

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
OF NEW JERSEY
FOR THE FISCAL PERIOD ENDED JUNE 30, 2021**

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JUNE 30, 2021
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February 24, 2022

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

Dear Commissioner:

The Annual Comprehensive Financial Report of the Philip's Academy Charter School of Paterson for the fiscal period 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 school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

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

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

Philip's Academy Charter School of Paterson commenced the 2020/2020 school year with 360 Kindergarten students through 4th Grade.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included

as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2021.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1.
- 7) **FINANCIAL INFORMATION AT FISCAL PERIOD–END:** As demonstrated by the various statements and schedules included in the financial section of report, the school has met its responsibility for sound financial management. The following schedule presents a summary of the General, Special Revenue and Proprietary Funds for the fiscal period ended June 30, 2021:

Revenue	Amount	Percent of Total
Local and State Aid	\$4,318,659	67%
Special Revenue	800,540	10%
State Sources	922,632	11%
Proprietary Fund	169,620	2%
Misc. – Including PPP Loan Forgiveness of \$517,440	695,604	10%
Total	\$6,907,055	100%

The following schedule presents a summary of the General, Special Revenue and Proprietary Funds expenditures for the fiscal period ended June 30, 2021.

Expenditures	Amount	Percent of Total
General Fund	\$4,872,880	83%
Special Revenue Fund	800,540	14%
Proprietary Fund	169,620	3%
Total	\$5,843,040	100%

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large part by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) **OTHER INFORMATION:**

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

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

The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,



Regina Lauricella
Principal

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON

ROSTER OF TRUSTEES

JUNE 30, 2021

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Madelka Osiecki, Voting	6/2021
Cary D. Caraballo, Trustee	6/2023
Timothy J. Graham, Trustee	7/2022
Julie Macleod, Trustee	6/2022
Nelson Rodriguez, Jr., Trustee	6/2021
Dina Runcie, Trustee	8/2022
Altisha Byrd	11/2022
Regina Lauricella, Principal, Non-voting	
Michael Falkowski, School Business Administrator, Non-voting	

CONSULTANTS AND ADVISORS
June 30, 2021

AUDIT FIRM

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62 Old Queens Blvd.
Manalapan, NJ 07726-3648

ATTORNEYS

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

OFFICIAL DEPOSITORY

Santander Bank
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Howell, NJ 07731

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Philip's Academy Charter School of Paterson, County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Philip's Academy Charter School of Paterson's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School of Paterson as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

I draw your attention to Note 2 to the financial statements, which discloses adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which enhances the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. My 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, which follows this report, the pension and post-employment benefits schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School basic financial statements, The accompanying supplementary information such as the combining and individual fund financial statements and the schedules of expenditures of

federal and state awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and New Jersey's OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 24, 2022 on my consideration of the Philip's Academy Charter School of Paterson's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
February 24, 2022

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

This section of Philip's Academy Charter School of Paterson's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal period that ended on June 30, 2021. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-21 fiscal period include the following:

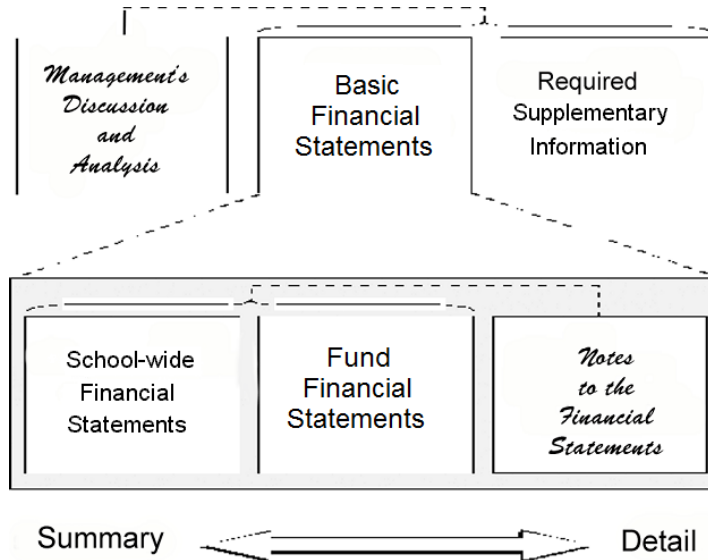
- Total Net Position – Governmental was \$1,680,777.
- The Unassigned Governmental Fund balance at June 30, 2021 is \$1,371,899 and a Capital Reserve of \$650,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

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



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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

School-wide Statements

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

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

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

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

Fund Financial Statements

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

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

- Some funds are required by State law.

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

**PHILIP’S ACADEMY CHARTER SCHOOL OF PATERSON
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)**

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

- **Governmental funds-** Most of the Philip’s Academy Charter School of Paterson’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Philip’s Academy Charter School of Paterson’s programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Philip’s Academy Charter School of Paterson charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.

FINANCIAL ANALYSIS OF THE PHILIPS ACADEMY CHARTER SCHOOL AS A WHOLE

Net position. The Philip’s Academy Charter School of Paterson’s net position – School Wide is \$1,684,543 as of June 30, 2021. (See Table A-1).

Governmental	\$1,680,777
Student Activity - Restricted	<u>3,766</u>
Total	<u>\$1,684,543</u>

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

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

- Special Revenue Fund - Revenues and Expenditures were \$800,540.
- General Fund Revenues were \$6,907,055.
- General Fund Expenditures were \$5,843,040.

Table A-1
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Position - School Wide
As of June 30, 2021

	<u>Total</u>
Current and Other Assets	\$2,305,010
Pension Deferred Outflows	681,253
Total Assets and Pension Deferred Outflows	<u>\$2,986,263</u>
Current Liabilities and Pension Liabilities	\$967,933
Pension Deferred Inflows	333,787
Total Liabilities and Pension Deferred Inflows	<u>\$1,301,720</u>
Net Position	1,684,543
Total Net Position	<u>\$1,684,543</u>
Total Liabilities and Pension Deferred Inflows and Net Position	<u><u>\$2,986,263</u></u>

Total School Wide Revenues and beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$1,684,543 as of June 30, 2021.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

Table A-2
PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Position - School Wide
For the Fiscal Year Ended June 30, 2021

Revenues	<u>Total</u>	<u>Percent</u>
Program revenues		
Charges for services		
Operating grants and contributions		
General revenues		
Local Share	\$ 441,384	7%
State Aid-Unrestricted	4,022,447	60%
Federal Aid	655,368	10%
Proprietary Fund	169,620	2%
Federal and State Aid-Restricted	922,632	11%
Other	695,604	10%
Total revenues	<u>\$ 6,907,055</u>	<u>100%</u>
Expenses		
Regular Instruction	2,336,659	41%
General Administrative	1,582,061	28%
School Administrative	1,142,801	20%
On-behalf TPAF Social Security/Pension/Medical	611,899	7%
Proprietary Fund	169,620	4%
Capital Outlay	0	0%
	<u>\$ 5,843,040</u>	<u>100%</u>
Increase in net position	1,064,015	
Beginning Fund balance 07/01/20 (as restated)	957,884	
Reserve Student Activity	3,766	
Fund Balance 06/30/2021	<u>\$ 2,021,899</u>	
Net Pension Adjustment	(337,356)	
Net Position 06/30/2021	<u><u>\$ 1,684,543</u></u>	

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

Table A-3 (See Exhibit A-2)
PPHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Cost of Serivces Total and Net - School Wide
For the Fiscal Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
School Wide Activities			
Instruction			
Regular	B-2	\$ 2,336,659	\$ 2,336,659
Support Services			
General Administrative Services	B-2	1,582,061	1,582,061
School Administrative Services	B-2	1,142,801	1,142,801
On-behalf TPAF Social Security	B-2	611,899	396,212
Proprietary Fund	G-2	169,620	169,620
Capital Outlay	B-2	-	-
Total School Wide Activities		<u>\$ 5,843,040</u>	<u>\$ 5,627,353</u>

FINANCIAL ANALYSIS OF THE PHILIP'S ACADEMY CHARTER SCHOOL FUNDS

The financial performance of the Philip's Academy Charter School of Paterson as a whole is reflected in its governmental activities Exhibit A-2. As the Philip's Academy Charter School of Paterson completed the year, its Governmental funds reported an unassigned fund balance of \$1,368,133 and a capital reserve of \$650,000.

Revenues for the Philip's Academy Charter School of Paterson's governmental funds were \$6,737,455 while total expenses were \$5,673,420. (Table A-4) (Exhibit B-2)

GENERAL FUND

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

The following presents a summary of Revenues - Schoolwide

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

Revenues - School Wide	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 441,384	\$ 306,911	\$ 134,473
State Share	4,022,447	3,153,192	869,255
Misc Revenue	695,604	829,145	(133,541)
Total Local Revenue	\$ 5,159,435	\$ 4,289,248	\$ 870,187
Intergovernmental			
Proprietary Fund	\$ 169,620	\$ -	\$ 169,620
State Sources	922,632	651,177	271,455
Federal Sources	655,368	268,546	386,822
Total Intergovernmental Sources	\$ 1,747,620	\$ 919,723	\$ 827,897
Total School Wide Revenue	\$ 6,907,055	\$ 5,208,971	\$ 1,698,084

The following presents a summary of Expenditures – Schoolwide.

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

Expenditures - School Wide	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 2,336,659	\$ 1,979,356	\$ 357,303
General Administrative Services	1,582,061	879,729	702,332
School Administration	1,142,801	1,040,503	102,298
Proprietary Fund	169,620	-	169,620
On-behalf TPAF / Social Security	611,899	390,923	220,976
Capital outlay	-	650,000	(650,000)
Total Expenditures - School Wide	\$ 5,843,040	\$ 4,940,511	\$ 902,529

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

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

General Fund	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unreserved-Unassigned Fund Balance	1,368,133	304,118	35,658	20,682	56,456
Expenditures	5,843,040	4,940,511	3,052,303	2,133,438	1,525,838
Percentage	23.5%	6.0%	1.1%	1.0%	3.0%

The Philip's Academy Charter School of Paterson values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during the school year. The unreserved unassigned fund balance designated to support the subsequent years budget is \$1,368,133 for the 2021-22 school year.

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

These and many other factors were considered by the Charter School's administration during the process of developing the fiscal year budget. The primary factors were the Charter School's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2021-22.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Philip's Academy Charter School of Paterson's finances and to demonstrate the Philip's Academy Charter School of Paterson's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Philip's Academy Charter School of Paterson, 47 State Street, Paterson, NJ 07501

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Philip's Academy Charter School of Paterson's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2021.

SCHOOL-WIDE FINANCIAL STATEMENTS

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Net Position
As of June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 2,074,563	-	\$ 2,074,563
Interfund	54,115	(54,115)	
Receivables	138,049	54,115	192,164
Security Deposit	34,517	-	34,517
Cash and Cash Equivalent - Restricted	3,766	-	3,766
Total Assets	<u>2,305,010</u>	<u>-</u>	<u>2,305,010</u>
Deferred outflows of resources			
Pension deferred outflows	681,253	-	681,253
Total assets and deferred outflows of resources	<u>\$ 2,986,263</u>	<u>\$ -</u>	<u>\$ 2,986,263</u>
LIABILITIES			
Accounts payable	\$ 62,827	-	\$ 62,827
Deferred Revenue	220,284		220,284
Loan payable - PPP SBA - (Note 16)	-	-	-
Net pension liability - Noncurrent	684,822	-	684,822
Total liabilities	<u>967,933</u>	<u>-</u>	<u>967,933</u>
Deferred inflows of resources			
Pension deferred inflows	<u>333,787</u>	<u>-</u>	<u>333,787</u>
NET POSITION			
Restricted - Student Activity Reserve	3,766		3,766
Restricted - Capital Reserve	650,000		650,000
Unrestricted	1,030,777	-	1,030,777
Total net position	<u>\$ 1,684,543</u>	<u>\$ -</u>	<u>\$ 1,684,543</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 2,986,263</u>	<u>\$ -</u>	<u>\$ 2,986,263</u>
Fund Balance June 30, 2021 - B-1	\$ 2,021,899		
Cost of capital assets net accumulated depreciation	0		
Net position before pension adjustments	2,021,899		
Less pension adjustments net	(337,356)		
Total net position - June 30, 2021	<u>\$ 1,684,543</u>		

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Exhibit A-2

<u>Functions/Programs</u>	Program Revenues			Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	(2,336,659)		\$ (655,368)		\$ (1,681,291)		\$ (1,681,291)
Support services:							
General administratrion	(1,582,061)		(145,172)		(1,436,889)		(1,436,889)
School administrative services/ operations plant serv.	(1,142,801)				(1,142,801)		(1,142,801)
On - behalf TPAF Social Security	(611,899)				(611,899)		(611,899)
Capital Outlay	-				-		-
Total governmental activities	<u>(5,673,420)</u>		<u>(800,540)</u>		<u>(4,872,880)</u>		<u>(4,872,880)</u>
Business-type activities:							
Food Service	(169,620)	-				(169,620)	(169,620)
Total business-type activities		<u>-</u>				<u>(169,620)</u>	<u>(169,620)</u>
Total primary government	<u>\$ (5,843,040)</u>	<u>\$ 0</u>	<u>\$ (800,540)</u>		<u>\$ (4,872,880)</u>	<u>\$ (169,620)</u>	<u>\$ (5,042,500)</u>
General revenues:							
Local Share				\$ 441,384			\$ 441,384
State Share				4,022,447	3,039		4,025,486
State and Federal Aid				922,632	105,367		1,027,999
General Fund Transfer					60,553		60,553
Miscellaneous Income Including PPP Loan Forgiveness of \$517,440 (Note 15)				550,432	661		551,093
Total general revenues, special items				<u>5,936,895</u>	<u>169,620</u>		<u>6,106,515</u>
Change in Net Position				1,064,015	0		1,064,015
Net Pension Adjustment				(266,028)			(266,028)
Net Position - June 30, 2020 (as restated)				886,556	0		886,556
Net Position - June 30, 2021				<u>\$ 1,684,543</u>	<u>\$ -</u>		<u>\$ 1,684,543</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Balance Sheet
Governmental Funds
As of June 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 1,965,133	\$ 109,430	\$ 2,074,563
Receivables	18,585	119,464	138,049
Interfund	54,115		54,115
Security Deposit - Rental	34,517	-	34,517
Cash and Cash Equivalents Restricted - Student Act.		3,766	3,766
Total assets	<u><u>\$ 2,072,350</u></u>	<u><u>\$ 232,660</u></u>	<u><u>\$ 2,305,010</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred Revenues	\$0	\$ 220,284	220,284
Accounts payable	54,217	8,610	\$ 62,827
Total liabilities	<u>54,217</u>	<u>228,894</u>	<u>283,111</u>
Fund Balances:			
Restricted - Capital Reserve	650,000		650,000
Restricted - Student Activity Reserve		3,766	3,766
Unassigned	1,368,133		1,368,133
Total Fund balances	<u>2,018,133</u>	<u>3,766</u>	<u>2,021,899</u>
Total liabilities and fund balances	<u><u>\$ 2,072,350</u></u>	<u><u>\$ 232,660</u></u>	<u><u>\$ 2,305,010</u></u>

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

Governmental Fund Balance June 30, 2021 \$ 2,021,899

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

Net position of governmental activities before Pension Adjustments June 30, 2021 \$ 2,021,899

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 5) 681,253

Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 5) (333,787)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5) (684,822)

Net position of governmental activities - June 30, 2021 \$ 1,684,543

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Local Share	\$ 441,384	\$ -	\$ 441,384
State Share	4,022,447		4,022,447
Miscellaneous - Includes PPP Loan Forgiveness of \$517,440	550,432	145,172	695,604
Total - Local Sources	5,014,263		5,014,263
State Sources	922,632	-	922,632
Federal Sources		655,368	655,368
Total Revenues	<u>\$ 5,936,895</u>	<u>\$ 800,540</u>	<u>\$ 6,737,435</u>
EXPENDITURES			
Current:			
Regular instruction	\$ 1,681,291	\$ 780,042	\$ 2,461,333
Support services- General Administrative	1,436,889	20,498	1,457,387
Support Services- School Admin/ operations plant serv	1,142,801		1,142,801
On-behalf TPAF Social Security/Pension/Medical	611,899		611,899
Capital outlay	-		-
Total Expenditures	<u>4,872,880</u>	<u>800,540</u>	<u>5,673,420</u>
Excess (Deficiency) of revenues over expenditures	<u>1,064,015</u>		<u>1,064,015</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	-		-
Total other financing sources and uses	<u>-</u>		<u>-</u>
Net change in fund balance - Increase	1,064,015		1,064,015
Fund balance - July 1, 2020 as Previously Stated	304,118	-	304,118
Reinstatement of Fund Balance			
Due to Implementation of GASB 84	-	3,766	3,766
Fund balance as restated July 1, 2020	304,118	3,766	307,884
Fund balance - June 30, 2021	<u>\$ 1,368,133</u>	<u>\$ 3,766</u>	<u>\$ 1,371,899</u>

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

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2021**

Total net change in fund balances Increase - governmental funds (from B-2) \$ 1,064,015

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period. (Note 2)

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

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

-

Change in net position of governmental activities - Increase \$ 1,064,015

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

PROPRIETARY FUNDS

EXHIBIT B-4

Philips Academy Charter School of Paterson
 Statement of Net Position
 Proprietary Funds
 As of June 30, 2021

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$0
Interfund	(54,115)
Intergovernmental Receivable	
Federal	52,122
State	1,993
Total Current Assets	<u>0</u>
Total Assets	<u><u>\$0</u></u>
LIABILITIES	
Accounts Payable	<u>0</u>
Total Current Liabilities	<u>\$0</u>
Net Position	
Unrestricted	<u>0</u>
Total Net Position	<u><u>\$0</u></u>

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

Exhibit B-5

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year June 30, 2021

	Proprietary Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	\$0
After School Revenue	
Misc Revneue	661
Total Operating Revenues	661
OPERATING EXPENSES	
Salaries, wages and employee benefits	
Supplies, Materials & Other	(169,620)
Professional Services	
Total Operating Expenses	(169,620)
Income (Loss) From Operations	(168,959)
Nonoperating Revenues	
State Sources	3,039
Federal Sources	
School Breakfast Program	38,860
National School Lunch Program	56,176
National School Snack Program	10,331
Total Nonoperating Revenues	108,406
Net Income (Loss) Before Transfer In	(60,553)
Transfer from General Fund - Subsidy	60,553
Change in Net Position	0
Total Net Position- Beginning of Year	0
Total Net Position- End of Year	0

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

**Philips Academy Charter School of Paterson
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021**

	Proprietary Fund Food Services
Cash flows from operating activities	\$661
Cash Payments to Suppliers for Goods and Services	(\$169,620)
Net Cash (Used) by Operating Activities	(168,959)
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	60,553
Cash Received from State and Federal Subsidy Reimbursements	108,406
Net Cash Provided by Noncapital Financing Activities	168,959
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	0
Net Increase in Cash and Cash Equivalents	0
Cash and Cash Equivalents, Beginning of Year	0
Cash and Cash Equivalents, End of Year	\$0
 Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities	
Operating (Loss)	\$0
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities	
Decrease in Accounts Receivable	0
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	0
Total Adjustment	0
 Net Cash Provided by Operating Activities	\$0

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

FIDUCIARY FUNDS

Exhibit B-7

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2021**

NOT APPLICABLE

Exhibit B-8

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

NOTES TO THE BASIC FINANICAL STATEMENTS

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Statements

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

Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

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

Governmental Funds

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Proprietary Funds

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. As of June 30, 2021, there was no Fiduciary Fund due to the adoption of GASB Statement No. 84, Fiduciary Activities.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

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

D. Budgets/Budgetary Control

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Budgets/Budgetary Control

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

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

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

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

F. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were \$0 of encumbrances at June 30, 2021. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

G. Cash, Cash Equivalents and Investments

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

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

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks, the deposits

of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventories and Prepaid Expenses

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

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

I. Short-Term Interfund Receivables/Payables

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

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. The Charter School had a compensated absence liability of \$0 at June 30, 2021.

L. Accrued Liabilities and Long-Term Obligations

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

M. Net Position/Fund Balance

School-Wide Statements

In the school-wide statements, there are three classes of net position:

- Invested 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. Also included in invested in capital assets are amounts the Charter School prepaid in advance of the work performed.
- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Unrestricted Net Position - any portion of net position not already classified as either net invested in capital assets or net position - restricted is classified as net position – unrestricted, which includes deferred inflows and outflows

Fund Balance and Equity

The Charter School follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”), in establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds' financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

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

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

Restricted Fund Balances

Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Student Activities – This restriction was created in accordance with NJAC 6A:23A-16.12 to represent the accumulation of funds derived from athletic events and other student organizations reserved for the payment of student group activities. At June 30, 2021 the amount reserved was \$3,766.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Unearned/Deferred Revenue

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

O. Fund Equity

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

P. Use of Estimates

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

Q. On-Behalf Payments

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

R. Deferred Outflows/Inflows

Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

S. Compensated Absences

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days.

As of June 30, 2021, Charter School-wide compensated absences amounted to \$-0-.

T. Fair Value of Financial Instruments

The Charter School follows the accounting and disclosure standards pertaining to GASB No. 72, Fair Value Measurement and Application, for qualifying assets and liabilities. Fair value is defined as the price that the Charter School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Charter School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Charter School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

U. Adoption of New Accounting Standard

During fiscal year 2021, the Charter School adopted GASB Statement No. 84, Fiduciary Activities (GASB 84). GASB 84 enhances the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Specifically, GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. 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. As part of the adoption, the Charter School no longer considers activities in the Unemployment Fund Account, Payroll Agency Fund and Student activities as fiduciary activities applicable under GASB 84. As a result, the Charter School no longer presents a Statement of Fiduciary Net Position, and records payroll deductions and withholdings payable, unemployment activities in the General Fund in the Governmental Fund financial statements. There was no activity in the student activity account for the year ended. The school does not maintain an unemployment trust fund.

Student activities are recorded in the Special Revenue Fund in the Governmental Fund financial statements. Special Revenue Fund balance as of June 30, 2020, was restated by \$3,766 to meet requirements of the new standard as follows:

Fund Balance, June 30, 2020 as previously stated	\$0
Adoption of GASB 84	3,766
Fund Balance, June 30, 2020 as restated	\$3,766

A. Accounting Standard Issued but Not Yet Adopted

The GSAB Issued Statement No. 87, Leases in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 20, 2020. Management has not yet determined the impact of this statement on the financial statements.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. As of June 30, 2021, none of the Charter School's bank balances were exposed to custodial risk.

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

As of June 30, 2021, the Charter School had no investments.

4. RELATED PARTY TRANSACTIONS – PHILIPS EDUCATIONAL PARTNERS

The school leases its premises under the terms of the renewable annual lease from Philip's Education Partners, Inc. a not for profit organization formed to support Philip's Academy Charter School. The rent expense under this lease for the current year was \$397,060. The rent covered the school premises. In the opinion of school management, this amount approximates fair market value for the rent charged. In addition, for year ending June 30, 2020, the school received a \$650,000 grant from Philips Education Partners, Inc. in order to establish a capital reserve.

5 PENSION PLANS

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

5 PENSION PLANS (continued)

obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the systems other related non-contributing employers.

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

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

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

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

5 **PENSION PLANS (continued)**

achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

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

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF.

The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2019 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

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

Contribution Requirements

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

5 PENSION PLANS (continued)

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

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The School's contribution to PERS for the year ended June 30, 2021 was \$45,940.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue for the year ended June 30, 2021 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries in the amount of \$132,408. Also the State paid \$479,782 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

6 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$2,325,246 as measured on June 30, 2020 and \$0 as measured on June 30, 2019.

For the year ended June 30, 2021, the Charter School recognized pension expense of \$352,499 and revenue of \$352,499 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2021 is based upon changes in the collective net pension liability with a measurement period of June 30, 2020 through June 30, 2019. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2019 and June 30, 2020.

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

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Collective deferred outflows of resources	\$9,458,881,999	\$9,932,767,606
Collective deferred inflows of resources	\$14,424,322,612	\$17,539,845,423
Collective net pension liability (Non-employer - State of New Jersey)	\$ 65,848,796,740	\$ 61,519,112,443
State's portion of the net pension liability that was associated with the Charter School	\$2,325,246	\$0
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.008608%	.0%

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (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 (Price):	2.75%
Inflation (Wage):	3.25%
Salary Increases: 2011-2026	1.55 - 4.55% based on years of service
Salary Increases: Thereafter	2.75 - 5.65% based on years of service
Investment Rate of Return:	7%

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. Postretirement 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-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, 2015 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits and the actuaries. The long term expected rate of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2020, are summarized in the following table:

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Risk mitigation strategies	27.00%	7.71%
Cash equivalents	13.50%	8.57%
U.S. Treasuries	5.50%	10.23%
Investment grade credit	13.00%	11.42%
High yield	3.00%	9.73%
Private credit	8.00%	9.56%
Real assets	2.00%	5.95%
Real estate	8.00%	7.59%
US equity	8.00%	2.67%
Non-U.S. developed markets equity	4.00%	0.50%
Emerging markets equity	5.00%	1.94%
Private equity	3.00%	3.40%

Discount Rate

The discount rate used to measure the State's 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 Twenty-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 contributions 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 municipal bond rate was applied to project 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

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Plan Fiduciary Net Position

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

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2021, the Charter School reported a liability of \$684,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total 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 is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2020. At June 30, 2020, the Charter School's proportion was .004199%.

For the year ended June 30, 2021, the Charter School recognized pension expense of \$191,381. At June 30, 2021, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,469	\$ 2,422
Changes of assumptions	22,216	286,742
Net difference between projected and actual earnings on pension plan investments	23,408	28,160
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	623,160	
Charter School contributions subsequent to the measurement date.	45,940	
Total	\$727,193	\$317,424

The Charter School reported \$45,940 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2021, the plan measurement date was June 30, 2019) will be recognized as a reduction of the net pension liability measured as of June 30, 2021.

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

	Year Ended June 30:
2021	(\$85,933)
2022	(78,344)
2023	(44,772)
2024	(18,105)
2025	(3,916)
Total:	(\$231,070)

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Collective deferred outflows of resources	\$2,347,583,337	\$3,419,522,616
Collective deferred inflows of resources	\$7,849,949,467	\$7,645,087,574
Collective net pension liability (Non-State-Local Group)	\$16,435,616,426	\$18,143,832,135
Charter School's proportion of net pension liability	684,822	454,649
Charter School's proportion percentage	.004199%	.002309%

Actuarial Assumptions

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

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

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

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

The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2020, calculated using the discount rate of 7.00%, 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 one-percentage-point lower or one-percentage-point higher than the current rate:

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School's proportionate share of the net pension liability	\$798,959	\$684,822	\$586,990

Pension Plan Fiduciary Net Position

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

Long-Term Expected Rate of Return

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

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 Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk mitigation strategies	27.00%	7.71%
Cash equivalents	13.50%	8.57%
U.S. Treasuries	5.50%	10.23%
Investment grade credit	13.00%	11.42%
High yield	3.00%	9.73%
Private credit	8.00%	9.56%
Real assets	2.00%	5.95%
Real estate	8.00%	7.59%
US equity	8.00%	2.67%
Non-U.S. developed markets equity	4.00%	0.50%
Emerging markets equity	5.00%	1.94%
Private equity	3.00%	3.40%

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

6 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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 is 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.

7 POST RETIREMENT MEDICAL BENEFITS

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

As a result of implementing GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. In addition, the plan is administered on a pay-as-you-go basis. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension (GASB No. 75), the plan is classified as a multiple employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

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

State Health Benefit Program Fund — Local Education Retired Employees Plan (including Prescription Drug Program Fund) — N.J.S.A. 52: 14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
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For the Fiscal Year Ended June 30, 2021

7 POST RETIREMENT MEDICAL BENEFITS (continued)

provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

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

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

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2019:

Active Plan Members	
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	\$216,804
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>149,304</u>
Total	<u>\$217,257</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB). The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

7 POST RETIREMENT MEDICAL BENEFITS (continued)

Investment Valuation

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

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2020 is \$67.8 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2019 which were rolled forward to June 30, 2020.

Actuarial Methods and Assumptions

In the June 30, 2019 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a nonemployer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.18 billion to the OPEB plan in fiscal year 2019.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of

GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund — Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the charter school for the fiscal years ended June 30, 2021 and 2019 were \$114,323 and \$71,304, respectively, which equaled the required contributions

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

7 POST RETIREMENT MEDICAL BENEFITS (continued)

for each year. The State's contributions to the State Health Benefits Program Fund — Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the charter school was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund — Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2019 through June 30, 2020. Nonemployer allocation percentages have been rounded for presentation purposes.

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

For the fiscal year ended June 30, 2021, the charter school recognized in the charter school-wide statement of activities (accrual basis) OPEB expense of \$1,392,794. This amount has been included in the charter school-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2021 the State's proportionate share of the OPEB liability attributable to the charter school is \$1,992,949. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the charter school at June 30, 2020 to the total OPEB liability of the State Health Benefit Program Fund — Local Education Retired Employees Plan at June 30, 2020. At June 30, 2020, the state's share of the OPEB liability attributable to the charter school was .00%, which was unchanged from its proportionate share measured as of June 30, 2019 of .00%.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

7 POST RETIREMENT MEDICAL BENEFITS (continued)

Actuarial Assumptions

The OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 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	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.45%
Rate Thereafter	1.55% to 4.45%
Mortality:	Pre-retirement and Post-retirement based on Pub-2010 Healthy
PERS	"General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.
TPAF	Pre-retirement and Post-retirement based on Pub-2010 Healthy "Teachers" and "General" classifications respectively, headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2020.

*Salary increases are based on the defined benefit pension plan that the member is enrolled in and the members years of service.

For the June 30, 2020 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend 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 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%. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2015 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the plan upon retirement.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

7 POST RETIREMENT MEDICAL BENEFITS (continued)

Discount Rate

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2021	June 30, 2020	2.21 %
2020	June 30, 2019	3.50%

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

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the charter school for the fiscal year ended June 30, 2021 (measurement date June 30, 2020) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2019 Measurement Date	\$492,653
Changes Recognized for the Fiscal Year:	
Service Cost	195,421
Interest on the Total OPEB Liability	23,499
Differences Between Expected and Actual Experience	950,977
Changes of Assumptions	364,043
Gross Benefit Payments	(34,696)
Contributions from the Member	1,052
Net Changes	<u>1,500,296</u>
Balance, June 30, 2020 Measurement Date	<u>\$1,992,949</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 % percent in 2019 to 2.21% percent in 2020. The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the charter school at June 30, 2020.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

7 POST RETIREMENT MEDICAL BENEFITS (continued)

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the charter school calculated using the discount rate of 2.21%, as well as what the State's proportionate share of the OPEB liability attributable to the charter school that would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the charter school	\$1,608,776	\$1,992,949	\$2,450,414

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$2,402,603	\$1,992,949	\$1,672,639

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the charter school at June 30, 2020. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the charter school at June 30, 2020 were not provided by the pension system.

8. ECONOMIC DEPENDENCY

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

9. CONTINGENT LIABILITIES

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

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2021, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

10. RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation under the "Contributory Method". Under this plan, the Charter School is required to remit employee withholdings to the State on a quarterly basis. All of the Charter School's claims are paid by the State.

11. RECEIVABLES

Receivables as of 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 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Total</u>
Receivables	<u>\$18,585</u>	<u>\$119,464</u>	<u>\$54,115</u>	<u>\$192,114</u>

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

12. CAPITAL ASSETS

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

13. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the financial statement date through February 24, 2022 which is the date the financial statements were available to be issued. Based upon this evaluation, the Charter School has determined that the following subsequent events needed to be disclosed:

During fiscal year 2021, COVID-19 continued to be recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Charter School's operations and financial position. As a result, the adverse impact COVID-19 will have on the Charter School's businesses, operating results, cash flows, and financial condition is uncertain. It is management's opinion that the adverse impact would not be material.

14. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

The reconciliation is as follows:

Fund balance – Governmental per B-1 as of June 30, 2021	\$2,021,899
Cost of capital assets net accumulated depreciation	0
Pension deferred outflows	681,253
Pension deferred inflows	(333,787)
Deferred pension liability as of June 30, 2021	(684,822)
Net position – Governmental (per A-1) as of June 30, 2021	<u>\$1,684,543</u>

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

15. LOAN PAYABLE PPP - SBA

The Company received a loan from Kabbage, Inc. in the amount of \$517,440 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated June 16, 2021 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. The loan was forgiven in May, 2021 and is reflected as miscellaneous revenue in the General Fund in the total amount of \$517,440.

16. CAPITAL RESERVE

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

17. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfunds - The composition of interfund balances as of June 30, 2021 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General - Food Service	\$54,115	(\$54,115)
Total	\$54,115	(\$54,115)

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds.

Interfund Transfers:

<u>Transfer In:</u>	
Food Service	
<u>Fund</u>	
Transfer Out:	
General Fund	\$60,553
Total Transfers	\$60,553

The transfer from the General Fund was to fund the operating (loss) in the Food Service Enterprise Fund.

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

20. OPERATING LEASES

The school leases various office and instructional equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2021 were \$11,610. The future minimum lease payments for these operating leases are summarized below.

Fiscal Year Ending	Governmental Activities
2022	\$9,075
2023	\$9,075
2024	\$9,075
2025	\$9,075
2026	\$6,806

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ -	\$ -	\$ -	\$ 441,384	\$ (441,384)
State Share	4,450,637	13,194	4,463,831	4,022,447	441,384
Other Miscellaneous Revenues (Including PPP Loan Forgiveness of \$517,440)	-	0	0	518,516	(518,516)
Miscellaneous	-	26,613	26,613	31,916	(5,303)
Total - Local Sources	<u>4,450,637</u>	<u>39,807</u>	<u>4,490,444</u>	<u>5,014,263</u>	<u>(523,819)</u>
Special Education	182,286	(48,267)	134,019	134,019	-
Security Aid	168,254	8,460	176,714	176,714	-
TPAF LT Disab (On-Behalf - Non-Budgeted)	-		-	726	(726)
TPAF Medical(On-Behalf - Non-Budgeted)	-		-	114,323	(114,323)
TPAF Pension (On-Behalf - Non-Budgeted)	-		-	364,802	(364,802)
TPAF Social Security (Reimbursed - Non-Budgeted)				132,048	(132,048)
Total State Sources	<u>350,540</u>	<u>(39,807)</u>	<u>310,733</u>	<u>922,632</u>	<u>(611,899)</u>
Total Revenues	<u>4,801,177</u>	<u>-</u>	<u>4,801,177</u>	<u>5,936,895</u>	<u>(1,135,718)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	1,390,262	(156,882)	1,233,380	1,121,315	\$ 112,065
Other Salaries	497,071	(8,014)	489,057	488,327	730
Prof/Tech Services	4,900	4,200	9,100	4,200	4,900
Other Purchased Services (400-500 series)	8,000	3,500	11,500	11,500	-
General Supplies	40,000	29,051	69,051	55,102	13,949
Textbooks	10,500	-	10,500	-	10,500
Other Objects	8,400	(3,750)	4,650	847	3,803
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>1,959,133</u>	<u>(131,895)</u>	<u>1,827,238</u>	<u>1,681,291</u>	<u>145,947</u>

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	551,000	242,219	793,219	787,817	5,402
Salaries of Secretarial and Clerical Assistants	-	-	-	-	-
Cost of Benefits	519,998	52,961	572,959	444,276	128,683
Consultants	31,750	18,075	49,825	49,775	50
Other Purchased Services (400-500 series)	46,885	52,706	99,591	89,471	10,120
Communications/Telephone	21,500	29,265	50,765	50,765	-
Supplies and Materials	8,500	1,907	10,407	10,165	242
Other Objects	5,420	1,600	7,020	4,620	2,400
	<u>1,185,053</u>	<u>398,733</u>	<u>1,583,786</u>	<u>1,436,889</u>	<u>146,897</u>
Support Services - School Admin/Operation Plant Services					
Salaries	397,136	(236,895)	160,241	98,200	62,041
Purchased Professional and Technical Services	30,025	18,232	48,257	28,170	20,087
Other Purchased Services	393,643	(136,542)	257,101	235,623	21,478
Rental of Land and Building- other than Lease Purchase Agreements	590,640	26,874	617,514	615,469	2,045
Insurance	74,036	940	74,976	72,666	2,310
General Supplies	27,500	-	27,500	11,882	15,618
Transportation- Trips	8,750	-	8,750	-	8,750
Energy (Energy and Electricity)	43,890	-	43,890	17,312	26,578
Other Objects	3,000	-	3,000	2,926	74
	<u>1,568,620</u>	<u>(327,391)</u>	<u>1,241,229</u>	<u>1,082,248</u>	<u>158,981</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant					
Food Service and After Care Program					
Other Purchased Services	-	60,553	60,553	60,553	-
Total Food Services	<u>-</u>	<u>60,553</u>	<u>60,553</u>	<u>60,553</u>	<u>-</u>
TPAF LT Disab (On-Behalf - Non-Budgeted)	-	-	-	726	(726)
TPAF Medical(On-Behalf - Non-Budgeted)	-	-	-	114,323	(114,323)
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	364,802	(364,802)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	132,048	(132,048)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>611,899</u>	<u>(611,899)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>2,753,673</u>	<u>131,895</u>	<u>2,885,568</u>	<u>3,191,589</u>	<u>(306,021)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>4,712,806</u>	<u>-</u>	<u>4,712,806</u>	<u>4,872,880</u>	<u>116,166</u>

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	-	-	-	-	-
Capital reserve		-	-	-	-
Interest Expense- Mortgages	-	-	-	-	-
Building Improvements		-	-	-	-
Lease paymernts	-	-	-	-	-
Total Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES- GENERAL FUND	4,712,806	-	4,712,806	4,872,880	116,166
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>88,371</u>	<u>-</u>	<u>88,371</u>	<u>1,064,015</u>	<u>(975,644)</u>
Other Financing Sources:					
Operating Transfer In:	(88,371)	-	(88,371)		(88,371)
Total Other Financing Sources:	<u>(88,371)</u>	<u>-</u>	<u>(88,371)</u>	<u>-</u>	<u>(88,371)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	1,064,015	(1,064,015)
Fund Balance, July 1, 2020	-	-	304,118	304,118	
Fund Balance, June 30, 2021	<u>-</u>	<u>\$ -</u>	<u>\$ 304,118</u>	<u>\$ 1,368,133</u>	<u>\$ (1,064,015)</u>

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2021

Exhibit C-2
Page 1

	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$145,172		\$145,172	\$145,172	
State Sources	-		-	-	
Federal Sources	654,968		654,968	654,968	
Total Revenues	<u>800,140</u>		<u>800,140</u>	<u>800,140</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	268,751		268,751	268,751	
Other Salaries for Instruction					
Purchased Professional -Educational Services	157,965		157,965	157,965	
Purchased Professional and Technical Services	-		-	-	
Food Service Subsidy	-		-	-	
Other Purchased Services (400-500 series)	-		-	-	
Textbooks	-		-	-	
General Supplies	351,417		351,417	351,417	
Personal Services- Employee Benefits	1,909		1,909	1,909	
Instructional services	-		-	-	
Equipment- Non instructional	-		-	-	
Miscellaneous Expenditures	-		-	-	
Total Instruction	<u>780,042</u>	<u>-</u>	<u>780,042</u>	<u>780,042</u>	
Support Services					
Salaries of Supervisor of Instruction	-		-	-	
Salaries of Program Directors					
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants					
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services					
Supplies	16,248		16,248	16,248	
Rent	-		-	-	
Scholarships					
Tuition					
Travel					
Other purchased Services (400-500 series)	-		-	-	
Building Improvements	4,250		4,250	4,250	
Total Support Services	<u>20,498</u>		<u>20,498</u>	<u>20,498</u>	

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	800,540		800,540	800,540	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ ---		\$ ---	\$ ---	

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2021**

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

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

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

Public Employees' Retirement System (PERS)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Charter School Proportion of the net pension liability (asset)	684,822	454,649	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)	.004199%	.002309%	N/A	N/A	N/A
Charter School Covered employee payroll	589,706	119,784	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	116.13%	379.50%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	86.10%	26.30%	N/A	N/A	N/A

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

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

Public Employees' Retirement System (PERS)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	45,940	23,413	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>(45,940)</u>	<u>(23,413)</u>	N/A	N/A	N/A
Contribution deficiency (excess)	0	0	N/A	N/A	N/A
Charter School Covered employee payroll	589,706	119,784	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	7.80%	19.54%	N/A	N/A	N/A

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the Charter School	5,668,614	N/A	N/A	N/A	N/A
Total	<u>5,668,614</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Charter School Covered employee payroll	<u>2,335,246</u>	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	24.60%	N/A	N/A	N/A	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

Public Employees' Retirement System (PERS)

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

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>The State of New Jersey's Total OPEB Liability</u>				
Service Cost	\$1,790,973,822	\$1,734,404,850	\$1,984,642,729	\$2,391,878,884
Interest	1,503,341,357	1,827,787,206	1,970,236,232	1,699,441,736
Change in Benefit Terms				
Difference Between Expected and Actual Experience	11,544,750,637	(7,323,140,818)	(5,002,065,740)	
Benefit Payment	(1,180,515,618)	(1,280,958,373)	(1,232,987,247)	(1,242,412,566)
Contributions from Members	35,781,384	37,971,171	42,614,005	45,748,749
Changes of Assumptions or other inputs	12,386,549,981	622,184,027	(5,291,448,855)	(7,086,599,129)
Net change in total OPEB liability	\$26,080,881,563	(\$4,381,751,937)	(\$7,529,008,876)	(\$4,191,942,326)
Total OPEB Liability - Beginning	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858	\$57,831,784,184
Total OPEB Liability - Ending	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's total OPEB liability**	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's OPEB liability attributable to the Charter School	\$1,992,949	\$492,653	\$0	\$0
The Charter School's proportionate share of the total OPEB liability	0	0	0	0
Charter School's covered employee payroll	\$2,924,952	\$1,444,540	\$0	\$0
Total Charter School's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Charter School's contribution	None	None	None	None
State's covered employee payroll	\$14,267,738,657	\$13,929,081,045	\$13,640,275,833	\$13,493,400,208
Total State's OPEB liability as a percentage of its covered-employee payroll	475.00%	300.00%	338.05%	397.53%

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

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

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

SPECIAL REVENUE FUND

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

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2021

	TOTAL	Title I PART A	Title I Reallocated	IDEA PART B	IDEA Preschool	Esser II	Cares Act	Corona Virus Relief	Digital Divide Grant	Resilience Grant	St Elizabeth Dickensen Grant
REVENUES											
Intergovernmental											
State											
Federal	\$655,368	\$ 270,660	\$ 7,621	\$ 54,251	\$ 2,355	\$ 109,655	\$ 155,295	\$ 36,565	\$18,966		\$ -
Other Sources											
Miscellaneous	145,172									\$70,209	\$74,963
Total Revenues	<u>\$800,540</u>	<u>270,660</u>	<u>7,621</u>	<u>54,251</u>	<u>2,355</u>	<u>109,655</u>	<u>155,295</u>	<u>36,565</u>	<u>18,966</u>	<u>70,209</u>	<u>74,963</u>
EXPENDITURES											
Instruction											
Salaries	268,751	268,751	-	-	-	-	-	-	-	-	-
Other Purchased Services	-	-	-	-	-	-	-	-	-	-	-
Purchased Prof. and Tech.and Edu Services	157,965	-	-	54,251	2,355	50,100	25,000	-	-	-	26,259
General Supplies	343,796	-	7,621	-	-	50,085	121,644	34,188	18,966	70,209	48,704
Recruitment	-	-	-	-	-	-	-	-	-	-	-
Personal Services - Employee Benefits	1,909	1,909	-	-	-	-	-	-	-	-	-
Food Service Subsidy	-	-	-	-	-	-	-	-	-	-	-
Textbooks	-	-	-	-	-	-	-	-	-	-	-
Instructional Equipment	-	-	-	-	-	-	-	-	-	-	-
Equipment Non- Instructional	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Expenditures	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	<u>780,042</u>	<u>270,660</u>	<u>7,621</u>	<u>54,251</u>	<u>2,355</u>	<u>100,185</u>	<u>146,644</u>	<u>34,188</u>	<u>18,966</u>	<u>70,209</u>	<u>74,963</u>
Support Services											
Salaries of Supervisors of Instruction	-	-	-	-	-	-	-	-	-	-	-
Salaries of Program Directors	-	-	-	-	-	-	-	-	-	-	-
Salaries of Other Prof. Staff	-	-	-	-	-	-	-	-	-	-	-
Salaries of Secretarial and Clerical Ass't	-	-	-	-	-	-	-	-	-	-	-
Personal Services - Employee Benefits	-	-	-	-	-	-	-	-	-	-	-
Supplies and Materials	16,248	-	-	-	-	5,220	8,651	2,377	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-
Purchased Professional/Educational Services	-	-	-	-	-	-	-	-	-	-	-
Class- room Improvements	4,250	-	-	-	-	4,250	-	-	-	-	-
Building Improvements	-	-	-	-	-	-	-	-	-	-	-
Non instructional Equipment	-	-	-	-	-	-	-	-	-	-	-
Total Support Services	<u>20,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,470</u>	<u>8,651</u>	<u>2,377</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 800,540</u>	<u>\$ 270,660</u>	<u>\$ 7,621</u>	<u>\$ 54,251</u>	<u>\$ 2,355</u>	<u>\$ 109,655</u>	<u>\$ 155,295</u>	<u>\$ 36,565</u>	<u>\$ 18,966</u>	<u>\$ 70,209</u>	<u>\$ 74,963</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

**Philips Academy Charter School of Paterson
Statement of Net Position
Proprietary Funds
As of June 30, 2021**

	Business-Type Activities
	Enterprise Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$0
Interfund	(54,115)
Federal Receivable	52,122
State Receivable	1,993
Total Current Assets	0
Total Assets	\$0
LIABILITIES	
Accounts Payable	0
Total Current Liabilities	\$0
Net Position	
Unrestricted	0
Total Net Position	\$0

Exhibit G-2

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year June 30, 2021

	Proprietary Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	\$0
After School Revenue	
Misc Revenue	661
Total Operating Revenues	661
 OPERATING EXPENSES	
Salaries, wages and employee benefits	(169,620)
Supplies, Materials & Other	
Professional Services	
Total Operating Expenses	(169,620)
 Income (Loss) From Operations	(168,959)
 Nonoperating Revenues	
State Sources	
State Sources	3,039
Federal Sources	
School Breakfast Program	38,860
National School Lunch Program	56,176
National School Snack Program	10,331
Total Nonoperating Revenues	108,406
Net Income (Loss) Before Transfer In	(60,553)
Transfer from General Fund	60,553
Change in Net Position	0
Total Net Position- Beginning of Year	0
 Total Net Position- End of Year	\$0

**Philips Academy Charter School of Paterson
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021**

	Proprietary Fund Food Services
Cash flows from operating activities	\$661
Cash Payments to Suppliers for Goods and Services	(\$169,620)
Net Cash (Used) by Operating Activities	(168,959)
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	60,553
Cash Received from State and Federal Subsidy Reimbursements	108,406
Net Cash Provided by Noncapital Financing Activities	168,959
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	0
Net Increase in Cash and Cash Equivalents	0
Cash and Cash Equivalents, Beginning of Year	0
Cash and Cash Equivalents, End of Year	\$0
 Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities	
Operating (Loss)	\$0
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities	
Decrease in Accounts Receivable	0
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	0
Total Adjustment	0
 Net Cash Provided by Operating Activities	\$0

**FIDUCIARY FUNDS
(NOT APPLICABLE)**

Exhibit H-1

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2021**

NOT APPLICABLE

Exhibit H-2

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2021**

NOT APPLICABLE

Exhibit H-3

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit H-4

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit H-5

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

J- 1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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

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

FINANCIAL TRENDS

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Governmental activities					
Invested in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted - Student Activity	3,766	3,766			
Restricted - Capital Reserve	650,000	650,000			
Unrestricted	1,030,777	304,118	(35,670)	20,682	56,456
Total governmental activities net position	<u>\$ 1,684,543</u>	<u>\$ 957,884</u>	<u>\$ (35,670)</u>	<u>\$ 20,682</u>	<u>\$ 56,456</u>
Business-type activities					
Invested in capital assets					
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School-wide					
Restricted - Student Activity	\$ 3,766	\$ 3,766			
Invested in capital assets	-	-	-	-	-
Restricted - Capital Reserve	650,000	650,000	-	-	-
Unrestricted (Deficit)	1,030,777	304,118	(35,670)	20,682	56,456
Total school net position (Deficit)	<u>\$ 1,684,543</u>	<u>\$ 957,884</u>	<u>\$ (35,670)</u>	<u>\$ 20,682</u>	<u>\$ 56,456</u>

Source: School Financial Statements

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenses					
Governmental activities					
Instruction					
Regular	2,461,333	1,979,356	1,824,004	1,179,510	794,750
Support Services:					
General administration	1,457,387	879,729	494,121	361,042	438,215
School Administrative Services	1,142,801	1,040,503	645,898	526,184	258,851
On-behalf TPAF Social Security/Pension/Medical	611,899	390,923	88,280	66,702	34,022
Capital outlay	0	650,000	--	--	--
Unallocated depreciation	--	--	--	--	--
Total governmental activities expenses	<u>5,673,420</u>	<u>4,940,511</u>	<u>3,052,303</u>	<u>2,133,438</u>	<u>1,525,838</u>
Business-type activities:					
Food service	169,620				
Total business-type activities expense	<u>169,620</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school expenses	<u>\$5,843,040</u>	<u>\$4,940,511</u>	<u>\$3,052,303</u>	<u>\$2,133,438</u>	<u>\$1,525,838</u>
Program Revenues					
Governmental activities:					
Operating grants and contributions	\$800,540	\$318,983	\$346,753	\$326,737	\$458,899
Capital grants and contributions					
Total governmental activities program revenues	<u>800,540</u>	<u>318,983</u>	<u>346,753</u>	<u>326,737</u>	<u>458,899</u>
Business-type activities:					
Charges for services					
Food service	169,620				
Operating grants and contributions	0	0	0	0	0
Capital grants and contributions					
Total business type activities program revenues	<u>169,620</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school program revenues	<u>\$970,160</u>	<u>\$318,983</u>	<u>\$346,753</u>	<u>\$326,737</u>	<u>\$458,899</u>
Net (Expense)/Revenue					
Governmental activities	(\$4,872,880)	(\$4,621,528)	(\$2,705,550)	(\$1,806,701)	(\$1,066,939)
Business-type activities	0	0	0	0	0
Total school-wide net expense	<u>(\$4,872,880)</u>	<u>(\$4,621,528)</u>	<u>(\$2,705,550)</u>	<u>(\$1,806,701)</u>	<u>(\$1,066,939)</u>
Governmental activities:					
Local share	\$441,384	\$306,911	\$224,285	\$145,902	\$634,622
State Share	4,022,447	3,153,192	2,232,551	1,458,596	0
State and Federal Aid aid	922,632	651,177	249,938	153,693	71,798
Miscellaneous income	550,432	778,708	13,752	12,736	416,975
Decrease in Net Capital Outlay	--	--	--	--	--
Transfers					
Total governmental activities	<u>\$5,936,895</u>	<u>\$4,889,988</u>	<u>\$2,720,526</u>	<u>\$1,770,927</u>	<u>\$1,123,395</u>
Business-type activities:					
Investment earnings					
Transfers	0	0	0	0	0
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>\$5,936,895</u>	<u>\$4,889,988</u>	<u>\$2,720,526</u>	<u>\$1,770,927</u>	<u>\$1,123,395</u>
Change in Net Position Increase (Decrease)					
Governmental activities	\$1,064,015	\$268,460	\$14,976	(\$35,774)	\$56,456
Business-type activities	0	0	0	0	0
Total school	<u>\$1,064,015</u>	<u>\$268,460</u>	<u>\$14,976</u>	<u>(\$35,774)</u>	<u>\$56,456</u>

Source: School Financial Statements

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Fund					
Reserved - Capital Reserve	\$ 650,000	\$ 650,000	-	-	-
Unassigned	1,368,133	304,118	\$ 35,658	\$ 20,682	\$ 56,456
Total General Fund	<u>\$ 2,018,133</u>	<u>\$ 954,118</u>	<u>\$ 35,658</u>	<u>\$ 20,682</u>	<u>\$ 56,456</u>
All Other Governmental Funds					
Unreserved, reported in:					
Special Revenue fund	3,766	3,766			
Total all other governmental funds	<u>\$ 3,766</u>	<u>\$ 3,766</u>			

Source: School Financial Statements

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues					
Local tax Levy	\$441,384	\$306,911	\$224,285	\$145,902	\$634,622
Other local revenue	550,432	778,708	188,015	162,736	599,053
State sources	4,945,079	3,804,369	2,482,489	1,612,289	71,798
Federal sources	800,540	318,983	172,490	176,737	276,821
Enterprise Fund	169,620	0	0	0	0
Total revenue	<u>6,907,055</u>	<u>5,208,971</u>	<u>3,067,279</u>	<u>2,097,664</u>	<u>1,582,294</u>
Expenditures					
Instruction					
Regular Instruction	1,681,291	1,660,373	1,824,004	1,179,510	794,750
Support Services:					
General administration	1,436,889	879,729	494,121	361,042	438,215
School administrative services/Plant	1,142,801	1,040,503	645,898	526,184	258,851
Capital outlay	0	650,000			
TPAF Social Security	611,899	390,923	88,280	66,702	34,022
Food Service	169,620				
Capital outlay	0	0	0	0	0
Special Revenue	800,540	318,983			
Total expenditures	<u>5,843,040</u>	<u>4,940,511</u>	<u>3,052,303</u>	<u>2,133,438</u>	<u>1,525,838</u>
Excess (Deficiency) of revenues over (under) expenditures	1,064,015	268,460	14,976	(35,774)	56,456
Other Financing sources (uses)					
Proceeds from borrowing					
Transfers in					
Transfers out					
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance - Increase (Decrease)	<u>\$1,064,015</u>	<u>\$268,460</u>	<u>\$14,976</u>	<u>(\$35,774)</u>	<u>\$56,456</u>

Source: School Financial Statements

REVENUE CAPACITY

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

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>PPP Loan Forgiveness</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2017		415,050				1,925	416,975
2018						12,736	12,736
2019						13,752	13,752
2020		650,000				128,708	778,708
2021				517,440		32,992	550,432

Source: School records

Exhibit J-6

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit J-7

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit J-8

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit J-10

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit J-11

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit J-12

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

Exhibit J-14

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Principal Employers
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

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

<u>Function/Program</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Instruction					
Regular	28	23	23	16	10
Special education	4	2	2	1	
Other special education					
Vocational					
Other instruction					
Nonpublic school programs					
Adult/continuing education programs					
Support Services:					
Student & instruction related services	12	12	8	5	3
General administration	3	3	2	1	1
School administrative services	4	3	1	1	1
Other administrative services					
Central services					
Administrative Information Technology					
Plant operations and maintenance	5	3	2	2	2
Pupil transportation					
Other support services					
Special Schools					
Food Service					
Child Care					
Total	<u>56</u>	<u>46</u>	<u>38</u>	<u>26</u>	<u>17</u>

Source: School Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2017	54	1,525,838	28,256	N/A	10	10	N/A	58	53.82	N/A	92.79%
2018	135	2,133,438	15,803	44%	16	16	N/A	135	126.84	58%	93.10%
2019	218	2,640,872	12,114	23.34%	23	23	N/A	213	200.24	36.66%	93.10%
2020	285	4,940,511	17,335	30.12%	25	25	N/A	285	262.2	30.90%	92.00%
2021	360	4,673,420	12,982	-25.10%	32	32	N/A	360	326.92	26.30%	92.00%

Sources: School records

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

School Building	2021	2020	2019	2018	2017
Main Campus					
Square Feet	12,500	12,500	12,500	12,500	12,500
Capacity (students)	240	240			
Enrollment	210	210	218	135	54
Second Campus					
Square Feet	8,000	8,000			
Capacity (students)	150	150			
Enrollment	150	75	210	135	54
Number of Schools at June 30					
Elementary	2	2	1	1	1

Source: School Office

Exhibit J-19

**PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2021**

NOT APPLICABLE

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Insurance Schedule
For the Fiscal Year Ended June 30, 2021
(UNAUDITED)

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

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

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

Charter School Performance Framework Financial Indicators
Near Term Indicators

	2021	2020	2019	2018	2017
Cash and Cash Equivalents	2,074,563	1,793,806	158,313	85,479	72,519
Current Assets	2,301,244	1,831,125	365,963	235,928	372,185
Capital Assets-Net	0	0	0	0	0
Total Assets	2,301,244	1,831,125	365,963	235,928	372,185
Current Liabilities	283,111	877,007	330,305	215,246	315,729
Long Term Liabilities	0	0	0	0	0
Total Liabilities	283,111	877,007	330,305	215,246	315,729
Net Position	2,018,133	954,118	35,658	20,682	56,456
Total Revenue	6,907,055	5,208,971	3,067,279	2,097,664	1,582,294
Total Expenses	(5,843,040)	(4,940,511)	(3,052,303)	(2,133,438)	(1,525,838)
Change in Net Position (decrease)	1,064,015	268,460	14,976	(35,774)	56,456
Depreciation	0	0	0	0	0
Principal Payments	0	0	0	0	0
Final average daily enrollment	360	285	210	135	54
March 30th budgeted Enrollment	360	285	210	135	54
Near term indicators	2021	2020	2019	2018	2017
CURRENT RATIO	8.13	2.08	1.1	1.09	1.17
Unrestricted days cash	134.56	132.52	18.93	14.62	17.3
Enrollment variance	0%	0%	0%	0%	0%
Default	N/A	N/A	N/A	N/A	N/A
Total Margin	15.4%	5.1%	0.4%	0.0%	3
Debt to Asset	N/A	N/A	N/A	N/A	N/A
Cash Flow	280,757	1,635,493	72,834	12,960	72,519
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School of Paterson ("the Charter School"), in the County of Passaic, State of New Jersey, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated February 24, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
February 24, 2022

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EXHIBIT K-2

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
INDEPENDENT AUDITORS' REPORT**

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

Compliance

I have audited the Philip's Academy Charter School of Paterson, in the County of Passaic, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Charter School's 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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 20CS00206400

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

Gerald D. Longo
Certified Public Accountant
February 24, 2022

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

<u>Federal/Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award Identification Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2020</u>	<u>Prior Carry-over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjust</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2021</u>	<u>Due to Grantor at June 30, 2021</u>
Enterprise Fund:												
U.S. Department of Agriculture												
Pass-Through Programs:												
Passed-Through New Jersey												
State Department of Agriculture												
National School Breakfast	10.553	211NJ304N1099	07/01/20-06/30/21	38,860	0		\$ 18,407	\$ 38,860			\$ (20,453)	
National School Lunch	10.555	211NJ304N1099	07/01/20-06/30/21	56,176	0		26,435	56,176			(29,741)	
National After Fruits and Vegetables	10.558	211NJ304N1099	07/01/20-06/30/21	10,331	0		8,782	10,331			(1,549)	
Total Enterprise Fund/Total US Dept. of Agriculture Pass Through Programs					<u>0</u>		<u>\$ 53,624</u>	<u>\$ 105,367</u>			<u>(\$51,743)</u>	
US DEPARTMENT OF TREASURY												
SPECIAL REVNUUE FUND												
Corona Relief Fund	21.019	SLT0228	07/01/20-12/31/20	104,584	0		36,565	36,565			0	
Total					<u>0</u>		<u>36,565</u>	<u>36,565</u>			<u>0</u>	
Special Revenue Fund:												
U.S. Department of Education												
Pass-Through Programs:												
Passed-Through New Jersey												
State Department of Education												
Title I PART A	84.010	S010A200030	07/01/20-09/30/21	270,660	0		270,660	270,660			0	
Title I PART A Reallocated	84.010A	S010A200030	07/01/20-09/30/21	7,621	0		7,621	7,621			0	
IDEA Preschool	84.173	H173A200114	07/01/20-09/30/21	2,355	0		2,355	2,355			0	
IDEA Part B	84.027A	H027A200100	07/01/20-09/30/21	89,250	0		44,442	54,251			(9,809)	
Total					<u>0</u>		<u>325,078</u>	<u>334,887</u>			<u>(9,809)</u>	
Education Stabilization Fund												
Digital Divide	84.425D	S425D200027	07/16/20-10/31/20	18,966	0		18,966	18,966			0	
CRRSA ESSER II	84.425D	S425D200027	03/13/20-09/30/22	267,626	0		0	109,655			(109,655)	
Cares Act	84.425D	S425D200027	03/13/20-09/30/22	155,295	0		155,295	155,295			0	
Total Education Stabilization Fund					<u>0</u>		<u>174,261</u>	<u>283,916</u>			<u>(109,655)</u>	
Total Special Revenue/NJ Dept. of Education, Pass Through Programs					<u>0</u>		<u>535,904</u>	<u>655,368</u>			<u>(119,464)</u>	
Total Expenditures of Federal Awards					<u>0</u>		<u>\$589,528</u>	<u>\$760,735</u>			<u>(\$171,207)</u>	

See accompanying notes to schedules of expenditures of Federal and State award programs.

PHILIPS ACADEMY CHARTER SCHOOL OF PATERSON
Schedule of Expenditures of State Awards
For the Fiscal Year Ended June 30, 2021

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2020</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2021</u>
NJ DEPARTMENT OF EDUCATION									
GENERAL FUND									
TPAF Social Security	21-495-034-5094-003	07/01/20-06/30/21	132,048		\$132,048	\$132,048			
Equalization Aid - Local and State	21-495-034-5120-078	07/01/20-06/30/21	4,463,831		4,463,831	4,463,831			
Special Education Aid	21-495-034-5120-089	07/01/20-06/30/21	134,019		134,019	134,019			
Security Aid	21-495-034-5120-084	07/01/20-06/30/21	176,714		176,714	176,714			
TPAF LT Disability (On-Behalf - Non-Budgeted)	21-495-034-5094-004	07/01/20-06/30/21	726		726	726			
TPAF Medical (On-Behalf - Non-Budgeted)	21-495-034-5094-001	07/01/20-06/30/21	114,323		114,323	114,323			
TPAF Pension (On-Behalf - Non-Budgeted)	21-495-034-5094-002	07/01/20-06/30/21	364,802		364,802	364,802			
Total General Fund/Total State Department of Education				--	5,386,463	5,386,463			
Total State Financial Assistance					5,386,463	5,386,463			0
NJ STATE DEPT. OF AGRICULTURE - DIRECT PROGRAMS ENTERPRISE FUND									
State School Lunch	21-100-010-3350-023	07/01/20-06/30/21	3,039	0	1,046	3,039			(1,993)
Total Enterprise Direct Programs				0	1,046	3,039			(1,993)
Total State Financial Assistance				--	5,387,509	5,389,502			(1,993)
TPAF LT Disability (On-Behalf - Non-Budgeted)	21-495-034-5094-004	07/01/20-06/30/21	726		(726)	(726)			
TPAF Medical (On-Behalf - Non-Budgeted)	21-495-034-5094-001	07/01/20-06/30/21	114,323		(114,323)	(114,323)			
TPAF Pension (On-Behalf - Non-Budgeted)	21-495-034-5094-002	07/01/20-06/30/21	364,802		(364,802)	(364,802)			
Total State Financial Assistance Subject to Single Audit				\$0	\$4,907,658	\$4,909,651			

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

PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Federal	State	Total
General Fund	\$ -0-	\$5,386,463	\$5,386,463
Enterprise Fund	105,367	3,039	108,406
Special Revenue Fund	655,368	0	655,368
Total Awards and Financial Assistance	<u>\$760,735</u>	<u>\$5,389,502</u>	<u>\$6,150,237</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The TPAF Social Security Contributions of \$132,048 represents the amount reimbursed by the state for the employer's share of social security contribution for TPAF members for the year ended June 30, 2021.

The amount reported as TPAF Pension System Contributions in the amount of \$364,802 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$114,323 and long term disability contributions of \$726 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2021.

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

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

NOTE 7. DE MINIMIS INDIRECT COST RATE

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

PART 1 – SUMMARY OF AUDITOR'S RESULTS**Financial Statement Section**

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

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?		X
Significant deficiencies identified not considered to be material weakness(es)?		X
Type of auditor's report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A)?		X

Identification of major programs:

<u>CDFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Part A
84.010A	Title I Reallocated

Dollar threshold used to distinguish between Type A and Type B Programs (.520)	750,000
Qualified as low risk auditee	X

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000	
Auditee qualified as low risk auditee:	X	
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X
Identification of major programs:		
<u>CDFA Number(s)</u>	<u>Name of State Program or Cluster</u>	
21-495-034-5120-078	Equalization Aid	
21-495-034-5120-089	Special Education Aid	
21-495-034-5120-084	Security Aid	

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
COUNTY OF PASSAIC, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL OF PATERSON
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 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 Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

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