memorial
- HISPANIC HERITAGE MONTH CELEBRATION
- Week of Respect
- Fire Truck/Firehouse Visit
- GRANDPARENT'S NIGHT
- Violence Awareness
- HALLOWEEN PARADE
- Veteran's Day
- PARENT/TEACHER CONFERENCES
- PATERSON ASCS AWARDS CEREMONIES
- HERITAGE MONTH
- THANKSGIVING DINNER/FOOD DRIVE

- VIRTUAL CONCERTS
- SCHOOL CHOICE WEEK
- BLACK HISTORY MONTH CELEBRATION
- Read Across America
- Valentine's Day Celebration
- 100th Day of School
- St. Patrick's Day Zoom
- Women's History Month
- School Wide Spirit Day Virtual Zoom Dance Party
- Virtual ART Gallery & SPRING Talent Show
- CINCO DE MAYO CELEBRATION
- National Honor Society Virtual Induction Ceremony
- Virtual End of Year Activities
- Polar Express Party
- Parent Conferences
- Kindergarten Graduation
- 8th Grade GRADUATION
- Senior Prom
- Sophomore Zoom Party
- College Essay Writing Workshop
- Senior Awards Dinner
- Inaugural Commencement Ceremony
- Chuck E Cheese Fundraiser
- BINGO NIGHT
- SNACKIn in the USA FUNDRAISER
- BOOK FAIR
- VALENTINE'S DAY Candy Grams SALE
- CONCESSION STANDS
- Hershey Candy Fundraiser
- Bake Sales
- Movie Night

PARTNERSHIP PROGRAMS: Paterson ASCS has partnered with the organizations and institutions of higher learning listed below in order to improve teaching and learning across school campuses.

Rutgers University:

In collaboration with Rutgers University, Paterson ASCS High participated in the School Systems Improvement Project. This grant enabled school administrators and the school's Master Mentor Teacher to utilize an evaluation instrument that is highly specific and quantitative. Teachers received 3 formal CSS-O reports throughout the year. School administrators and teachers each completed 3 CSS-T and CSS-O forms, respectively. Each took approximately 30 minutes in length.

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. 2 school administrators utilized this partnership in order to further their education.

Ramapo College

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

Fairleigh Dickinson University

Founded in 1984, the Middle College program is now affiliated with more than 100 high schools throughout New Jersey, including Paterson 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.

Fair Lawn Chamber of Commerce

Acted as a resource for governmental assistance especially for those impacted by Covid. We are a member of the Chamber and as such we do receive their newsletters, we attend chamber meetings and one of our staff members sits as a board member.

SUEZ North America

Extended volunteers to our schools as speakers at our STEM events and other educational programs. Suez staff participates in our events as speakers. They also invite our students to come to their facility while they teach them everything about how water reservoirs work.

Bergen Volunteer Center

Collaborate on volunteer opportunities for staff and students. Provided us with resources on volunteer opportunities/ internships for our students and staff.

BergenPAC

Brought Opioid Abuse Prevention Program, Chasing the Dragon: The Life of an Opiate Addict. In collaboration with the FBI Newark Citizens Academy Alumni Association, Hackensack Meridian Health, and the Lakeland Bank Foundation, they presented this assembly program that is designed to educate students on the rising issue of Opioids. Speakers and volunteers from bergenPAC come to our school and/or do virtual presentations on this program. Students in middle schools participate.

Community Food Bank of New Jersey -SNAP ED

Provided “Cooking Matters for Teens (CMT)” which is an evidence-based curriculum that teaches healthy eating skills and builds confidence in shopping and eating healthier on a low budget. It is a series of classes geared for teenagers, ages 11 to 18 years (grades 6-12) focusing on food safety and food preparation education. One course includes 6, 2-hour classes or 12, 1-hour classes split into 2 components, Nutrition Education and Cooking. Speakers and volunteers from CFBNJ teach our middle school students nutrition and healthy foods that they can make on their own.

Bergen County Workforce Development Board

Provided assistance in recruiting transitioning workers who would like to go into teaching. Held an information session where our staff delivered a presentation about the different pathways to a teaching career. The workforce development team disseminated the information to all their contacts.

SPAN Advocacy

Provided the “Parents as Champions for Healthy Schools” 10-hour free training program designed to educate parents about the importance of student health for academic achievement and life success, provide knowledge and skills needed to advocate for healthy schools, and help parents develop an action plan for a project to promote a healthy school environment. This program engaged our parents in meaningful advocacy. As part of the training, parents and the school will receive a grant that will help their school promote a healthy school environment.

New Jersey Public Charter Schools Association

As a member, we receive resources and information on tools and best practices in building a quality public charter school. It also trains and engages our parents to take an active role in their children’s education. As a member, our parents have attended 4 training sessions on how to take an active role in their children’s education. Staff also participate in some capacity building events they offer.

- 4. 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.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general 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.

6. 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.

7. 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.

8. 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 Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. The auditors' 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.

9. 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.

10. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Paterson 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
School 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

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

**ROSTER OF OFFICIALS
JUNE 30, 2021**

Members of the Board of Trustees

Position

Nilda Pardo

President

Jennifer Yashiro

Vice President

Juan Infante

Trustee

Zvonko Veskov

Trustee

Other Officials

Nihat Guvercin

Lead Person

Mustafa Coban

Business Administrator/
Board Secretary

Christopher Lessard

Treasurer

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

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Riker Danzig Scherer Hyland Perretti LLP
Headquarters Plaza
One Speedwell Avenue
Morristown, NJ 07962

Official Depository

Santander Bank
Executive Offices
200 Park Avenue, Suite 100
Florham Park, NJ 07932

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 206
Union, New Jersey 07083
908-686-3484
FAX – 908-686-6055
www.cpa-bc.com ♦ info@cpa-bc.com

Independent Auditor’s Report

Honorable President
Members of the Board of Trustees
Paterson Arts and Science Charter School
33-00 Broadway Suite 301
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 Paterson 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 in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Paterson 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 Paterson Arts and Science 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, and are not a required part of the basic financial statements. 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* and the Office of School Finance, Department of Education, State of New Jersey

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 Paterson 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 control 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

**PATERSON 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 Paterson 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 \$19,152,310 in revenue or 98% percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$460,749 or 2% of total revenues of \$19,613,059.
- ❖ The Charter School had \$15,820,970 in expenses; \$460,749 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$19,152,310 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$16,576,788 in revenues and \$12,363,428 in expenditures. The General Fund's fund balance increased \$4,213,360 over 2020. This increase was anticipated by the Board of Trustees.

Using this Annual Comprehensive Annual 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 Paterson 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.

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

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

Using this Annual Comprehensive Annual Report (ACFR) (Continued)

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

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.

**PATERSON 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'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.

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 40 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.

**PATERSON 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 as a Whole (Continued)

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 \$5,525,799 for 2021 and \$1,258,005 for 2020.

Governmental Activities

The Charter School's total revenues were \$19,613,059 for 2021 and \$13,818,966 for 2020, this includes \$1,162,991 for 2021 of state reimbursed TPAF social security and pension contributions and \$862,514 for 2020 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$15,820,970 for 2021 and \$13,710,383 for 2020. Instruction comprises 39% for 2021 and 36% 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.

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

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

Business-Type Activities (Continued)

- ❖ Proprietary Fund operating revenues exceeded operating expenditures by \$458,703 for 2021 and operating revenues exceeded operating expenditures by \$24,377 for 2020.
- ❖ Charges for services represent \$1,161 for 2021 and \$56,338 for 2020. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$1,410,711 for 2021 and \$530,345 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 \$16,805,287 for 2021 and \$13,818,966 for 2020 and expenditures were \$14,319,782 for 2021 and \$13,710,383 for 2020. The net change in fund balance for fiscal years 2021 and 2020 was most significant in the general fund, an increase of \$2,485,505 in 2021 and a increase of \$108,583 in 2020.

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	\$ 1,684,746	10.03%	\$ 500,922	42.31%
State Sources	13,164,509	78.34%	1,550,751	13.35%
Federal Sources	1,956,032	11.63%	934,648	91.51%
Total	\$ 16,805,287	100.00%	\$ 2,986,321	

**PATERSON 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)

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	\$ 5,188,589	36.23%	\$ 318,238	6.53%
Administration	5,287,351	36.92%	812,882	18.17%
Support Services	3,721,753	25.99%	(127,043)	-3.30%
Capital Outlay	122,089	0.86%	47,845	64.44%
Total	\$ 14,319,782	100.00%	\$ 1,051,922	

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 \$287,588 invested in machinery and equipment at the end of the fiscal year 2021 and \$158,819 for 2020. As of the end of fiscal year 2021 and 2020 there is no debt outstanding.

For the Future

The Paterson 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.

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

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

For the Future (Continued)

In conclusion, Paterson 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.

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 5,890,355	\$ 568,404	\$ 6,458,759
Internal Balances	196,189	(196,189)	-
Receivables	920,389	161,738	1,082,127
Inventories		8,784	8,784
Prepaid Expenses	100,000		100,000
Capital Assets, Net	287,588	29,841	317,429
Total Assets	7,394,521	572,578	7,967,099
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	1,601,727		1,601,727
Total Deferred Outflows of Resources	1,601,727	-	1,601,727
LIABILITIES:			
Payable to District	120,098		120,098
Accounts Payable	229,601		229,601
Other Current Liabilities	90	-	90
Pensions	2,596,765		2,596,765
Total Liabilities	2,946,554	-	2,946,554
DEFERRED INFLOWS OF RESOURCES:			
Pensions	1,096,473		1,096,473
Total Deferred Inflows of Resources	1,096,473	-	1,096,473
NET POSITION (DEFICIT):			
Net Investment in Capital Assets	279,744	29,841	309,585
Restricted for:			
Student Activity	16,917		16,917
Other Purposes	75,000	-	75,000
Unrestricted	4,581,560	542,737	5,124,297
Total Net Position (Deficit)	\$ 4,953,221	\$ 572,578	\$ 5,525,799

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

PATERSON 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	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 5,207,751	\$ 1,009,403	\$ -	\$ 460,512	\$ -	\$ (5,756,642)	\$ -	\$ (5,756,642)
Administration	5,259,313	231,825				(5,491,138)		(5,491,138)
Support Services	3,762,666	303,262	237			(4,065,691)		(4,065,691)
Unallocated Depreciation	46,750					(46,750)		(46,750)
Total Governmental Activities	14,276,480	\$ 1,544,490	237	460,512	-	(15,360,221)	-	(15,360,221)
BUSINESS-TYPE ACTIVITIES:								
Food Service	953,169		1,161	1,410,711	-	-	458,703	458,703
Total Business-Type Activities	953,169		1,161	1,410,711	-	-	458,703	458,703
Total Primary Government	\$ 15,229,649		\$ 1,398	\$ 1,871,223	\$ -	\$ (15,360,221)	\$ 458,703	\$ (14,901,518)
GENERAL REVENUES								
Federal and State Aid Not Restricted						\$ 17,328,558	\$	\$ 17,328,558
Miscellaneous Income						95,982		95,982
Special Item						1,727,770		1,727,770
Total General Revenues						19,152,310	-	19,152,310
Change in Net Position						3,792,089	458,703	4,250,792
Net Position - Beginning						1,144,130	113,875	1,258,005
Prior Period Adjustments						17,002		17,002
Net Position, July 1 (Restated)						1,161,132	113,875	1,275,007
Net Position - Ending						\$ 4,953,221	\$ 572,578	\$ 5,525,799

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2021

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 5,798,438	\$ 16,917	\$ 5,815,355
Cash - Restricted	75,000		75,000
Receivables:			
Interfund Receivables	847,413		847,413
Receivables From Other Governments	15,994	798,191	814,185
Receivables, Net	106,204		106,204
Security Deposits	100,000		100,000
Total Current Assets	6,943,049	815,108	7,758,157
Total Assets	\$ 6,943,049	\$ 815,108	\$ 7,758,157
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 651,224	\$ 651,224
Payable to Other Districts	120,098		120,098
Accounts Payable	29,060	146,967	176,027
Payroll Deductions and Withholdings	53,574	-	53,574
Other Current Liabilities	90	-	90
Total Current Liabilities	202,822	798,191	1,001,013
Total Liabilities	202,822	798,191	1,001,013
Fund Balances:			
Assigned To:			
Encumbrances	48,620		48,620
Restricted For:			
Charter School Escrow Reserve	75,000		75,000
Student Activities		16,917	16,917
Unassigned:			
General Fund	6,616,607		6,616,607
Total Fund Balances	6,740,227	16,917	6,757,144
Total Liabilities and Fund Balances	\$ 6,943,049	\$ 815,108	

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 \$638,007 and the accumulated depreciation is \$350,419.

287,588

Net pension liability of \$2,596,765, deferred inflows of resources of \$1,087,290 less deferred outflows of resources of \$1,601,727 related to pensions are not reported in the governmental funds

(2,091,511)

Net Position of Governmental Activities

\$ 4,953,221

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

PATERSON 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
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,588,527	\$ -	\$ 1,588,527
Miscellaneous	95,982	237	96,219
Total Local Sources	1,684,509	237	1,684,746
State Sources	13,164,509		13,164,509
Federal Sources		1,956,032	1,956,032
Total Revenues	14,849,018	1,956,269	16,805,287
EXPENDITURES:			
Current:			
Instruction	4,593,807	594,782	5,188,589
Administration	5,287,351		5,287,351
Support Services	2,376,543	1,345,210	3,721,753
Capital Outlay	105,727	16,362	122,089
Total Expenditures	12,363,428	1,956,354	14,319,782
Special Items:			
Proceeds from Forgiveness of PPP Loan	1,727,770		1,727,770
NET CHANGE IN FUND BALANCES	4,213,360	(85)	4,213,275
FUND BALANCES, JULY 1	2,526,867	-	2,526,867
PRIOR PERIOD ADJUSTMENTS	-	17,002	17,002
FUND BALANCE, JULY 1, RESTATED	2,526,867	17,002	2,543,869
FUND BALANCES, JUNE 30	\$ 6,740,227	\$ 16,917	\$ 6,757,144

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

PATERSON 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)		\$ 4,213,275
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	\$ (114,245)	
Capital Outlay	122,089	7,844
<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>		
		(429,030)
Change in net position of governmental activities		\$ 3,792,089

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

PROPRIETARY FUNDS

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

	Business-Type Activities - Enterprise Fund			
	Food Service	Summer Enrichment	After Care	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 556,070	\$ 273	\$ 12,061	\$ 568,404
Intergovernmental Accounts Receivable:				
State	150,124			150,124
Federal	11,614			11,614
Inventories	8,784			8,784
Total Current Assets	726,592	273	12,061	738,926
Noncurrent Assets:				
Machinery and Equipment	108,243			108,243
Less Accumulated Depreciation	(78,402)			(78,402)
Total Noncurrent Assets	29,841	-	-	29,841
Total Assets	\$ 756,433	\$ 273	\$ 12,061	\$ 768,767
LIABILITIES AND NET POSITION				
Liabilities:				
Current Liabilities:				
Interfund Accounts Payable	\$ 196,189	\$ -	\$ -	\$ 196,189
Total Liabilities	196,189	-	-	196,189
Net Position:				
Net Investment in Capital Assets	\$ 29,841	\$ -	\$ -	\$ 29,841
Unrestricted	530,403	273	12,061	542,737
Total Net Position	560,244	273	12,061	572,578
Total Liabilities and Net Position	\$ 756,433	\$ 273	\$ 12,061	\$ 768,767

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

PATERSON 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		Enrichment	After Care	Total Enterprise
	Food Service	Fixed Contract Price			
OPERATING REVENUES:					
Charges for Services:					
Daily Sales - Program (Reimbursable Program) Meals	\$ 770	\$ -	\$ -	\$ -	\$ 770
Daily Sales - Non-Program (Non-reimbursable Program) Meals				391	391
Total Operating Revenues	<u>770</u>	<u>-</u>	<u>-</u>	<u>391</u>	<u>1,161</u>
OPERATING EXPENSES:					
Cost of Sales - Program (Reimbursable Programs) Meals	351,545	-			351,545
Salaries	244,829	-			244,829
Management Fees	15,600	-			15,600
Purchased Property Services	195,416	-			195,416
Other Purchased Services	11,294	-			11,294
Supplies and Materials	98,159	-			98,159
Depreciation Expense	17,552	-			17,552
Miscellaneous Expenses	18,774	-			18,774
Total Operating Expenses	<u>953,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>953,169</u>
OPERATING (LOSS)	<u>(952,399)</u>	<u>-</u>	<u>-</u>	<u>391</u>	<u>(952,008)</u>
NONOPERATING REVENUES:					
State Source:					
State School Breakfast/Lunch Program	45,593	-			45,593
Federal Source:					
National School Breakfast/Lunch/Snack Program/FFVP	1,317,746	-			1,317,746
USDA Commodities	47,372	-			47,372
Total Nonoperating Revenues	<u>1,410,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,410,711</u>
CHANGE IN NET POSITION	458,312	-	-	391	458,703
TOTAL NET POSITION, JULY 1	<u>101,932</u>	<u>-</u>	<u>273</u>	<u>11,670</u>	<u>113,875</u>
TOTAL NET POSITION, JUNE 30	<u>\$ 560,244</u>	<u>\$ -</u>	<u>\$ 273</u>	<u>\$ 12,061</u>	<u>\$ 572,578</u>

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities			Total
	Food Service	Enrichment	After Care	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ (134,482)	\$ -	\$ 391	\$ (134,091)
Cash Payments to Suppliers and Employees	(764,901)			(764,901)
Net Cash Used In Operating Activities	(899,383)	-	391	(898,992)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements	1,363,339			1,363,339
USDA Commodities	47,372	-		47,372.00
Net Cash Provided By Noncapital Financing Activities	1,410,711	-	-	1,410,711
Net Increase In Cash And Cash Equivalents	511,328	-	391	511,719
Cash And Cash Equivalents, Beginning Of Year	44,742	273	11,670	56,685
Cash And Cash Equivalents, End Of Year	<u>\$ 556,070</u>	<u>\$ 273</u>	<u>\$ 12,061</u>	<u>\$ 568,404</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating (Loss) Used for Operating Activities	\$ (952,399)	\$ -	\$ 391	\$ (952,008)
Depreciation	17,552			17,552
Change In Assets And Liabilities:				
(Increase) Decrease In Receivables	(135,252)			(135,252)
Increase (Decrease) In Interfund Payable	171,416			171,416
Increase In Accounts Payable	(700)			(700)
Net Cash Used In Operating Activities	<u>\$ (899,383)</u>	<u>\$ -</u>	<u>\$ 391</u>	<u>\$ (898,992)</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Paterson 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.

B. 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.

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The operations of the Paterson Arts and Science Charter School includes one school a Grade K-5. 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.

C. 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.

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

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

PATERSON 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)

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:

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 Funds are comprised of the Food Service Fund operations.

**PATERSON 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)

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.

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.

PATERSON 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)

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).

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

The Charter School's fiduciary funds are presented in the general fund financial statements by type (Unemployment Compensation and Agency). At June 30, 2021 the school did not have an unemployment fund.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the general fund.

PATERSON 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)

The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims. At June 30, 2021 the school did not have an unemployment fund.

Agency Funds (Payroll, Payroll Agency and Student Activity): The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

E. Measurement Focus and Basis of Accounting

The government-wide proprietary fund financial statement 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.

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

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	0
Total Revenues & Expenditures (Budgetary Basis)	\$1,956,269	\$ 1,021,384
Adjustments:		
Less Encumbrances at June 30, 2021	-	-
Plus Encumbrances at June 30, 2020	-	-
Total Revenues and Expenditures (GAAP Basis)	\$1,956,269	\$ 1,021,384

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.

PATERSON 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)

G. 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.

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.

PATERSON 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)

Deposits and Investments (continued)

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 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.

5. Fund Equity

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

6. Unearned Revenue:

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

PATERSON 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)

7. 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 of \$ 100,000 for the fiscal year ended June 30, 2021.

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.

8. Accrued Liabilities and Long-Term Obligations:

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

9. Revenues — Exchange and Non-exchange Transactions:

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

PATERSON 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)

Revenues — Exchange and Non-exchange Transactions (continued)

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

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

10. Operating Revenues and Expenses:

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

11. Allocation of Indirect Expenses:

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

PATERSON 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)

12. Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Charter School reported the forgiveness of the Payroll Protection Program loan, in the amount of, \$1,727,770 , as a special item in Schedule A-2 for the fiscal year ending June 30, 2021.

13. Management Estimates:

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

14. Accrued Salaries and Wages:

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

15. 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*, during the current fiscal year. 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.

PATERSON 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)

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.

A. 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:

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

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 balance are available, the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

B. 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*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

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.

C. 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.

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

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.

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 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:

	General Fund	Special Revenue	Proprietary Funds	Total
Operating				
Account	\$ 5,873,438	\$ 16,917	\$ 568,404	\$ 6,458,759

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 \$6,458,759 and the bank balance was \$6,618,828. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

PATERSON 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)

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.

As of June 30, 2021, none of the cash and cash equivalents for Paterson 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;

PATERSON 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)

- (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; 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
- (7) 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.

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.

**PATERSON 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

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		
	State Awards	\$ 106,204		\$ -		
Federal Awards	-	798,191	798,191	150,124	150,124	948,315
Other	15,994	-	15,994	-	-	15,994
Gross Receivables	122,198	798,191	920,389	161,738	161,738	1,082,127
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Receivables, Net	\$ 122,198	\$ 798,191	\$ 920,389	\$ 161,738	\$ 161,738	\$ 1,082,127

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	\$ 847,413	\$ -
Special Revenue Fund		651,224
Proprietary Fund		196,189
Total	\$ 847,413	\$ 847,413

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

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

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

A. Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Site Improvements	-	-	-	-
Building and Building Improvements	\$ 206,947	\$ 45,966	\$ -	\$ 252,913
Machinery and Equipment	\$ 308,971	76,123	\$ -	\$ 385,094
Vehicles	-	\$ -	-	-
Infrastructure	-	-	-	-
Total Capital Assets Being Depreciated	<u>515,918</u>	<u>122,089</u>	<u>-</u>	<u>638,007</u>
Less Accumulated Depreciation For:				
Site Improvements	-	-	-	-
Building and Building Improvements	86,022	46,750	-	132,772
Machinery and Equipment	150,152	67,495	-	217,647
Total Accumulated Depreciation	<u>236,174</u>	<u>114,245</u>	<u>-</u>	<u>350,419</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>279,744</u>	<u>7,844</u>	<u>-</u>	<u>287,588</u>
Government Activity Capital Assets, Net	<u>\$ 279,744</u>	<u>\$ 7,844</u>	<u>\$ -</u>	<u>\$ 287,588</u>
Business-Type Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 108,243	\$ -	\$ -	\$ 108,243
Less Accumulated Depreciation	(60,850)	(17,552)	-	(78,402)
Enterprise Fund Capital Assets, Net	<u>\$ 47,393</u>	<u>\$ (17,552)</u>	<u>\$ -</u>	<u>\$ 29,841</u>

Depreciation expense of was charged as follows:

Instructional	\$ 26,582
Administration	-
Support	40,913
Unallocated	<u>46,750</u>
Total	<u>\$ 114,245</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 where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives.

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

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

Capital Assets (continued)

The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Rental Leases

The school leases classroom and office space at 183-229 Grand Street, Paterson, New Jersey. The lease commenced on September 1, 2017 whereas the initial lease term is for five (5) years at an annual rent of \$1,426,000. There are three (3) additional five (5) year renewals. The current renewal period carries the following annual rents:

Year Ended June 30,	Amount
2022	\$ 1,426,000
2023	1,426,000
2024	1,426,000
2025	1,426,000
Total future minimum lease payments	\$ 5,704,000

The school leases gymnasium space at 183 Grand Street, Paterson, New Jersey. The lease commenced on September 1, 2018 whereas the initial lease term is for five (5) years at an annual rent of:

Year Ended June 30,	Amount
2022	\$ 78,684
2023	92,064
Total future minimum lease payments	\$ 170,748

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

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

Rental Leases (Continued)

The school leases classroom and office space at 30 Michigan Avenue, Paterson, New Jersey. The lease commenced on July 1, 2018 whereas the initial lease term is for five (5) years with an option to renew for an additional five (5) years. The annual rent for the current rental period is as follows:

Year Ended June 30,	Amount
2022	\$ 348,670
2023	369,180
Total future minimum lease payments	\$ 717,850

Rent expense for the year ending June 30, 2021 was \$1,806,954.

Notes Payable

On May 6, 2020, the charter school (the “Borrower”), was granted a loan (the “Loan”) from Santander Bank, N.A. in the aggregate amount of \$1,727,770 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 6, 2020 issued by the Borrower, matures on May 6, 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. The School intended to use the entire Loan amount for qualifying expenses. 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. The loan was forgiven in June 14, 2021 and the proceeds are included as a Special Item in revenue.

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

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 Annual Report (ACFR) which can be found at 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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 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.

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

NOTE IV: PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

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.

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.

PATERSON 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
(Continued)

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 as of June 30, 2020 measurement date 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, 2020 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2020.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2020 measurement date, 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. 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.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 174,199 for fiscal year 2021.

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

NOTE IV: PENSION PLANS (CONTINUED)

**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 \$ 2,596,765 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 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 June 30, 2020, the Charter School's proportion was 0.015923860%, which was an increase of 0.00414486% from its proportion measured as of June 30, 2019.

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	\$ 84,242	\$ 1,087,290
Difference Between Expected and Actual Experience	47,283	9,183
Changes in Proportions	1,381,442	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	88,760	-
	<u>\$ 1,601,727</u>	<u>\$ 1,096,473</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.16, 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.

**PATERSON 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)

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	\$ 58,501
2023	189,777
2024	169,235
2025	79,570
2026	8,170
	\$ 505,254

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%

**PATERSON 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.

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

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

NOTE IV: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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.

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

NOTE IV: PENSION PLANS (CONTINUED)

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

The following presents the Charter School's proportionate share of the collective net pension liability 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	\$ 3,294,599	\$ 2,596,765	\$ 2,042,380

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	\$ 2,699,583	\$ 2,122,398	\$ 1,663,243

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. 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 Annual Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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

NOTE IV: PENSION PLANS (CONTINUED)

B. Teacher’s Pension Annuity Fund (TPAF) (Continued)

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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tier 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon 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 at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PATERSON 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

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 contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer was less than the actuarial determined amount.

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

NOTE IV: PENSION PLANS (CONTINUED)

Special Funding Situation (Continued)

This note discloses the portion of the Charter School 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 \$ 42,339 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 565,698 .

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2020.

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

At June 30, 2020 measurement date, the State's proportionate share of the net pension liability associated with the Charter School was \$ 16,438,688 . 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 0.0249643%, which was an increase of 0.0024276% 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	16,438,688
Total	<u>\$ 16,438,688</u>

**PATERSON 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)

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the Charter School in the amount of \$ 565,698 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:

	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>

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on 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.

**PATERSON 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)

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. Best estimates of arithmetic real rates of return for each major asset class included in TPAF 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%

**PATERSON 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)

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. 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	\$ 19,351,596	\$ 16,438,688	\$ 14,086,125

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

NOTE IV: PENSION PLANS (CONTINUED)

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

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	\$ 16,349,177	\$ 13,830,991	\$ 11,802,790

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.

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

NOTE IV: PENSION PLANS (CONTINUED)

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

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.

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.

**PATERSON 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 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

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.

**PATERSON 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)

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%			
		TPAF/ABP	PERS	PFRS
Salary Increases				
Through 2026		1.55% to 4.45%	2.00% to 6.00%	3.25% to 15.25%
		based on service	based on service	based on service
		years	years	years
Rate thereafter		1.55% to 4.45%	3.00% to 7.00%	Applied to all
		based on service	based on service	future
		years	years	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.

**PATERSON 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)

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 measurement date 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, 2021.

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 3,358,086
Service cost	716,080
Interest on Total OPEB Liability	140,875
Difference between expected and actual experience	686,787
Effect of Changes of Assumptions	1,073,338
Contributions - Employee	3,101
Gross Benefits Paid by the State	<u>(102,296)</u>
Net Changes	<u>2,517,885</u>
Balance at June 30, 2021	<u>5,875,971</u>

**PATERSON 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)

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	\$ 4,271,891	\$ 5,875,971	\$ 3,094,945

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%		At 1%
	decrease	Trend Rate	Increase
Total OPEB Liability	\$ 2,979,399	\$ 3,615,971	\$ 4,458,662

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 \$ 1,080,002 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.

**PATERSON 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)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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	\$ 892,125	\$ (794,674)
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	\$ 999,483	(670,482)
Sub Total	1,891,609	(1,465,155)
Contributions Made in Fiscal Year 2021 after June 30, 2020 Measurement Date	N/A	N/A
Total	1,891,609	(1,465,155)

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

Fiscal Year ending June 30,	
2022	\$ 3,764
2023	\$ 3,764
2024	\$ 3,764
2025	\$ 3,764
2026	\$ 3,764
Total Thereafter	\$ 407,632
	\$ 426,454

NOTE VI: RISK MANAGEMENT

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

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

NOTE VI: RISK MANAGEMENT (CONTINUED)

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 school districts 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 school districts in order to keep local property taxes at a minimum. The Charter School pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial re-insurer to secure the payment of benefits.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance

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

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 \$837,896 , \$325,095 , \$262,584 , and \$1,526 , 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. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter School expects such amount, if any, to be immaterial.

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

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: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

General Fund balance at June 30, 2021, is \$6,740,227 of which \$6,616,607 is unassigned and \$75,000 is restricted. Special Revenue Fund balance at June 30, 2021 is \$16,917 of which the entire amount is restricted.

NOTE XI: 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). There are no restated beginning balances.

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-GENERAL FUND			
GOVERNMENTAL FUNDS-SPECIAL REVENUE FUND	\$ -	\$ 17,002	\$ 17,002

NOTE XII: SUBSEQUENT EVENTS

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

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

NOTE XIII: COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the 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

PATERSON 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
REVENUES:					
Local Levy Budget:					
Equalization Aid Local Share-Charter School Aid	\$ 13,068,431	\$ (686,721)	\$ 12,381,710	\$ 12,381,710	\$ -
Total Local Levy Budget	13,068,431	(686,721)	12,381,710	12,381,710	-
Categorical Aid:					
Special Education Categorical Aid	526,226	(58,364)	467,862	460,512	(7,350)
Security Aid	447,184	(1,777)	445,407	445,407	
Non Public Aid		38,306	38,306	38,306	
Total Categorical Aid	973,410	(21,835)	951,575	944,225	(7,350)
Revenues From Other Sources:					
Donations and Contributions					
Miscellaneous Revenue	37,000	58,983	95,983	95,982	(1)
On-Behalf TPAF(Non-Budget)					
Reimbursed TPAF Social Security Contributions				325,095	
Post Retirement Medical Contributions				262,584	
Non-Contributory Insurance Contributions				1,526	
Pension Contributions				837,896	837,896
Total Revenues From Other Sources	37,000	58,983	95,983	1,523,083	(1)
Total Revenues	14,078,841	(649,573)	13,429,268	14,849,018	(7,351)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	3,826,808	(349,892)	3,476,916	3,312,228	164,688
Other Salaries for Instruction	1,191,791	(95,714)	1,096,077	916,386	179,691
Purchased Prof/Tech Services	5,000	25,000	30,000	18,176	11,824
Other Purchased Services	193,306	(17,650)	175,656	45,024	130,632
General Supplies	402,996	(171,100)	231,896	138,638	93,258
Textbooks	144,484	(20,484)	124,000	114,076	9,924
Miscellaneous	32,000	20,000	52,000	49,279	2,721
Total Instruction	5,796,385	(609,840)	5,186,545	4,593,807	592,738
Administration:					
Salaries - General Administration	778,106	25,609	803,715	786,167	17,548
Salaries of Secretarial/Clerical Assistants	201,427	(4,885)	196,542	185,000	11,542
Total Benefits Cost	1,563,898	28,209	1,592,107	1,393,594	198,513
Purchases Prof/Tech Services	1,515,037	(58,907)	1,456,130	1,408,644	47,486
Communications/Telephone	22,373	6,500	28,873	17,443	11,430
Supplies and Materials	55,000	(5,000)	50,000	23,449	26,551
Miscellaneous Expenses	42,000	5,500	47,500	45,953	1,547
Total Administration	4,178,341	(2,974)	4,175,367	3,860,250	315,117

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

PATERSON 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	\$ 1,273,150	\$ 101,496	\$ 1,374,646	\$ 1,270,431	\$ 104,215
Purchased Prof/Ed Services	168,274	(70,410)	97,864	28,979	68,885
Purchased Prof/Tech Services	50,800	42,101	92,901	56,626	36,275
Maintenance Services	100,000	(24,575)	75,425	43,896	31,529
Rental of Land and Buildings	1,906,954	(546,963)	1,359,991	724,611	635,380
Other Purchased Services	6,000	2,000	8,000	5,922	2,078
Transportation-Other Than To/From School	40,000	(25,000)	15,000	1,338	13,662
Insurance for Property, Liability and Fidelity	70,016	333	70,349	70,349	
Supplies and Materials	115,000	(4,926)	110,074	73,573	36,501
Energy Costs (Heat and Electricity)	130,000	-	130,000	99,782	30,218
Travel	2,500	-	2,500		2,500
Miscellaneous Expenses	7,500	(2,000)	5,500	1,036	4,464
Total Support Services	3,870,194	(527,944)	3,342,250	2,376,543	965,707
Capital Outlay:					
Instructional Equipment	50,000	(40,000)	10,000		10,000
Non-Instructional Equipment	90,000	(24,000)	66,000	59,761	6,239
Miscellaneous Expenses	50,000	(2,101)	47,899	45,966	1,933
Total Capital Outlay	190,000	(66,101)	123,899	105,727	18,172
On-Behalf TPAF (Non-Budgeted)					
Reimbursed Social Security Contributions				325,095	(325,095)
Post Retirement Medical Contributions				262,584	(262,584)
Non-Contributory Insurance Contributions				1,526	(1,526)
Pension Contributions				837,896	(837,896)
Total Expenditures	14,034,920	(1,206,859)	12,828,061	12,363,428	464,633
Special Items:					
Proceeds from Forgiveness of PPP Loan	-	1,727,770	1,727,770	1,727,770	-
Total Special Items:	-	1,727,770	1,727,770	1,727,770	-
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	43,921	2,285,056	2,328,977	4,213,360	1,884,383
FUND BALANCE, JULY 1	2,526,866	-	2,526,866	2,526,867	1
FUND BALANCE, JUNE 30	\$ 2,570,787	\$ 2,285,056	\$ 4,855,843	\$ 6,740,227	\$ 1,884,384
Recapitulation of Excess (Deficiency) of Revenues					
Over (Under) Expenditures					
Budgeted Fund Balance	\$ 2,570,787	\$ 2,285,056	\$ 4,855,843	\$ 6,740,227	\$ 1,884,384
Total	\$ 2,570,787	\$ 2,285,056	\$ 4,855,843	\$ 6,740,227	\$ 1,884,384

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

PATERSON 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
REVENUE SOURCES:					
Local	\$ -	\$ -	\$ -	\$ 237	\$ 237
Federal	1,531,717	500,332	2,032,049	1,956,032	(76,017)
Total Revenues	1,531,717	500,332	2,032,049	1,956,269	(75,780)
EXPENDITURES:					
Instruction:					
Salaries	59,418	454	59,872	59,872	
Other Salaries for Instruction	151,977	35,831	187,808	162,086	25,722
Purchased Prof/Tech Services	7,785	-	7,785	-	7,785
General Supplies	477,747	(77,449)	400,298	372,824	27,474
Total Instruction	696,927	(41,164)	655,763	594,782	60,981
Support Services:					
Salaries	144,202	76,692	220,894	220,894	-
Other Salaries	3,200		3,200	-	3,200
Personal Services - Employee Benefits	93,319	34,355	127,674	124,329	3,345
Purchased Technical Services	111,963	(38,736)	73,227	71,618	1,609
Other Purchased Services	454,932	445,054	899,986	899,785	201
Supplies and Materials	2,284	3,508	5,792	-	5,792
Miscellaneous Expenditures	24,889	4,262	29,151	28,584	567
Total Support Services	834,790	525,134	1,359,924	1,345,210	14,714
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment	-	16,362	16,362	16,362	-
Total Facilities Acquisition and Construction Services	-	16,362	16,362	16,362	-
Total Expenditures	1,531,717	500,332	2,032,049	1,956,354	75,695
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ (85)	\$ (85)

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

PATERSON 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	N/A	N/A	0.007575651%	0.008421478%	0.009044545%	0.011779003%	0.015923860%
Charter School's proportionate share of the net pension liability	N/A	N/A	N/A	\$ 2,253,690	\$ 1,960,385	\$ 1,780,826	\$ 2,122,398	\$ 2,596,765
Charter School's covered payroll (plan measurement period)	N/A	N/A	N/A	\$ 1,056,281	\$ 1,291,072	\$ 1,009,824	\$ 1,268,464	\$ 1,501,052
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	213%	152%	176%	167%	173%
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	45.37%	45.37%	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.

PATERSON 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	N/A	\$ 33,775	\$ 33,775	\$ 83,364	\$ 91,599	\$ 116,285	\$ 174,199
Contributions in relation to the contractually required contribution	N/A	N/A	(33,775)	(33,775)	(83,364)	(91,599)	(116,285)	(174,199)
Contribution deficiency/(excess)	N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charter School's covered payroll (Fiscal Year)	N/A	N/A	N/A	\$ 1,056,281	\$ 1,291,072	\$ 1,009,824	\$ 1,268,464	\$ 1,501,052
Contributions as a percentage of covered payroll	N/A	N/A	N/A	3.20%	6.46%	9.07%	9.17%	11.61%

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

PATERSON 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	N/A	0.0098980%	0.0098980%	0.0084215%	0.0206974%	0.02253671%	0.02496430%
State's proportionate share of the net pension liability attributable to the Charter School	N/A	N/A	\$ -	\$ 7,786,395	\$ 12,640,257	\$ 13,187,214	\$ 13,830,991	\$ 16,438,688
Charter School's covered payroll (plan measurement period)	N/A	N/A	\$ 2,199,018	\$ 2,199,018	\$ 2,859,577	\$ 2,818,547	\$ 3,609,463	\$ 3,962,626
Charter School's proportionate share of the net pension liability as a percentage of it's covered payroll	N/A	N/A	N/A	354.09%	442.03%	467.87%	383.19%	414.84%
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	28.71%	22.62%	21.37%	26.10%	24.11%

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

Paterson Arts and Science Charter School
Required Supplementary Information Schedules
Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios
Last Four 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		\$ 2,889,549	\$ 3,107,722	\$ 2,844,600	\$ 3,358,086
Service cost		802,421	660,188	625,320	716,080
Interest on Total OPEB Liability		104,240	133,588	132,369	140,875
Effect on Changes of Benefit Terms		-	-	-	-
Difference between expected and actual experience	NOT AVAILABLE		(657,031)	(194,245)	686,787
Effect of Changes of Assumptions		(619,158)	(326,432)	50,069	1,073,338
Contributions - Employee		2,651	2,629	3,056	3,101
Gross Benefits Paid by the State		(71,981)	(76,064)	(103,083)	(102,296)
		<u>2,889,549</u>	<u>3,107,722</u>	<u>2,844,600</u>	<u>2,844,600</u>
Net Change in Total OPEB Liability	NOT AVAILABLE	218,173	(263,122)	513,486	2,517,885
OPEB Liability at Beginning of Measurement Period		2,889,549	3,107,722	2,844,600	2,844,600
		<u>2,889,549</u>	<u>3,107,722</u>	<u>2,844,600</u>	<u>2,844,600</u>
Total OPEB Liability at End of Measurement Period		<u>3,358,086</u>	<u>3,107,722</u>	<u>3,358,086</u>	<u>5,362,485</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 decrease in liability from June 30, 2018 to June 30, 2019 is due to changes in the census, claims and premiums experience.

Changes in Assumptions:

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

PATERSON 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.

PATERSON 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 5.60% 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 expandable 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 Emergency Relief Fund	Digital Divide	Corona Relief Fund	Student Activity / Athletics Fund	Grand Total
REVENUE SOURCES:												
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 237	\$ 237
Federal	613,861	9,756	160,124	3,106	45,621	30,752	448,387	438,540	99,195	106,690	-	1,956,032
Total Revenues	613,861	9,756	160,124	3,106	45,621	30,752	448,387	438,540	99,195	106,690	237	1,956,269
EXPENDITURES:												
Instruction:												
Salaries	57,654	-	-	2,218	-	-	-	-	-	-	-	59,872
Salaries of Teachers	-	-	-	-	-	-	-	-	-	-	-	-
Other Salaries for Instruction	-	-	133,519	-	-	28,567	-	-	-	-	-	162,086
Other Purchased Services	-	-	-	-	-	-	-	-	99,195	-	-	99,195
General Supplies	173,844	9,457	-	-	-	-	-	-	-	90,328	-	273,629
Total Instruction	231,498	9,457	133,519	2,218	-	28,567	-	-	99,195	90,328	-	594,782
Support Services:												
Salaries	220,894	-	-	-	-	-	-	-	-	-	-	220,894
Personal Services - Employee Benefits	111,042	-	10,214	888	4,800	2,185	-	-	-	-	-	124,329
Other Purchased Prof/Tech Services	50,427	-	16,391	-	12,559	-	-	-	-	-	-	71,618
Other Purchased Services	-	299	-	-	-	-	448,387	438,540	-	-	-	899,785
Supplies and Materials	-	-	-	-	-	-	-	-	-	-	322	322
Miscellaneous Expenditures	-	-	-	-	28,262	-	-	-	-	-	-	28,262
Total Support Services	382,363	299	26,605	888	45,621	2,185	448,387	438,540	-	-	322	1,345,210
Facilities Acquisition and Construction Services:												
Non-Instructional Equipment	-	-	-	-	-	-	-	-	-	16,362	-	16,362
Total Facilities Acquisition and Construction Services	-	-	-	-	-	-	-	-	-	16,362	-	16,362
Total Expenditures	613,861	9,756	160,124	3,106	45,621	30,752	448,387	438,540	99,195	106,690	322	1,956,354
Total Outflows	613,861	9,756	160,124	3,106	45,621	30,752	448,387	438,540	99,195	106,690	322	1,956,354
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (85)	\$ (85)

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 district’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 school district.

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

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

**STATISTICAL SECTION
(UNAUDITED)**

Paterson Arts and Science Charter School has been in operation for eight (8) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for eight (8) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

These schedules contain information to help the reader assess the district'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 district provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Annual Report (ACFR) for the relevant year.*

FINANCIAL TRENDS

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Net Position by Component
(Accrual Basis of Accounting)
 (Unaudited)
 Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities								
Net Investment in Capital Assets	\$ 279,744	\$ 305,948	\$ 97,151	\$ 14,926	\$ 25,330	\$ 30,318	\$ 37,119	\$ -
Restricted	75,000	75,000	75,000	-	-	-	-	-
Unrestricted (Deficit)	4,598,477	763,182	863,396	1,059,550	838,292	(78,402)	164,429	189,023
Total Governmental Activities Net Position (Deficit)	<u>\$ 4,953,221</u>	<u>\$ 1,144,130</u>	<u>\$ 1,035,547</u>	<u>\$ 1,074,476</u>	<u>\$ 863,622</u>	<u>\$ (48,084)</u>	<u>\$ 201,548</u>	<u>\$ 189,023</u>
Business-Type Activities								
Net Investment in Capital Assets	\$ 29,841	\$ 47,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	542,737	66,482	89,498	93,122	119,950	100,813	64,228	34,959
Total Business-Type Activities Net Position	<u>\$ 572,578</u>	<u>\$ 113,875</u>	<u>\$ 89,498</u>	<u>\$ 93,122</u>	<u>\$ 119,950</u>	<u>\$ 100,813</u>	<u>\$ 64,228</u>	<u>\$ 34,959</u>
Charter School-wide								
Net Investment in Capital Assets	\$ 309,585	\$ 353,341	\$ 97,151	\$ 14,926	\$ 25,330	\$ 30,318	\$ 37,119	\$ -
Restricted	75,000	75,000	75,000	-	-	-	-	-
Unrestricted	5,141,214	829,664	952,894	1,152,672	958,242	22,411	228,657	223,982
Total Charter School Net Position	<u>\$ 5,525,799</u>	<u>\$ 1,258,005</u>	<u>\$ 1,125,045</u>	<u>\$ 1,167,598</u>	<u>\$ 983,572</u>	<u>\$ 52,729</u>	<u>\$ 265,776</u>	<u>\$ 223,982</u>

Source: Annual Comprehensive Financial Report

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

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

	2021	2020	2019	2018	2017	2016	2015	2014
Expenses								
Governmental Activities:								
Instruction	\$ 6,217,154	\$ 4,886,352	\$ 4,484,004	\$ 3,751,618	\$ 3,367,608	\$ 2,982,045	\$ 2,300,447	\$ 1,949,067
Administration	5,491,138	4,890,788	4,172,153	3,526,895	659,573	1,700,202	1,655,361	889,144
Support Services	4,065,928	3,875,901	3,901,411	2,763,018	1,973,922	2,786,745	1,995,274	1,153,921
Capital Outlay	-	19,756	(44,958)	(1)	236,974	82,238	17,521	195,859
Unallocated Depreciation	46,750	37,586	33,724	14,742	-	-	-	-
Total Governmental Activities Expenses	15,820,970	13,710,383	12,546,334	10,056,272	6,238,077	7,551,230	5,968,603	4,187,991
Business-Type Activities:								
Food Service	953,169	562,306	495,041	504,339	330,454	260,231	255,499	141,339
Total Business-Type Activities Expenses	953,169	562,306	495,041	504,339	330,454	260,231	255,499	141,339
Total Charter School Expenses	\$ 16,774,139	\$ 14,272,689	\$ 13,041,375	\$ 10,560,611	\$ 6,568,531	\$ 7,811,461	\$ 6,224,102	\$ 4,329,330
Program Revenues								
Governmental Activities:								
Charges for Services	\$ 237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Grants and Contributions	460,512	456,891	417,074	175,500	112,531	111,178	75,525	61,783
Capital Grants and Contributions	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	460,749	456,891	417,074	175,500	112,531	111,178	75,525	61,783
Business-Type Activities:								
Charges for Services	1,161	56,338	33,905	58,901	14,814	74,833	63,351	90,856
Operating Grants and Contributions	1,410,711	530,345	457,512	418,610	334,777	221,983	221,417	85,127
Total Business-Type Activities Program Revenues	1,411,872	586,683	491,417	477,511	349,591	296,816	284,768	175,983
\$ 1,872,621	\$ 1,043,574	\$ 908,491	\$ 653,011	\$ 462,122	\$ 407,994	\$ 360,293	\$ 237,766	
Net (Expense)/Revenue								
Governmental Activities	\$ (15,360,221)	\$ (13,253,492)	\$ (12,129,260)	\$ (9,880,772)	\$ (6,125,546)	\$ (7,440,052)	\$ (5,893,078)	\$ (4,126,208)
Business-Type Activities	458,703	24,377	(3,624)	(26,828)	19,137	36,585	29,269	34,644
Total Charter School-wide Net Expense	\$ (14,901,518)	\$ (13,229,115)	\$ (12,132,884)	\$ (9,907,600)	\$ (6,106,409)	\$ (7,403,467)	\$ (5,863,809)	\$ (4,091,564)
General Revenues and Other Changes in Net Position								
Governmental Activities:								
Federal and State Aid Not Restricted	\$ 17,328,558	\$ 13,314,440	\$ 12,052,239	\$ 10,065,336	\$ 7,162,517	\$ 7,128,941	\$ 5,898,533	\$ 4,299,003
Tuition	-	-	-	-	25,890	35,671	-	-
Miscellaneous Income	95,982	47,635	38,062	26,290	13,568	25,808	6,470	16,228
Special Items	1,727,770	-	-	-	-	-	-	-
Total Governmental Activities	19,152,310	13,362,075	12,090,301	10,091,626	7,201,975	7,190,420	5,905,003	4,315,231
Change in Net Position								
Governmental Activities	\$ 3,792,089	\$ 108,583	\$ (38,959)	\$ 210,854	\$ 1,076,429	\$ (249,632)	\$ 11,925	\$ 189,023
Business-Type Activities	458,703	24,377	(3,624)	(26,828)	19,137	36,585	29,269	34,644
Total Charter School	\$ 4,250,792	\$ 132,960	\$ (42,583)	\$ 184,026	\$ 1,095,566	\$ (213,047)	\$ 41,194	\$ 223,667

Source: Annual Comprehensive Financial Report

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Fund Balances - Governmental Funds
(Modified Accrual Basis of Accounting)
(Unaudited)
Last Eight Fiscal Years

	Fiscal Year Ending June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
General Fund								
Restricted	\$ 140,537	\$ 83,044	\$ -	\$ 400	\$ -	\$ -	\$ 9,565	\$ 11,750
Unassigned	6,616,607	2,443,823	1,900,761	1,887,949	1,378,340	49,097	161,665	140,154
Total General Fund	<u>\$ 6,757,144</u>	<u>\$ 2,526,867</u>	<u>\$ 1,900,761</u>	<u>\$ 1,888,349</u>	<u>\$ 1,378,340</u>	<u>\$ 49,097</u>	<u>\$ 171,230</u>	<u>\$ 151,904</u>
All Other Governmental Funds								
Restricted	\$ 16,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund								
Total All Other Governmental Funds	<u>\$ 16,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Annual Comprehensive Financial Report

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 (Modified Accrual Basis of Accounting)
 (Unaudited)
 Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Revenues:								
Local Sources:								
Local Tax Levy	\$ 1,588,527	\$ 1,136,189	\$ 1,203,001	\$ 1,071,185	\$ 726,513	\$ 690,506	\$ 634,639	\$ 450,698
Tuition					25,890	35,671	600	
Miscellaneous	96,219	47,635	38,062	26,290	15,533	71,621	6,470	16,228
State Sources	13,164,509	11,613,758	10,349,320	8,460,382	7,121,114	5,767,481	5,010,157	3,746,721
Federal Sources	1,956,032	1,021,384	916,992	709,269	484,118	736,319	329,262	163,367
Total Revenues	<u>16,805,287</u>	<u>13,818,966</u>	<u>12,507,375</u>	<u>10,267,126</u>	<u>8,373,168</u>	<u>7,301,598</u>	<u>5,981,128</u>	<u>4,377,014</u>
Special Items	1,727,770							
Expenditures:								
Instruction	5,188,589	4,870,351	4,459,553	3,742,214	2,784,570	2,885,466	2,311,167	1,772,828
Administration	5,287,351	4,474,469	3,836,985	3,145,545	2,728,910	1,892,189	1,655,361	1,246,586
Support Services	3,721,753	3,848,796	3,874,723	2,753,611	1,304,111	2,558,838	1,995,274	1,030,837
Capital Outlay	122,089	74,244	248,702	115,747	226,334	87,238	-	174,859
Total Expenditures	<u>14,319,782</u>	<u>13,267,860</u>	<u>12,419,963</u>	<u>9,757,117</u>	<u>7,043,925</u>	<u>7,423,731</u>	<u>5,961,802</u>	<u>4,225,110</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,213,275</u>	<u>551,106</u>	<u>87,412</u>	<u>510,009</u>	<u>1,329,243</u>	<u>(122,133)</u>	<u>19,326</u>	<u>151,904</u>
Net Change in Fund Balance	<u>\$ 4,213,275</u>	<u>\$ 551,106</u>	<u>\$ 87,412</u>	<u>\$ 510,009</u>	<u>\$ 1,329,243</u>	<u>\$ (122,133)</u>	<u>\$ 19,326</u>	<u>\$ 151,904</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%					

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

Fiscal Year Ending June 30,	Donations	Tuition	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2021	\$ -	\$ -	\$ 265	\$ 95,717	\$ 95,982
2020			21,854	25,781	47,635
2019	60			38,002	38,062
2018	-	-	4,583	21,707	26,290
2017	330	-	1,476	13,727	15,533
2016	-	-	-	71,621	71,621
2015	1,200	-	-	5,270	6,470
2014	330	-	-	15,898	16,228

Source: Charter School records

OPERATING INFORMATION

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

Function	2021	2020	2019	2018	2017	2016	2015	2014
Instruction	92	81	74	69	57	46	33	22
Administrative	12	8	14	6	7	7	4	3
Support Services	16	30	18	15	12	5	29	14
Total	120	119	106	90	76	58	66	39

Source: Charter School Personnel Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Operating Statistics
(Unaudited)
Last Eight Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily		Percent Change in Average Daily Enrollment	Student Attendance Percentage
							Enrollment (ADE) ^c	Attendance (ADA) ^c		
2021	932	\$ 14,197,693	\$ 15,234	6.61%	92	10:1	929	879	7.33%	94.62%
2020	844	13,193,616	14,289	-8.19%	81	10.5:1	832	744	11.67%	89.42%
2019	782	12,171,261	15,564	10.26%	74	10:1	771	744	18.06%	96.50%
2018	683	9,641,370	14,116	11.81%	69	10:1	681	660	14.87%	96.92%
2017	540	6,817,591	12,625	-18.26%	57	9:1	558	558	16.63%	100.00%
2016	475	7,336,493	15,445	7.51%	46	10:1	475	475	18.94%	100.00%
2015	415	5,961,802	14,366	17.05%	33	12:1	396	396	0.00%	100.00%
2014	330	4,050,251	12,273	0.00%	22	15:1	321	321	0.00%	100.00%

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).

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
 School Building Information
 (Unaudited)
 Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
<u>Charter School Building</u>								
<u>Elementary</u>								
Name of School (Year)								
225 Grand Street, Paterson								
Square Feet	70,000	70,000	70,000	70,000	70,000	70,000	23,963	23,963
Capacity (students)	585	585	700	700	540	480	420	330
Enrollment	547	547	489	683	540	475	415	330
<u>Middle School</u>								
30 Michigan Avenue, Paterson								
Square Feet	20,510	20,510	20,510					
Capacity (students)	300	300	400					
Enrollment	297	297	293					

Number of Schools at June 30, 2021
 Elementary/Middle School = 1 (Grades K-7)

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of additions.
 Number of Schools at June 30, 2021
 Elementary School = 1
 Middle School = 1
 High School = 1

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Insurance Schedule

June 30, 2021

	<u>Coverage</u>	<u>Deductible</u>
PACKAGE POLICY - G.R. MURRAY INSURANCE		
<i>Property</i>		
Real and Personal Property	\$ 350,000,000	\$ 1,000
Extra Expense	50,000,000	1,000
Accounts Receivable	250,000	
All Flood Zones	75,000,000	10,000
Earthquake	50,000,000	
Terrorism	1,000,000	
<i>EDP</i>		
Hardware/Software	250,000	1,000
Coverage Extensions:		
Loss of Income	10,000	
Transit	25,000	
Loss of Income	10,000	
Terrorism	Included in Property	
<i>Equipment Breakdown</i>		
Combined Single Limit per Accident for Property Damage and Business Income	100,000,000	
Sublimits:		
Off Premises Property Damage	100,000	
Extra Expense	10,000,000	
Service Interruption	10,000,000	
Perishable Goods	500,000	
Data Restoration	100,000	
Contingent Business Income	100,000	
Demolition	1,000,000	
Ordinance or Law	1,000,000	
Expediting Expenses	500,000	
Hazardous Substances	500,000	
Newly Aquired Locations (120 days notice)	250,000	
Terrorism	Included	

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Insurance Schedule

June 30, 2021

	Coverage	Deductible
Crime		
Public Employee Dishonesty with Faithful Performance	250,000	1,000
Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	50,000	500
Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	50,000	500
Comprehensive General Liability		
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	
Automobile		
Hired & Non-Owned - Bodily Injury and Property Damage	16,000,000	
Terrorism	1,000,000	

PATERSON 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	1,298,327	4,000,298	6,458,759	Audit: Exhibit A-1
Current Assets (include cash)	2,253,545	4,879,484	7,649,670	Audit: Exhibit A-1
Current Liabilities	251,174	2,286,135	349,789	Audit: Exhibit A-1
Total Expenses	13,041,375	14,277,689	16,774,139	Audit: Exhibit A-2
Change in Net Position	(42,583)	132,960	4,250,792	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	771.00	832.00	929.00	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	782	844	932	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	3 YR CUM			Calculation****	Target****
	2019	2020	2021		
Near-Term Indicators					
1a. Current Ratio (working capital ratio)	8.97	2.13	21.87	Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b. Unrestricted days cash on hand	36.34	102.30	140.54	Cash (Total Expenses/365)	60 days or 30-60 days with positive trend
1c. Enrollment Variance	99%	99%	100%	Average Daily Enrollment Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.** Default on loans or delinquent in debt payments	NO	NO	NO	Auditor	not in default
Sustainability Indicators					
2a**** 3 Year Cumulative Cash Flow	(200,263)	2,701,971	2,458,461	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 -2019 Cash; 2019 =2019 Cash -2018 Cash
 **** Refer to NJ Performance Framework



SINGLE AUDIT SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 206
Union, New Jersey 07083
908-686-3484
FAX – 908-686-6055
www.cpa-bc.com ♦ info@cpa-bc.com

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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
Paterson 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 the Paterson 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, 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 matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and state and federal 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
Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
February 9, 2022

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
2204 Morris Avenue, Suite 206
Union, New Jersey 07083
908-686-3484
FAX – 908-686-6055
www.cpa-bc.com ♦ info@cpa-bc.com

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**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**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Paterson 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 Paterson 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 state and federal statutes, regulations, and the terms and conditions of its federal and state 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) and the audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey; 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 Paterson 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.

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 item #2021-001. Our opinion on each major federal program is not modified with respect to this matter.

Paterson 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. Paterson 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.

Report on Internal Control over Compliance

Management of the Paterson 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. However, material weaknesses may exist that have not been identified.

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 that the testing based on the requirements of Uniform Guidance and New Jersey Circular OMB 15-08. 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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Funds
For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Additional 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 Subrecipients	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2021 Unearned Revenue	Due to Grantor
U.S. Department of Education																
Passed-through State Department of Education																
Special Revenue Fund:																
No Child Left Behind:																
84-010A	N/A		S0710A210030	NCLB - 6096 - 21	\$ 613,951	7/1/20 6/30/21	\$ (100,820)	\$ -	\$ (164,330)	\$ (613,861)	\$ -	\$ -	\$ -	\$ (798,191)	\$ -	\$ -
84-010B	N/A		S0710B210030	NCLB - 6096 - 21	9,756	9/1/20 8/31/21			10,756	(9,756)						
84-365	84-365A		S365A210030	NCLB - 6096 - 21	9,756	9/1/20 8/31/21			9,756	(9,756)						
84-365	84-365A		S365A210030	NCLB - 6096 - 21	13,415	9/1/19 8/31/21	(652)		652	(46,621)						
84-367	84-367A		S367A210030	NCLB - 6096 - 21	45,621	9/1/20 8/31/21	(28,632)		28,632	(30,752)						
84-367	84-367A		S367A210030	NCLB - 6096 - 21	49,203	9/1/19 8/31/20	(5,850)		30,752	(699,690)						
84-186	84-186A		S24A210031	NCLB - 6096 - 20	16,595	9/1/19 8/31/20	(153,954)		37,750							
84-186	84-186A		S24A210031	NCLB - 6096 - 20	16,595	9/1/19 8/31/20	(153,954)		37,750							
Total No Child Left Behind																
Special Education Cluster (IDEA):																
84-027	84-027A		H027A210031	IDEA - 6096 - 21	160,124	7/1/20 6/30/21	(16,439)		160,124	(1,066,690)						
84-027	84-027A		H027A200031	IDEA - 6096 - 20	175,048	9/1/19 8/31/20	(16,439)		16,439	(3,106)						
84-173	N/A		H027A200031	IDEA - 6096 - 21	3,106	9/1/20 8/31/21	(633)		3,106	(163,230)						
84-173	N/A		H027A200031	IDEA - 6096 - 20	3,468	9/1/19 8/31/20	(17,072)		160,302							
Total Special Education Cluster (IDEA)																
Other Special Revenue Funds:																
84-282	N/A		U082A210015	N/A	196,307	9/1/20 8/31/21	(196,614)		196,614	(89,195)						
84-282	N/A		U082A210015	N/A	196,307	9/1/20 8/31/21	(196,614)		196,614	(89,195)						
84-425D	COVID-19, 84-425D			N/A		9/1/20 10/31/20			89,195							
84-425D	COVID-19, 84-425D			N/A		3/1/20 9/30/22			438,540	(438,540)						
84-425D	COVID-19, 84-425D			N/A		3/1/20 9/30/22			448,387	(448,387)						
XX.XXX				N/A		9/1/20 8/31/21										
XX.XXX				N/A		9/1/19 8/31/20	(996,614)		1,162,736	(896,122)						
Total Other Special Revenue Funds																
U.S. Department of Treasury																
Passed-through State Department of Education																
21-019	COVID-19			N/A	106,690	8/1/20 10/1/20			106,690	(1,066,690)						
21-019	COVID-19			N/A	106,690	8/1/20 10/1/20			106,690	(1,066,690)						
Total Department of Treasury Funds																
Total Special Revenue Fund																
Total Department of Agriculture																
Passed-through State Department of Agriculture																
Elementary and Secondary School Emergency Relief:																
Child Nutrition Cluster:																
10-553	COVID-19		211NJ04N1099	N/A	468,672	7/1/20 6/30/21	(7,894)		418,277	(468,672)				(51,395)		
10-553	COVID-19		201NJ04N1099	N/A	73,613	7/1/19 6/30/20			7,894							
10-555	COVID-19		211NJ04N1099	N/A	825,937	7/1/20 6/30/21	(14,959)		729,036	(825,937)				(86,901)		
10-555	COVID-19		201NJ04N1099	N/A	322,468	7/1/19 6/30/20			14,959							
10-558	N/A		211NJ04N1099	N/A	23,137	7/1/20 6/30/21	(2,853)		1,770,166	(12,956,609)				(146,296)		
10-558	N/A		201NJ04N1099	N/A	24,121	7/1/19 6/30/20	(1,796)		1,796	(21,137)				(1,826)		
Total Child Nutrition Cluster																
Child Care Food Program																
Total Enterprise Fund																
Sub-Total Federal Financial Awards																
\$ (374,289) \$ 2,899,752 \$ (327,370) \$ (948,315) \$ -																

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

PATERSON 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			Balance at June 30, 2021			MEMO	
			From	To	Unearned Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balance		(Accounts Receivable)
State Department of Education												
General Fund:												
State Aid - Public												
Equalization Aid	21-495-034-5120-078	10,793,183	7/1/20	6/30/21								
Equalization Aid	20-495-034-5120-078	9,695,941	7/1/19	6/30/20	(56,385)							10,793,183
Special Education Categorical Aid	21-495-034-5120-089	460,512	7/1/20	6/30/21								460,512
Security Aid	21-495-034-5120-084	445,407	7/1/20	6/30/21								445,407
Adjustment Aid	20-495-034-5120-085	-	7/1/19	6/30/20	(56,385)							11,699,102
Total State Aid - Public												38,306
Nonpublic Aid	21-100-034-5068-042	-	7/1/20	6/30/21								38,306
On Behalf:												
TPAF Post-Retirement Medical	20-495-034-5094-001	262,584	7/1/19	6/30/20								262,584
TPAF Pension Contributions	21-495-034-5094-002	837,896	7/1/20	6/30/21								837,896
Non-Contributory Insurance	21-495-034-5094-004	1,526	7/1/20	6/30/21								1,526
Reimbursed TPAF - Social Security	21-495-034-5094-003	325,095	7/1/20	6/30/21	(14,906)							325,095
Reimbursed TPAF - Social Security	20-495-034-5094-003	305,137	7/1/19	6/30/20	(72,291)							13,164,509
Total General Fund												13,164,509
State Department of Agriculture												
Enterprise Fund:												
National School Lunch Program (State Share)	21-100-010-3350-023	45,593	7/1/20	6/30/21	(1,867)							45,593
National School Lunch Program (State Share)	20-100-010-3350-023	8,110	7/1/19	6/30/20								45,593
Total Enterprise Fund												45,593
Total All Funds												13,210,102
State Financial Assistance Not Required to Major Program Determination:												
General Funds:												
TPAF Post-Retirement Medical	21-495-034-5094-001	-	7/1/20	6/30/21								-
Non-Contributory Insurance	21-495-034-5094-004	1,526	7/1/20	6/30/21								1,526
TPAF Pension Contributions	21-495-034-5094-002	837,896	7/1/20	6/30/21								837,896
Total State Financial Assistance Subject to Single Audit												13,210,102

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
June 30, 2021

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, Paterson 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 schedule 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 this schedule is 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 presentation 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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
June 30, 2021

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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*.

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	\$ -	\$ 13,164,509	\$ 13,164,509
Special Revenue Fund	1,956,032		1,956,032
Food Service Fund	1,317,746	45,593	1,363,339
Total Awards & Financial Assistance	<u>\$ 3,273,778</u>	<u>\$ 13,210,102</u>	<u>\$ 16,483,880</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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
June 30, 2021

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical 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.

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>	\$ 613,861
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	45,621
Title III: <i>English Language Acquisition</i>	9,756
Total	\$ 669,238

NOTE 9. DE MINIMIS INDIRECT COST RATE

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
June 30, 2021

NOTE 10. MAJOR PROGRAMS

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

PATERSON 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		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ None Reported <u> X </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ None Reported <u> X </u>
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<u> X </u> Yes	_____ No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
	<u>Child Nutrition Program Cluster:</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
	<u>Education Stabilization Fund</u>
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425D	CARES Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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PATERSON 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:

GMIS Number(s)	Name of State Program
	STATE AID – PUBLIC
<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>

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

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 and Stabilization Funds (CARES) Grant Are Not in Compliance With the Grant Agreement

Criteria: The grant calls for allowable expenses to 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 \$438,540 of rent expenses to the Education and Stabilization Funds (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 \$438,540 because these expenditures were not in compliance with grant requirements.

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

CURRENT YEAR FEDERAL AWARDS (CONTINUED)

Item #2021-001 – Expenses Charged to the Education and Stabilization Funds (CARES) Grant Are Not in Compliance With the Grant Agreement (Continued)

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. 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: \$438,540

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: Paterson 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.

CURRENT YEAR FEDERAL AWARDS (CONTINUED)

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

Responsible Official's Response and Corrective Action Planned (Continued):

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.

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

No Current Year Findings

PATERSON 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

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