

MARION P. THOMAS CHARTER SCHOOLS



"It takes a whole village to raise a child"

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2021

**PREPARED BY
MARION P. THOMAS CHARTER SCHOOLS
NEWARK, NEW JERSEY**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

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(COUNTY OF ESSEX, NEW JERSEY)**

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“It Takes A Whole Village To Raise A Child”

February 28, 2022

Ms. Angelica Allen-McMillan, Ed. D.
Acting Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN – 500
Trenton, New Jersey 08625-0500

Dear Ms. Allen-McMillan:

We hereby submit the Comprehensive Annual Financial Report of the Marion P. Thomas Charter Schools (the “Charter School”) for the fiscal year ended June 30, 2021. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor’s report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* Information related to this single audit, including the auditor’s report on internal control and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES**

The Marion P. Thomas Charter Schools (the “Charter School”) is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

The Charter School provides a full range of educational services appropriate to grade levels Pre-K through 12. This includes regular student enrollment. We will accept special education and handicapped children by law if application is made to Charter School as required by law. The Charter School completed the fiscal year 2020-2021 with an average daily enrollment of 1,473 students, which is 16 students below the previous year’s enrollment. The table below outlines the changes in student enrollment over the last 11 years.

Student Enrollment

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2020-2021	1,473	-2.0%
2019-2020	1,489	-5.7%
2018-2019	1,567	15.6%
2017-2018	1,359	2.1%
2016-2017	1,331	1.2%
2015-2016	1,315	1.9%
2014-2015	1,290	72.5%
2013-2014	748	7.8%
2012-2013	694	1.3%
2011-2012	685	19.5%

2) **ECONOMIC CONDITION AND OUTLOOK**

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

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

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

2) ECONOMIC CONDITION AND OUTLOOK - CONTINUED

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

Like other urban areas, Newark has experienced a decline in its manufacturing base. This phenomenon has caused significant unemployment and underemployment amongst its indigenous working class population. Although Newark has experienced growth in its service sector, this has not had a substantial impact on the City's employment rate.

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

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and a potential increase in annual daily enrollment over time. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper.

3) MAJOR INITIATIVES

In 2020-2021, Marion P. Thomas Charter School (MPTCS) carried out the following major initiatives:

A. Implement new Tier I SEL Curriculum and School Wide Supports

- Research and adopt Tier I SEL curriculum(s) for PK-12 students
- Train 100% of staff on implementation of curriculum
- Build a robust scope and sequence for curriculum implementation
- Build out additional lessons to ensure daily SEL instruction
- Build out lessons to integrate identity development into Tier I curriculum
- Revise School Culture plan to ensure Tier I supports are intentionally designed and implemented
- Align network and school based PD to provide time for ongoing development

3) MAJOR INITIATIVES - CONTINUED

B. Implement Tier I academic curriculum with fidelity and activate built in structures to assess and respond to the individual needs of students.

- Continue tier I curriculum implementation in PK-12, including new HS science curriculum (minor build)
- Develop Independent learning time block for grades 3-8 and reteach for K-3
- Develop intervention period for high school students for ELA and Math
- Leverage exit tickets and in the moment data collection to adjust instructional decisions based on student performance
- Align SPED services with programming to ensure students receive support
- Provide teachers PD on developing multiple entry points to lessons

C. Develop Principals as instructional leaders:

- Principals will outline weekly touchpoints they have with their leaders (classroom visits, data meetings, one-on-one check-ins with their teachers and one-on-one with principal)
- Principal calendars are updated weekly
- Principals are meeting with ILs individually, giving feedback with action steps % of time in calendar reflects coaching/development of VPI and VPC
- Clearly stamp the why/purpose around seeing the Principal as the Instructional Leader
- Empower principals to take risks by challenging the status quo while coming up with solutions
- Implement the Four Quadrant protocol when working through situations/scenarios
- Co-Observe and discuss instructional strategies observed
- Principal sharing out best practices during PLI
- Develops strategic perspective - Anticipates, analyzes and solves issues
- Provide Principals on-going PD on developing multiple entry points as a leader
- Ensure the Instructional Programs are executed with fidelity
- Understand and execute the VP ARC of the year
- Develop and maintain a cadence of check-in observations
- Principal, IL and Director meet - (Principal has high level view of all contents)

4) INTERNAL ACCOUNTING CONTROLS

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

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

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

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and Special Revenue Fund. The final budget amount, as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year. There was no reservation of fund balance made on June 30, 2021.

6) ACCOUNTING SYSTEM AND REPORT

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter 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 STATEMENT INFORMATION AT FISCAL YEAR-END**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund and Special Revenue Fund revenues and expenditures for the fiscal years ended June 30, 2021 and 2020, and the amount of increases or decreases in relation to prior year's revenues and expenditures:

Revenues	2021	2020	Increase (Decrease)
Local sources	\$ 3,113,740	\$ 3,215,313	\$ (101,573)
State sources	27,673,948	27,090,262	583,686
Federal sources	2,313,079	1,541,001	772,078
	<u>\$ 33,100,767</u>	<u>\$ 31,846,576</u>	<u>\$ 1,254,191</u>
Expenditures			
Instruction	\$ 12,299,976	\$ 11,794,408	\$ 505,568
Administrative	8,947,608	8,856,501	91,107
Support	5,710,198	6,205,873	(495,675)
Capital Outlay	68,623	-	68,623
TPAF Social Security	628,935	578,087	50,848
TPAF on-behalf payments	2,926,401	2,666,427	259,974
Transfer-out - Food Service	300,000	300,000	-
Total	<u>\$ 30,881,741</u>	<u>\$ 30,401,296</u>	<u>\$ 480,445</u>

8) **CASH MANAGEMENT**

The investment policy of the Charter School is guided in large part by State Statute as detailed in "Notes to the Financial Statements", Notes 1 and 3. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA").

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposits with a failed banking institution in New Jersey. It requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the GUDPA.

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation (see J-20).

9) OTHER INFORMATION

Independent Audit

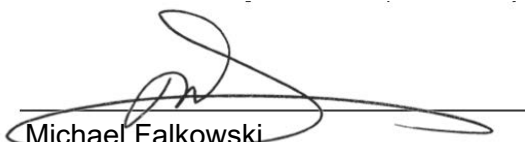
State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Robinson CPAs, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the 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 related New Jersey OMB Circular Letter 15-08.

The auditor's report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Marion P. Thomas Charter Schools Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Newark Public School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting, and administrative staff.

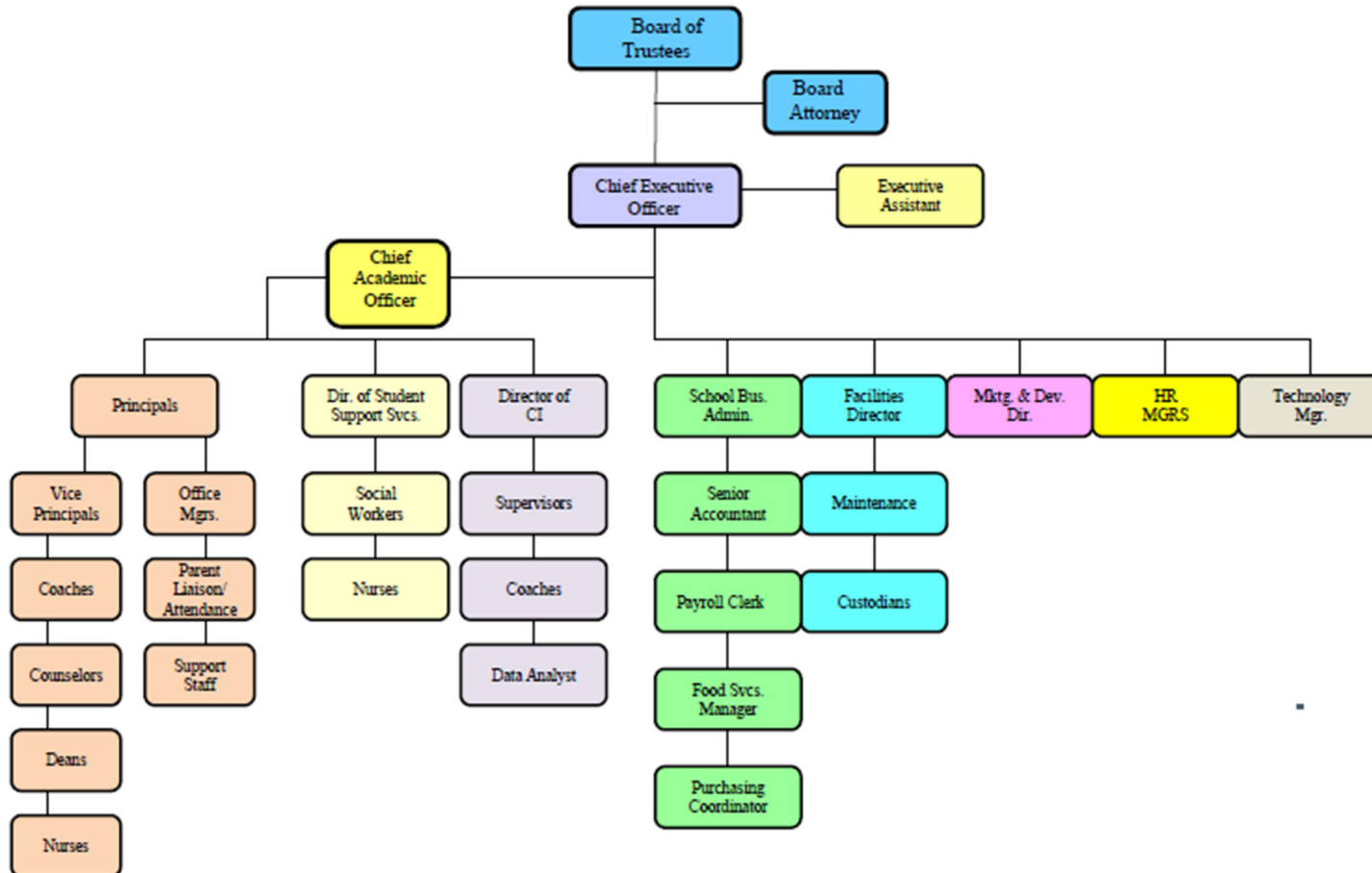
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Michael Falkowski', is written over a horizontal line. The signature is stylized and loops back to the left.

Michael Falkowski
School Business Administrator

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

ORGANIZATIONAL CHART



**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ROSTER OF OFFICIALS

Members of Board of Trustees

JUNE 30, 2021

Pastor Vincent Rouse	Chair, Voting
Dashay Carter	Vice Chair, Voting
Allan Boomer	Member, Voting
Jasonn Denard	Member, Voting
Briana Gilchrist	Member, Voting
LaSonya Nevius	Member, Voting
Dr. Princess Towe	Member, Voting
Julio Valdievieso	Member, Voting
Alan Boomer	Member, Voting
LaSonya Nevius	Member, Voting
Angela Mincy beginning June 2021	Superintendent/ Chief School Administrator Member, Non-Voting
Michael Falkowski beginning November 23, 2021	School Business Administrator Member, Non-Voting

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditor

Galleros Robinson CPAs, LLP
115 Davis Station Rd
Cream Ridge, NJ 08514

Attorneys

Jalloh & Jalloh LLC
21 W. Blancke Street, Suite 2
Linden, NJ 07036

Johnston Law Firm LLC
151 Forest Street, Suite A
Montclair, NJ 07042

Official Depositories

Industrial Bank
(successor of City National Bank)
900 Broad Street
Newark, New Jersey 07102

TD Bank
356 Springfield Avenue
Newark, NJ 07103

Official Newspaper

The Star Ledger

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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

Opinions

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

Emphasis of a Matter

We draw attention to Note 2 in the notes to the financial statements which disclose the effects of the Charter School's adoption of the provisions of Government Accounting Standards Board (GASB) Statement Nos. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14 through 21, Budgetary Comparison Information on pages 69 through 73, and information related to Accounting and Reporting for Pensions (GASB 68) and OPEB (GASB 75) on pages 74 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost*

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

February 28, 2022
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARION P. THOMAS CHARTER SCHOOLS (COUNTY OF ESSEX, NEW JERSEY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Introduction

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

The Management's Discussion and Analysis (MD&A) is an element of the reporting Model adopted by the Governmental Accounting Standards Board (GASB).

Financial Highlights

Key financial highlights for the fiscal year 2021 are as follows:

- In total, the net position increased from the \$(6.38) million to \$(4.65) million.
- The net position of governmental activities increased by \$1.15 million and the net position of business-type activities, which represent food service and after care operations, increased by \$0.4 million in 2021.
- General revenues accounted for \$26.18 million in revenue or 71% of total revenues amounting to \$36.08 million. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$9.90 million or 29% of total revenues.
- The Charter School had \$34.92 million in expenses related to governmental activities; \$9.90 million of these expenses were offset by operating grants and contributions. General revenues (primarily Local, Federal and State Aid) of \$26.18 million were inadequate to provide for the balance of these programs. The General Fund reported fund balances at June 30, 2021 of \$6.87 million which are \$1.64 million assigned and \$5.23 million unassigned.

Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information. The report is organized so the reader can understand the Marion P. Thomas Charter Schools as a financial whole, or as an entire operating entity. The first two basic financial statements, the statement of net position and the statement of activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government reporting, the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Marion P. Thomas Charter Schools, the General Fund is the most significant fund.

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Position and Statement of Activities

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, “how did we do financially during fiscal year 2021?” The Statement of Net Position and the Statement of Activities answer this question.

These statements include all of the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid. These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2021. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Statement of Net Position and Statement of Activities - continued

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

Business-Type Activities – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are sufficient financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

Enterprise Fund

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2021.

The total net position of the Charter School increased by \$1.56 million during the current fiscal year.

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets	\$ 12,186,913	\$ 225,149	\$ 12,412,062
Capital Assets, net	251,928	-	251,928
Total Assets	<u>12,438,841</u>	<u>225,149</u>	<u>12,663,990</u>
Deferred Outflow of of Resources	<u>4,896,269</u>	<u>-</u>	<u>4,896,269</u>
Liabilities			
Current Liabilities	5,297,197	135,790	5,432,987
Noncurrent Liabilities	<u>10,470,204</u>	<u>-</u>	<u>10,470,204</u>
Total Liabilities	<u>15,767,401</u>	<u>135,790</u>	<u>15,903,191</u>
Deferred Inflow of of Resources	<u>6,458,913</u>	<u>-</u>	<u>6,458,913</u>
Net Position			
Invested in Capital Assets (net of related debt)	200,557	-	200,557
Restricted for Food service	232,145	-	232,145
Unrestricted	<u>(5,323,906)</u>	<u>89,359</u>	<u>(5,234,547)</u>
Total Net Position	<u>\$ (4,891,204)</u>	<u>\$ 89,359</u>	<u>\$ (4,801,845)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole – continued

In 2021, total revenues increased by \$1.82 million about 5% compared to total revenues in 2020. Total expenses increased by \$0.06 million, about 0.18%.

	Governmental		Business Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charge for Services	\$ 24,957	\$ -	\$ 45	\$ 74,250	\$ 25,002	\$ 74,250
Operating grants and Contributions	9,870,657	8,431,263	754,946	649,439	10,625,603	9,080,702
Total Program Revenues	9,895,614	8,431,263	754,991	723,689	10,650,605	9,154,952
General Revenues:						
Local Aid	3,020,789	3,052,212	-	-	3,020,789	3,052,212
Federal and State Aid	23,409,543	22,946,704	-	-	23,409,543	22,946,704
Miscellaneous and transfers	(246,070)	(138,870)	300,000	300,000	53,930	161,130
Total General Revenues	26,184,262	25,860,046	300,000	300,000	26,484,262	26,160,046
Total Revenues	36,079,876	34,291,309	1,054,991	1,023,689	37,134,867	35,314,998
Expenses						
Instructions	20,707,525	20,203,799	-	-	20,707,525	20,203,799
Support Services:						
Administrative expenses	8,484,418	6,784,554	-	-	8,484,418	6,784,554
Other support services	5,664,502	7,595,514	-	-	5,664,502	7,595,514
Unallocated:						
Capital outlay	-	-	-	-	-	-
Depreciation	68,956	68,958	-	-	68,956	68,958
Food Service	-	-	653,062	840,390	653,062	840,390
After Care	-	-	-	20,919	-	20,919
Total Expenses	34,925,401	34,652,825	653,062	861,309	35,578,463	35,514,134
Change in Net Position	\$ 1,154,475	\$ (361,516)	\$ 401,929	\$ 162,380	\$ 1,556,404	\$ (199,136)

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2021.

	<u>Total Cost of Services</u>	<u>Charges for Services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 20,707,525	\$ -	\$ 6,794,565	\$ (13,912,960)
Support Services:				
Administrative expenses	8,484,418	-	1,953,638	(6,530,780)
Other support services	5,664,502	24,957	1,122,454	(4,517,091)
Unallocated:				
Depreciation	<u>68,956</u>	<u>-</u>	<u>-</u>	<u>(68,956)</u>
Total Expenses	<u>\$ 34,925,401</u>	<u>\$ 24,957</u>	<u>\$ 9,870,657</u>	<u>\$ (25,029,787)</u>

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$1.05 million and operating expenses of \$0.65 million for fiscal year 2021. The Charter School continued in its effort to have food services be self-operating without assistance from the General Fund.

The Charter School’s Funds

The Charter School’s governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$33.10 million and expenditures and other financing uses of \$34.93 million.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

General Fund Budgeting Highlights

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

During the course of fiscal year 2021, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues were \$27.46 million which included a local tax levy of \$4.06 million. Expenditures and other financing uses were budgeted at \$27.23 million. The Charter School anticipated a decrease in fund balance of \$0.23 million. Actual revenues were \$30.04 million and expenditures and other financing uses were \$27.32 million, increasing the fund balance by \$2.22 million.

The State of New Jersey reimbursed the Charter School \$0.6 million during the year ended June 30, 2021 for the employer’s share of social security contributions for TPAF members while on-behalf TPAF payments for pensions and post-retirement medical benefits, and long-term disability insurance were \$2.9 million. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2021, the Charter School had \$251,928 invested in capital assets all in governmental activities.

	Governmental Activities	Business Type Activities	Total
Equipment	\$ 851,802	\$ -	\$ 851,802
Vehicles/Buses	265,271	-	265,271
Leasehold improvements	712,104	-	712,104
Total capital assets	1,829,177	-	1,829,177
Less accumulated depreciation	(1,577,249)	-	(1,577,249)
Totals	<u>\$ 251,928</u>	<u>\$ -</u>	<u>\$ 251,928</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for the fiscal year 2020-2021. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

Marion P. Thomas Charter Schools
Business Office
125 Sussex Avenue
Newark, New Jersey 07103

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 10,040,839	\$ 158,065	\$ 10,198,904
Accounts receivable	2,009,240	67,084	2,076,324
Interfund receivables	-	-	-
Security deposit	<u>38,155</u>	<u>-</u>	<u>38,155</u>
Total current assets	<u>12,186,913</u>	<u>225,149</u>	<u>12,412,062</u>
Capital Assets:			
Machinery and equipment	851,803	-	851,803
Vehicles	265,271	-	265,271
Leasehold improvements	<u>712,103</u>	<u>-</u>	<u>712,103</u>
	1,829,177	-	1,829,177
Less: Accumulated depreciation	<u>(1,577,249)</u>	<u>-</u>	<u>(1,577,249)</u>
Net capital assets	<u>251,928</u>	<u>-</u>	<u>251,928</u>
Total assets	<u>12,438,841</u>	<u>225,149</u>	<u>12,663,990</u>
Deferred Outflow of Resources	<u>4,896,269</u>	<u>-</u>	<u>4,896,269</u>
Liabilities			
Current Liabilities:			
Accounts payable	1,106,258	56,627	1,162,885
Payroll deductions and withholdings	328,104	-	328,104
Paycheck Protection Program loan payable	3,747,686	-	3,747,686
Intergovernmental payable:			
Federal	-	-	-
State	34,767	-	34,767
Interfund payables (internal)	(79,163)	79,163	-
Deferred revenues	<u>159,545</u>	<u>-</u>	<u>159,545</u>
Total current liabilities	<u>5,297,197</u>	<u>135,790</u>	<u>5,432,987</u>
Noncurrent Liabilities:			
Compensated absences			
Due within one year	683,635	-	683,635
Due in more than one year	<u>9,786,569</u>	<u>-</u>	<u>9,786,569</u>
Total noncurrent liabilities	<u>10,470,204</u>	<u>-</u>	<u>10,470,204</u>
Total liabilities	<u>15,767,401</u>	<u>135,790</u>	<u>15,903,191</u>
Deferred Inflow of Resources	<u>6,458,913</u>	<u>-</u>	<u>6,458,913</u>
Net Position			
Invested in capital assets, net of related debt	200,557	-	200,557
Restricted for Food service	232,145	-	232,145
Unrestricted	<u>(5,323,906)</u>	<u>89,359</u>	<u>(5,234,547)</u>
Total net position	<u>\$ (4,891,204)</u>	<u>\$ 89,359</u>	<u>\$ (4,801,845)</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:						
Instruction	\$ 20,707,525	\$ -	\$ 6,794,565	\$ (13,912,960)	\$ -	\$ (13,912,960)
Administrative cost	8,484,418	-	1,953,638	(6,530,780)	-	(6,530,780)
Support services	5,664,502	24,957	1,122,454	(4,517,091)	-	(4,517,091)
Capital outlay						
Unallocated:						
Depreciation	<u>68,956</u>	<u>-</u>	<u>-</u>	<u>(68,956)</u>	<u>-</u>	<u>(68,956)</u>
Total governmental activities	34,925,401	24,957	9,870,657	(25,029,787)	-	(25,029,787)
Business-type activities:						
Food Service	653,062	45	754,946	-	101,929	101,929
After Care	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 35,578,463</u>	<u>\$ 25,002</u>	<u>\$ 10,625,603</u>	<u>\$ (25,029,787)</u>	<u>\$ 101,929</u>	<u>\$ (24,927,858)</u>
General revenues, transfers and special items:						
Local sources				3,020,789	-	3,020,789
State sources				23,378,481	-	23,378,481
Federal sources				31,062	-	31,062
Transfer				(300,000)	300,000	-
Miscellaneous				<u>53,930</u>	<u>-</u>	<u>53,930</u>
Total general revenues, transfers and special items				<u>26,184,262</u>	<u>300,000</u>	<u>26,484,262</u>
Changes in net position				1,154,475	401,929	1,556,404
Net position at beginning of year, as reported				<u>(6,070,684)</u>	<u>(312,570)</u>	<u>(6,383,254)</u>
Prior period adjustment				<u>25,005</u>	<u>-</u>	<u>25,005</u>
Net position at beginning of year, as restated				<u>(6,045,679)</u>	<u>(312,570)</u>	<u>(6,358,249)</u>
Net position at ending of year (A-1)				<u>\$ (4,891,204)</u>	<u>\$ 89,359</u>	<u>\$ (4,801,845)</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 10,021,307	\$ 19,532	\$ 10,040,839
Accounts receivables:			
Other	589,334	-	589,334
State	1,195,677	108,182	1,303,859
Federal	-	116,047	116,047
Interfund receivables	-	94,387	94,387
Security deposit	38,155	-	38,155
Prepaid expenses	<u>98,679</u>	<u>-</u>	<u>98,679</u>
Total assets	<u>\$ 11,943,152</u>	<u>\$ 338,148</u>	<u>\$ 12,281,300</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 947,187	\$ 159,071	\$ 1,106,258
Payroll deductions and withholdings	328,104	-	328,104
Paycheck Protection Program loan payable	3,747,686	-	3,747,686
Intergovernmental payables:			
State	34,767	-	34,767
Interfund payables	15,224	-	15,224
Deferred revenue	<u>-</u>	<u>159,545</u>	<u>159,545</u>
Total liabilities	<u>5,072,968</u>	<u>318,616</u>	<u>5,391,584</u>
Fund balances:			
Restricted:			
Student activities	-	19,532	19,532
Assigned	1,635,498	-	1,635,498
Unassigned	<u>5,234,686</u>	<u>-</u>	<u>5,234,686</u>
Total fund balances	<u>6,870,184</u>	<u>19,532</u>	<u>6,889,716</u>
Total liabilities and fund balances	<u>\$ 11,943,152</u>	<u>\$ 338,148</u>	
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			\$ 1,829,177
			<u>(1,577,249)</u>
			251,928
Deferred outflow and deferred inflow of resources and amortized in the statement of activities			
			(1,562,644)
Long-term liabilities, including compensated absences and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			(51,371)
			(458,616)
			<u>(9,960,217)</u>
			<u>(10,470,204)</u>
Net position of governmental activities - A-1			<u>\$ (4,891,204)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Total
Revenues			
Local Sources:			
Local tax levy	\$ 2,812,487	\$ -	\$ 2,812,487
Rents and royalties	-	-	-
Grants and contributions	208,302	14,064	222,366
Services provided to a Charter School	-	-	-
Miscellaneous	<u>53,930</u>	<u>24,957</u>	<u>78,887</u>
Total revenues -local sources	3,074,719	39,021	3,113,740
State sources	23,378,481	740,131	24,118,612
Federal sources	31,062	2,282,017	2,313,079
Reimbursed TPAF - Social Security (non-budgeted)	628,935	-	628,935
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	2,225,672	-	2,225,672
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	697,491	-	697,491
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>3,238</u>	<u>-</u>	<u>3,238</u>
Total revenues	<u>30,039,598</u>	<u>3,061,169</u>	<u>33,100,767</u>
Expenditures			
Current expense:			
Regular instruction	9,225,339	2,186,274	11,411,613
Special education instruction	888,363	-	888,363
Other Special Instruction	-	-	-
Other Instruction	-	-	-
Support services and undistributed costs:			
Tuition	-	-	-
Student and instruction related services	854,135	880,368	1,734,503
Other administrative services	4,616,126	-	4,616,126
School administrative services	303,997	-	303,997
Plant operations and maintenance	3,973,670	-	3,973,670
Pupil transportation	2,025	-	2,025
Personal services - employee benefits	7,582,821	-	7,582,821
Capital outlay	<u>68,623</u>	<u>-</u>	<u>68,623</u>
Total expenditures	<u>27,515,099</u>	<u>3,066,642</u>	<u>30,581,741</u>
Excess of revenues over expenditures	2,524,499	(5,473)	2,519,026
Other financing sources (uses):			
Operating transfers out - Food Program	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Total other financing sources/(uses)			
Net change in fund balances	2,224,499	(5,473)	2,219,026
Fund balances at beginning of the year, as reported	4,645,685	-	4,645,685
Prior period adjustments	<u>-</u>	<u>25,005</u>	<u>25,005</u>
Fund balances at beginning of the year, as restated	<u>4,645,685</u>	<u>25,005</u>	<u>4,670,690</u>
Fund balances at end of year	<u>\$ 6,870,184</u>	<u>\$ 19,532</u>	<u>\$ 6,889,716</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Total net change in fund balances - governmental funds (B-2) \$ 2,219,026

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 depreciation expense exceeded capital outlays in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition:

Capital outlay	68,623
Depreciation expense	<u>(68,956)</u>
	(333)

Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets and are not reported in the Statement of Activities.

36,553

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated absences	(124,685)
Pension costs	<u>(976,086)</u>
	<u>(1,100,771)</u>

\$ 1,154,475

PROPRIETARY FUNDS

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 158,065
Accounts receivables:	
Federal	64,724
State	<u>2,360</u>
	<u>67,084</u>

Total assets	<u>\$ 225,149</u>
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Liabilities

Current liabilities:

Accounts payable	\$ 56,627
Interfund payable - General Fund	<u>79,163</u>

Total liabilities	135,790
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Net position

Unrestricted (Deficit)	<u>89,359</u>
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Total liabilities and net position	<u>\$ 225,149</u>
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**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2021

Operating revenues:		
Charges for services:		
Daily sales - reimbursable programs	\$	-
Miscellaneous revenue		45
Total operating revenues		<u>45</u>
Operating expenses:		
Cost of sales - reimbursable programs		157,274
Salaries		705
Supplies and materials		<u>495,083</u>
Total operating expenses		<u>653,062</u>
Operating loss		<u>(653,017)</u>
Nonoperating revenues:		
State sources:		
State School Lunch		15,910
Federal sources:		
National School Lunch		372,938
National School Breakfast		215,068
Fresh Fruit and Vegetable		57,767
Food Commodities		<u>93,263</u>
Total nonoperating revenues		<u>754,946</u>
Net loss before contributions and transfers		101,929
Other financing sources:		
Transfers in - General Fund		<u>300,000</u>
Total other financing sources:		<u>300,000</u>
Change in net position		401,929
Net position at beginning of year		<u>(312,570)</u>
Net position at end of year	\$	<u><u>89,359</u></u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

Cash flows from operating activities

Operating loss	\$ (653,017)
Changes in assets and liabilities:	
Increase in accounts receivable	(43,227)
Decrease in accounts payable	(8,274)
Decrease in interfund payable	<u>(328,489)</u>
Net cash from operating activities	(1,033,007)

Cash flows from noncapital financing activities

Transfer-in from General Fund	300,000
Cash received from state and federal reimbursements	<u>754,946</u>
Net cash from noncapital financing activities	<u>1,054,946</u>
Net increase in cash and cash equivalents	21,939
Cash and cash equivalents at beginning of year	<u>136,126</u>
Cash and cash equivalents at end of year	<u>\$ 158,065</u>

**NOTES TO THE
BASIC FINANCIAL STATEMENTS**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Charter School was incorporated in the State of New Jersey on March 13, 1997 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

B. Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Government Auditing Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation

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

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The Charter School conforms to the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Charter School’s overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School’s activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

D. Basic Financial Statements

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

Government-wide Financial Statements

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

The statement of net position presents the financial condition of the governmental and business-type 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 and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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

E. Governmental Funds

General Fund - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Governmental Funds - Continued

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2021, there was no Capital Projects Fund.

Debt Service Fund -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2021, there was no debt service fund.

F. Proprietary Funds

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

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

Internal Service (Self-Insurance) Fund:

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

G. Fiduciary Funds

Fiduciary funds are classified as follows:

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School’s own programs. Three trust fund types discussed below are used to account for resources held and administered by the Charter School when it is acting in a fiduciary capacity for individuals, private organizations or other governmental units. These funds are distinguished from custodial funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

- a. Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b. Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c. Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

The Charter School do not have fiduciary funds for the year ended June 30, 2021.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting

Measurement Focus – 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. 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 noncurrent, associated with their activities are included on the statement of financial position. Fund equity (i.e., net total assets) is classified as net position.

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined 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 fund revenues.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the Special Revenue Fund as noted below. 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 Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

J. Deposits, Investments and Risk Disclosure

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

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

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.
- d. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2021, the Charter School did not hold any investments.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. Although GASB Statement No. 40 eliminated Categories 1 and 2 as previously established by GASB Statement No. 3, it maintained, with modification, the level-of-disclosure requirements of GASB Statement No. 3.

As of June 30, 2021, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Prepaid Expenses

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

L. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Position.

M. Fixed Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated lives</u>
Land Improvements	15 years
Building and Buildings Improvements	15 years
Furniture and Equipment	5 years

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. 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 (GASBS 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. Upon termination, employees are paid for accrued vacation. The Charter School's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the Charter School for the unused sick leave in accordance with the Charter School's agreements with the various employee unions.

In the Charter School-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2021, there is no liability for compensated absences in the Food Service Fund.

O. Net Pension Liability (Asset)

The net pension liability (asset) represents the Charter School's proportionate share of the net pension liability (asset) of the New Jersey State Pension Employees' Retirement System and the New Jersey State Teachers' Pension and Annuity Fund System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

P. Deferred Revenue

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the Enterprises Fund are reported in the Enterprises Fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

R. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

R. Fund Balance and Equity - Continued

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision-making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

S. Net Position

Net Position on the *Statement of Net Position* include the following:

Investments in Capital Assets, net of Related Debt - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

Restricted for Specific Purposes - the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. Net Position - Continued

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Specific Purposes or Net Position Restricted for Debt Services.

T. Contributed Capital

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

U. Interfund Transactions

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due from/to Other Funds" on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

V. Use of Estimates

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

W. Accounting for Uncertainty of Income Taxes

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2018.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

X. 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, and for post-retirement medical benefits of members. The amounts are not required to be included in the Charter School's annual budget.

Y. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 28, 2022.

NOTE 2 ACCOUNTING PRONOUNCEMENTS

A. Accounting Pronouncement Adopted During the year

On July 1, 2020, the Charter School adopted Statement No. 84, Fiduciary Activities and Implementation Guide No. 2019-2. GASB Statement No. 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.

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Determining whether an activity is fiduciary can be a challenge. Governmental Accounting Standards Board (GASB) recently issued Implementation Guide No. 2019-2, Fiduciary Activities. The Implementation Guide, which is an authoritative document, includes questions and answers on topics such as identifying fiduciary activities and reporting fiduciary activities: Implementation Guide No. 2019-2, Fiduciary Activities.

The adoption of the GASB No. 84, resulted to the following:

Student Activity Funds are Reported in the Special Revenue Fund effective July 1, 2020

The revenue sources for the Student Activity Fund are solely for the fees and dues collected and they are restricted for the specifically identified student activity. N.J.A.C. 6A:23A-16.12 governs the establishment and operation of the Student Activity Fund restricting expenditures within the fund and prohibiting the transfer of any unspent balances to any other fund.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS – CONTINUED

A. Accounting Pronouncement Adopted During the year - Continued

This adoption resulted to a restatement of July 1, 2020 net position of governmental funds to increase total assets and restricted net position of \$25,005 in the governmental activities' Statement of Net Position.

Payroll Funds are Reported in the General Fund effective July 1, 2020

Payroll Clearing Funds do not meet the definition of fiduciary activities prescribed in GASB No. 84 paragraph 11, they are accounted for and reported in the General Fund. Any unremitted balance at year-end is reported as a liability on Schedule B-1. Assets and liabilities for the Payroll Clearing Funds were reported as assets and liabilities in the Governmental Funds Balance Sheet under General Fund. This adoption did not result to a restatement of the July 1, 2020 net position. However, the adoption resulted to an increase in total assets and liabilities of \$659,082 in the governmental activities' Statement of Net Position.

GASB Statement No. 90, *Majority Equity Interests* – An Amendment of GASB Statements No. 14 and No. 61, (GASBS 90). GASBS 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Charter School do not hold an equity interest in an investment; therefore the adoption did not have an effect on the Charter School's financial statements.

B. Accounting Pronouncements Issued but not Yet Adopted

Statement No. 87 and Implementation Guide No. 2019-3, *Leases*, effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Charter School is currently evaluating the impact of this Statement.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS – CONTINUED

B. Accounting Pronouncements Issued but not Yet Adopted - Continued

Statement No. 91, *Conduit Debt Obligations*, reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Currently, the Charter School do not have conduit debt obligation and expects that the adoption of this in fiscal year 2022 will not have an impact on the Charter School's financial statements.

Statement No. 93, *Replacement of Interbank Offered Rates* effective for fiscal years beginning after June 15, 2021. The objective of GASB 93 is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The Charter School is currently assessing effect on its financial statement.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement* effective for fiscal years beginning after June 15, 2022 or fiscal year 2023. The objective of GASB 94 is to improve financial reporting related to public-private and public-public partnership arrangements (PPP). It provides accounting and financial reporting guidance for availability payment arrangements (APA) and establishes definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet definitions. The Charter School is currently assessing effect on its financial statement.

Statement No. 96, *Subscription-Based Information Technology Arrangement (SBTA)* effective for fiscal year beginning after June 15, 2022. GASB No. 96 establishes uniform accounting and financial reporting requirements, improves comparability of financial statements, and enhances information. It establishes that SBTA results in an intangible asset and a subscription liability and provides capitalization criteria for other than subscription payments. The Charter School is currently assessing effect on its financial statement.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS – CONTINUED

B. Accounting Pronouncements Issued but not Yet Adopted - Continued

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Section 457 Deferred Compensation Plans* effective for fiscal years beginning after June 15, 2021. GASB 97 creates an exception, allowing defined contribution pension plans, defined contribution OPEB plans, and certain Section 457 plans who do not have a board to be excluded from consideration as a component unit. The Charter School is currently assessing effect on its financial statement.

Statement No. 98, *The Annual Comprehensive Financial Report* effective for fiscal years ending after December 15, 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Charter School will adopt this change in fiscal year 2022.

NOTE 3 CASH AND CASH EQUIVALENTS

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk.

As of June 30, 2021, the Charter School's deposits are summarized as follows:

	General Fund	Special Revenue Fund	Enterprise Fund	Total
Operating account	\$ 9,946,125	\$ 19,532	\$ 158,065	\$10,123,722
Restricted	75,182	-	-	75,182
Total	<u>\$10,021,307</u>	<u>\$ 19,532</u>	<u>\$ 158,065</u>	<u>\$10,198,904</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2021, the Charter School's carrying amount of deposits was \$10,198,904 and the bank balance was \$10,777,422. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2021 were secured by federal deposit insurance and \$10,305,546 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS - CONTINUED

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, of which \$75,182 is funded at June 30, 2021. The agreement stipulates that the intended use of the escrow amount is “to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur.”

NOTE 4 CAPITAL ASSETS

As required under accounting standards discussed in Note 2, the Charter School performed a thorough review of the inventory records of all its fixed assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost have been used. The review of inventory records of all the Charter School’s capital assets was completed during the fiscal year ended June 30, 2021, deletions, if any, have been accounted for in the Charter School’s beginning balances; the table below illustrates the net of additions and deletions for the current year.

Capital assets activities for the year ended June 30, 2021 are as follows:

Governmental Activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets being depreciated:			
Equipment	\$ 783,179	\$ 68,623	\$ 851,802
Buses/Vehicles	265,271	-	265,271
Leasehold improvements	<u>712,104</u>	<u>-</u>	<u>712,104</u>
Total	1,760,554	68,623	1,829,177
Less accumulated depreciation	<u>(1,508,293)</u>	<u>(68,956)</u>	<u>(1,577,249)</u>
Capital assets, net	252,261	(333)	251,928
<u>Business-Type Activities</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>\$ 252,261</u>	<u>\$ (333)</u>	<u>\$ 251,928</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 5 NONCURRENT LIABILITIES

During the fiscal year ended June 30, 2021, long-term liabilities reported in the *Statement of Net Position* are as follows:

Noncurrent Liabilities	Balance at June 30, 2020	Additions	Retired	Balance at June 30, 2021	Due within One Year
Compensated absences	\$ 333,931	\$ 124,685	\$ -	\$ 458,616	\$ 45,862
Capital lease obligations	87,924	-	36,553	51,371	51,371
Net pension liability	12,712,990	-	2,752,773	9,960,217	586,402
	<u>\$ 13,134,845</u>	<u>\$ 124,685</u>	<u>\$ 2,789,326</u>	<u>\$ 10,470,204</u>	<u>\$ 683,635</u>

Net pension liability classified as due within one year amounting to \$586,402 represents pension contributions for fiscal year 2021 due and payable on April 1, 2022.

NOTE 6 NET POSITION (DEFICIT)

As of June 30, 2021, governmental activities net position consisted of the following components:

Business-type activities net position did not have any capital assets or restrictions.

**INVESTMENT IN CAPITAL ASSETS,
NET OF RELATED DEBT**

Capital assets, net	\$ 251,928
Less: long-term obligations	<u>(51,371)</u>
	200,557

RESTRICTED

Restricted for Food Service	232,145
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UNRESTRICTED

Net assets not restricted above	<u>(5,234,547)</u>
NET POSITION (DEFICIT)	<u>\$ (4,801,845)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS

A. Description of Plans

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System (PERS) or the Teacher's Pension and Annuity Fund (TPAF) which have been 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 PERS and the TPAF. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Description of Plans - Continued

i. Public Employees' Retirement System (PERS)

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

ii. Teachers Pension and Annuity Fund (TPAF)

The TPAF was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The TPAF is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally 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 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 PERS and TPAF 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.

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55.

The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

C. Significant Legislation - Continued

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. 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 adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

The Charter School's contribution to PERS for the year ended June 30, 2021 was \$0.6 million.

The State of New Jersey was required to contribute for TPAF on behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$2.9 million. In addition, for fiscal year 2020, the State of New Jersey contributed \$0.003 million for TPAF LTDI.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$628,935 during the year ended June 30, 2021 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contribution and social contribution for TPAF members are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS)

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 in the Charter School-wide statement of net position a liability of \$9,960,217 for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2020 as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The Charter School's proportionate share of the net pension liability was based on the ration of contributions as an individual employer to the total contributions to the PERS as of June 30, 2020 measurement date. At June 30, 2021, the Charter School's proportionate share was 0.061077953% which is a decrease from the proportionate share of 0.0705552755% at June 30, 2020 measurement date.

For the year ended June 30, 2021, the Charter School recognized pension expense of \$1,196,517. At June 30, 2020 measurement date, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 181,359	\$ 35,224
Changes in assumptions	323,121	4,170,437
Net difference between projected and actual earnings on pension plan investments	340,448	-
Change in proportion and differences between Charter School contribution and proportionate share contributions	4,051,341	2,253,252
	<u>\$ 4,896,269</u>	<u>\$ 6,458,913</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. PERS - continued

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

Year ending June 30	
2022	(186,314)
2023	(156,231)
2024	(461,843)
2025	(500,412)
2026	(257,844)

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

Inflation rate	
Price	2.75%
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 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 Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. PERS - continued

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial valuation study for the period July 1, 2014 to June 30, 2018.

Long-term Expected Rate of Return. In accordance with the 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 Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
Total	100.00%	

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. PERS - continued

Discount rate. The discount rate used to measure the total pension liability was 7% as of June 30, 2020 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from 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 all 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.

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 calculated using the discount rate as disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 12,636,845</u>	<u>\$ 9,960,217</u>	<u>\$ 7,833,804</u>

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

ii. Teachers Pension and Annuity Fund (TPAF)

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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures – Continued

ii. Teachers Pension and Annuity Fund (TPAF) - continued

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

in accordance with N.J.S.A. 18:66-33, the employer contributions for the Charter School is legally required to be funded by the State. This is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. As such, there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School.

For the year ended June 30, 2021, the Charter School recognized pension expense and related revenue of \$3,560,772 in the Charter School-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF for the June 30, 2020 and 2019 measurement dates, respectively. At June 30, 2021 and 2020, the State's proportion of the net pension liability attributable to Charter School was 0.0869592716% and 0.0724714455%, respectively.

Actuarial Assumptions. The total pension liability for the June 30, 2020 measurement date as 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%
Wage	3.25%
Salary increases	
Through 2026	1.55% – 4.45% based on years of service
Thereafter	2.75% - 5.65% based on years of service
Investment rate of return	7.00%

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) - continued

Pre-retirement mortality were based on Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, ad with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-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 the 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 Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 measurement date, are summarized in the following table:

**MARION P. THOMAS CHARTER SCHOOLS
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 5.40% June 30, 2020 measurement date. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% as of June 30, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contribution from employers will be made based on 78% of actuarially determined contributions for the State. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) - continued

Sensitivity of Net Pension Liability. The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease (4.40%)	Current Discount Rate (5.40%)	1% Increase (6.40%)
<u>\$ 67,408,299</u>	<u>\$ 57,261,634</u>	<u>\$ 49,066,845</u>

NOTE 8 POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

The State of New Jersey Provides post-retirement (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2020, the State paid PRM benefits for 143,053 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2020, the State contributed \$1.578 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's "pay as-you-go" contributions have decreased from Fiscal Year 2019 amounts. Reductions are attributable to various cost savings initiatives implemented by the State, including new Medicare Advantage contracts. The State has appropriated \$1.775 billion in Fiscal Year 2021 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2020 total State OPEB liability to provide these benefits is \$65.5 billion, a decrease of \$10.5 billion or 13.8 percent from the \$76.0 billion liability recorded in Fiscal Year 2019.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Additional information on Pensions and OPEB can be accessed at state.nj.us/treasury/pensions/financial-reports.shtml.

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases:			
Through 2026	1.55% - 4.45%	2.00% - 6.00%	3.25% - 15.25%
	based on years of service	based on years of service	based on years of service
Thereafter	1.55% - 4.45%	3.00% - 7.00%	Applied to all future years
	based on years of service	based on years of service	

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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

- (a) Health Care Trend Assumptions
For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate 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%.
- (b) Discount rate
The discount rate for June 30, 2020 and 2019 measurement dates were 2.21% and 3.50%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB liability of the State for Charter School retirees:

Balance at 6/30/19 measurement date	\$ 12,290,939
Changes for the year	
Service cost	1,949,935
Interest	492,741
Differences between expected and actual experience	1,472,757
Changes in assumptions and other inputs	3,548,658
Benefit payments	(338,209)
Contributions from the members	<u>10,251</u>
Net Change	7,136,133
Balance at 6/30/20 measurement date	<u>\$ 19,427,072</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total Nonemployer OPEB Liability (Charter School Retirees)	<u>\$ 23,420,338</u>	<u>\$ 19,427,072</u>	<u>\$ 16,304,723</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State for Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Health Cost Trend Rate	1% Increase
Total Nonemployer OPEB Liability (Charter School Retirees)	<u>\$ 15,682,188</u>	<u>\$ 19,427,072</u>	<u>\$ 23,886,397</u>

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

For the year ended June 30, 2021, the Charter School recognize OPEB revenue and expense of \$2,881,444 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Charter School's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 3,304,481	\$ 2,216,739
Differences between expected and actual experience	2,949,536	2,627,341
Changes in proportion	4,014,688	704,081
	<u>\$ 10,268,705</u>	<u>\$ 5,548,161</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB of retired Charter School employees will be recognized in OPEB expense as follows:

	Year Ended June 30
2022	\$ 511,245
2023	511,245
2024	511,245
2025	511,245
2026	511,245
Thereafter	2,164,319

NOTE 9 DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan is administered by AXA Equity, Inc. and permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 10 MANAGEMENT AGREEMENT

On April 29, 2019, the Charter School entered into an operating agreement with BRICK, Inc., a New Jersey not-for-profit corporation. The fee for the services is equal to 9% of the total federal, state and local public revenue actually received by the Charter School, excluding Enterprise Fund revenues associated with food service, after care, facilities use charges, subleases and other business activities.

Management fee payment for the first four months of the school year shall be equal to one-twentieth (1/20) of the total management fee. For the remaining eight months of the school year, management fee shall be equal to one-tenth (1/10) of the total management fee. A retroactive payment or credit shall be made by June 30th if the total amount of the payment does not equal the final total management fee determined at the June 15 enrollment count.

Total management fee paid by the Charter School for the fiscal year ended June 30, 2021 amounted to \$2,264,120.

NOTE 11 RISK MANAGEMENT

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

A. Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Comprehensive Annual Financial Report (Schedule J-20).

B. New Jersey Unemployment Compensation

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 11 RISK MANAGEMENT - CONTINUED

B. New Jersey Unemployment Compensation - Continued

The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the State.

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2020-2021	\$ 46,024	\$ 35,565	\$ 81,589	\$ -
2019-2020	112,000	39,628	151,628	-
2018-2019	268,988	48,697	317,685	-
2017-2018	294,261	57,767	352,028	-
2016-2017	306,312	53,260	359,572	-
2015-2016	63,193	60,621	123,814	-
2014-2015	81,002	64,621	145,623	-
2013-2014	264,760	22,297	287,057	-
2012-2013	13,659	2,988	16,647	-
2011-2012	4,000	3,086	7,086	-

NOTE 12 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds pertains to expenses that were paid from the general fund which are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset. At June 30, 2021, the interfund balances consisted of the following components:

	RECEIVABLE (PAYABLE)		
	General	Special	Enterprise
	Fund	Revenue Fund	Fund
General fund	\$ (15,224)	\$ 94,387	\$ (79,163)
GASB No 34 mandated eliminations within governmental activities	94,387	(94,387)	-
Net interfund balances reported as follows:			
Entity-wide (eliminated in total column)	\$ 79,163	\$ -	\$ (79,163)

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 13 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2021, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2021.

NOTE 14 RELATED PARTY TRANSACTIONS

The Friends of Marion P. Thomas Charter School (The Friends) is an affiliate organization related to the Charter School. It is a not-for-profit organization incorporated on September 23, 2004 under the laws of the State of New Jersey, to become the Fundraising arm of the Charter School with the intent of making both restricted and unrestricted contributions to the Charter School from time to time. The Friends made no unrestricted contributions during 2021.

The Friends was also organized to own and manage (through its subsidiary, the Real Property, LLC) the facilities located at 370-380 South 7th Street, Newark, New Jersey, occupied by the Charter School under various leases. Total rent expense recognized by the Charter School for the fiscal year 2021 amounted to \$2,517,210.

NOTE 15 LEASES

The Charter School has various operating leases with The Friends for its facilities until June 30, 2023. The leases will automatically renew upon each renewal of the Charter for a term of years equal to the term of each subsequent renewal of extension of the Charter up to an outside termination date of June 30, 2050, unless sooner terminated. Total rent expense recognized for the fiscal year 2021 amounted to \$2,517,210.

Future minimum lease payments for the next five years are as follow:

		Year Ended June 30
2022	\$	2,795,992
2023		2,796,914

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 15 LEASES - CONTINUED

The Charter School subleases two of its facilities to Achieve Community Charter School and Newark Educator's Community Charter School until June 30, 2021. Sublease income offset against rent expense in 2020 amounted to \$910,008.

	Year Ended	
	June 30	
2022	\$	468,000
2023		480,000

NOTE 16 COVID-19 PUBLIC HEALTH EMERGENCY

On June 4, 2021, Governor Murphy signed legislation (A5820/S3866) and Executive Order No. 244 ending of the COVID-19 Public Health Emergency that has been in place since March 9, 2020. Under the legislation, the majority of executive orders issued pursuant to the Public Health Emergency expired 30 days from the approval date. The legislation allows for the termination of the Public Health Emergency while also allowing the Administration to retain the tools necessary to manage the ongoing threat posed by the pandemic. Specifically, the Administration is authorized to issue orders, directives, and waivers under the authority in the Emergency Health Powers Act that are related to vaccination efforts; testing; health resource and personnel allocation; data collection, retention, sharing, and access; coordination of local health departments; and implementation of any CDC recommendations to prevent the transmission of COVID-19. This authority lasts until January 11, 2022 and can be extended for 90 days with the passage of a concurrent resolution by the Legislature.

With the end of the Public Health Emergency, full-time school operations were restored in New Jersey beginning September 2021.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 2,800,465	\$ -	\$ 2,800,465	\$ 2,812,487	\$ 12,022
Rent and royalties	43,043	-	43,043	-	(43,043)
Private contributions	1,195,778	-	1,195,778	208,302	(987,476)
Unrestricted miscellaneous revenues	22,707	-	22,707	53,930	31,223
Total - local sources	<u>4,061,993</u>	<u>-</u>	<u>4,061,993</u>	<u>3,074,719</u>	<u>(987,274)</u>
Federal sources:					
Medicaid reimbursement	20,000	-	20,000	31,062	11,062
Total - federal sources	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>31,062</u>	<u>11,062</u>
State sources:					
Categorical special education aid	695,670	-	695,670	695,670	-
Equalization aid	16,420,661	-	16,420,661	16,478,535	57,874
Categorical security aid	706,220	-	706,220	706,821	601
Adjustment aid	5,555,329	-	5,555,329	5,497,455	(57,874)
On-behalf T.P.A.F. pension contributions - normal cost (nc	-	-	-	2,225,672	2,225,672
On-behalf T.P.A.F. pension contributions - post-retirement medical (non-budgeted)	-	-	-	697,491	697,491
On-behalf T.P.A.F. pension contributions - long-term disability insurance (non-budgeted)	-	-	-	3,238	3,238
Reimbursed T.P.A.F. social security contributions (non-bu	-	-	-	628,935	628,935
Total - state sources	<u>23,377,880</u>	<u>-</u>	<u>23,377,880</u>	<u>26,933,817</u>	<u>3,555,937</u>
Total revenues	<u>27,459,873</u>	<u>-</u>	<u>27,459,873</u>	<u>30,039,598</u>	<u>2,579,725</u>
Expenditures					
Current expense:					
Regular programs - instruction:					
Kindergarten	386,301	-	386,301	319,852	66,449
Grade 1-5	1,803,277	-	1,803,277	1,709,298	93,979
Grade 6-8	1,583,693	-	1,583,693	1,453,544	130,149
Grades 9-12 - salaries of teachers	2,340,052	-	2,340,052	2,261,941	78,111
Regular programs - undistributed instruction:					
Other salaries for instruction	1,278,733	-	1,278,733	1,132,127	146,606
Purchased professional - educational services	2,333,075	-	2,333,075	2,137,375	195,700
Other purchased services (400-500 Series)	289	-	289	289	-
General supplies	115,666	(39)	115,627	201,177	(85,550)
Other objects	9,697	39	9,736	9,736	-
Total Regular Programs - Instruction	<u>9,850,783</u>	<u>-</u>	<u>9,850,783</u>	<u>9,225,339</u>	<u>625,444</u>
Special Education - Instruction:					
Learning and / or Language Disabilities:					
Salaries of teachers	908,379	-	908,379	758,783	149,596
Other salaries for instruction	182,075	-	182,075	122,966	59,109
Purchased professional - educational services	6,618	-	6,618	6,614	4
Total learning and / or language disabilities	<u>1,097,072</u>	<u>-</u>	<u>1,097,072</u>	<u>888,363</u>	<u>208,709</u>
Total special education - instruction	<u>1,097,072</u>	<u>-</u>	<u>1,097,072</u>	<u>888,363</u>	<u>208,709</u>
Total instruction	<u>10,947,855</u>	<u>-</u>	<u>10,947,855</u>	<u>10,113,702</u>	<u>834,153</u>
Undistributed expenditures - attendance and social work					
Salaries of family support teams	400,125	-	400,125	336,015	64,110
Salaries of family liaisons/comm parent inv. spe	79,295	-	79,295	33,833	45,462
Total undistributed expenditures - attendance and social w	<u>479,420</u>	<u>-</u>	<u>479,420</u>	<u>369,848</u>	<u>109,572</u>
Undistributed expenditures - health services:					
Salaries of social services coordinators	158,851	-	158,851	115,899	42,952
Purchased professional and technical services	22,986	-	22,986	21,301	1,685
Supplies and materials	9,000	-	9,000	1,225	7,775
Total undistributed expenditures - health services	<u>190,837</u>	<u>-</u>	<u>190,837</u>	<u>138,425</u>	<u>52,412</u>
Undistributed expenditures - child study team:					
Salaries of other professional staff	398,577	-	398,577	345,862	52,715
Total undistributed expenditures - child study team	<u>398,577</u>	<u>-</u>	<u>398,577</u>	<u>345,862</u>	<u>52,715</u>
Undistributed expenditures - support services - general Administration:					
Salaries	2,813,992	-	2,813,992	2,711,700	102,292
Legal services	134,000	-	134,000	118,937	15,063
Audit fees	33,750	-	33,750	33,750	-

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Final to Actual
Communications / telephone	81,778	-	81,778	19,424	62,354
Other purchased services	1,740,195	-	1,740,195	1,671,855	68,340
General supplies	48,531	-	48,531	31,119	17,412
Judgments against the school district	12,000	-	12,000	11,000	1,000
Miscellaneous expenditures	22,058	-	22,058	13,842	8,216
BOE membership dues and fees	10,000	-	10,000	4,499	5,501
Total undistributed expenditures - support services - general administration	4,896,304	-	4,896,304	4,616,126	280,178
Undistributed expenditures - support services - school administration:					
Salaries of other professional staff	323,536	-	323,536	303,997	19,539
Total undistributed expenditures - support services - school administration	323,536	-	323,536	303,997	19,539
Undistributed expenditures - required maintenance for school facilities:					
General supplies	16,915	-	16,915	10,396	6,519
Total undistributed expenditures - required maintenance for school facilities	16,915	-	16,915	10,396	6,519
Custodial services:					
Salaries	294,641	-	294,641	294,641	-
Cleaning, repair, and maintenance services	567,968	-	567,968	412,585	155,383
Other purchased property services	60,000	-	60,000	38,991	21,009
Insurance	307,751	-	307,751	307,751	-
Rental of land & bldg. oth. than lease pur agrmt	2,576,010	-	2,576,010	2,517,210	58,800
Energy (natural gas)	142,500	-	142,500	86,178	56,322
Energy (electricity)	182,500	-	182,500	179,397	3,103
Total Undistributed Expenditures - Custodial Services	4,131,370	-	4,131,370	3,836,753	294,617
Undistributed expenditures - security:					
Purchased professional and technical services	178,642	-	178,642	126,521	52,121
Total Undistributed Expenditures - Security	178,642	-	178,642	126,521	52,121
Undistributed expenditures - student transportation services:					
Contr serv(oth. than bet home & sch)-vend	15,000	-	15,000	2,025	12,975
Total undistributed expenditures - student transportation services	15,000	-	15,000	2,025	12,975
Unallocated benefits - employee benefits:					
Social security contributions	494,865	-	494,865	301,001	193,864
Other retirement contributions - PERS	811,053	-	811,053	668,163	142,890
Unemployment compensation	802,915	-	802,915	779,760	23,155
Workmen's compensation	443,536	-	443,536	298,852	144,684
Health benefits	2,300,596	-	2,300,596	1,823,491	477,105
Other employee benefits	156,218	-	156,218	156,218	-
Total unallocated benefits - employee benefits	5,009,183	-	5,009,183	4,027,485	981,698
On-behalf T.P.A.F. pension contributions - normal cost (nc	-	-	-	2,225,672	(2,225,672)
On-behalf T.P.A.F. pension contributions - post-retirement medical (non-budgeted)	-	-	-	697,491	(697,491)
On-behalf T.P.A.F. pension contributions - long-term disability insurance (non-budgeted)	-	-	-	3,238	(3,238)
Reimbursed T.P.A.F. social security contributions (non-bu	-	-	-	628,935	(628,935)
Total on-behalf contributions	-	-	-	3,555,336	(3,555,336)
Total personal services - employee benefits	5,009,183	-	5,009,183	7,582,821	(2,573,638)
Total undistributed expenditures	15,639,784	-	15,639,784	17,332,774	(1,692,990)
Total general current expense	26,587,639	-	26,587,639	27,446,476	(858,837)
Capital Outlay:					
Equipment:					
General admin	18,000	-	18,000	-	18,000
Total equipment	18,000	-	18,000	-	18,000
Facilities acquisition and construction services:					
Land/Land Improvement	325,000	-	325,000	68,623	256,377
Total Facilities Acquisition and Construction Services	325,000	-	325,000	68,623	256,377
Total Capital Outlay	343,000	-	343,000	68,623	274,377

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Expenditures	26,930,639	-	26,930,639	27,515,099	(584,460)
Excess (Deficiency) of Revenues Over Expenditures and Before Other Financing Sources (Uses)	529,234	-	529,234	2,524,499	1,995,265
Other Financing Sources (Uses): Transfers to cover deficit (enterprise fund)	(303,000)	-	(303,000)	(300,000)	(3,000)
Total Other Financing Sources (Uses)	(303,000)	-	(303,000)	(300,000)	(3,000)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	226,234	-	226,234	2,224,499	1,992,265
Fund balances at beginning of year, as reported	4,645,685	-	4,645,685	4,645,685	-
Prior period adjustment	-	-	-	-	-
Fund balances at beginning of year, as reported	4,645,685	-	4,645,685	4,645,685	-
Fund balances at end of year	<u>\$ 4,871,919</u>	<u>\$ -</u>	<u>\$ 4,871,919</u>	<u>\$ 6,870,184</u>	<u>\$ 1,992,265</u>
Recapitulation:					
Assigned:					
Year-End Encumbrances				1,635,498	
Designated for Subsequent Year's Expenditures				-	
Unassigned				<u>5,234,686</u>	
				<u>\$ 6,870,184</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Fiscal Year 2021 Last State Aid Payments not Recognized on GAAP Basis					
Fund Balance per Governmental Funds (GAAP)				<u>\$ 6,870,184</u>	

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenues					
Local sources	\$ 108,449	\$ -	\$ 108,449	\$ 39,021	\$ (69,428)
State sources	756,349	-	756,349	740,131	(16,218)
Federal sources	<u>6,246,416</u>	<u>-</u>	<u>6,246,416</u>	<u>2,282,017</u>	<u>(3,964,399)</u>
Total revenues	<u>7,111,214</u>	<u>-</u>	<u>7,111,214</u>	<u>3,061,169</u>	<u>(4,050,045)</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	1,493,613	-	1,493,613	1,330,235	163,378
Other salaries for instruction	228,154	-	228,154	228,154	-
Purchased Professional and technical services	426,243	-	426,243	194,094	232,149
Other purchased services	49,500	-	49,500	13,814	35,686
Instructional supplies	967,035	-	967,035	419,977	547,058
Miscellaneous expenditures	<u>6,648</u>	<u>-</u>	<u>6,648</u>	<u>-</u>	<u>6,648</u>
Total instruction	<u>3,171,193</u>	<u>-</u>	<u>3,171,193</u>	<u>2,186,274</u>	<u>984,919</u>
Support services					
Salaries of supervisors of instruction	266,347	-	266,347	90,303	176,044
Employee benefits	551,138	-	551,138	506,330	44,808
Purchased professional educational services	137,295	-	137,295	-	137,295
Travel	-	-	-	-	-
Rent	-	-	-	-	-
Purchased property services	2,705,067	-	2,705,067	68,266	2,636,801
Other purchased services	189,612	-	189,612	156,246	33,366
Supplies	88,962	-	88,962	28,793	60,169
Other objects	1,600	-	1,600	-	1,600
Miscellaneous	-	-	-	-	-
Student Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,430</u>	<u>(30,430)</u>
Total support services	<u>3,940,021</u>	<u>-</u>	<u>3,940,021</u>	<u>880,368</u>	<u>3,059,653</u>
Total Expenditures	<u>7,111,214</u>	<u>-</u>	<u>7,111,214</u>	<u>3,066,642</u>	<u>4,044,572</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,473)</u>	<u>\$ (5,473)</u>
Fund balance at beginning of year, as reported				-	-
Prior period adjustment				<u>25,005</u>	<u>25,005</u>
Fund balance at beginning of year, as restated				<u>25,005</u>	<u>25,005</u>
Fund balance at end of year				<u>\$ 19,532</u>	<u>\$ 19,532</u>
Recapitulation:					
Restricted:					
Student Activities				<u>\$ 19,532</u>	<u>19,532</u>

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

PART II

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 30,039,598	[C-2] 2,321,038
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>30,039,598</u>	[B-2] <u>2,321,038</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 27,515,099	[C-2] 2,321,038
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 27,515,099</u>	[B-2] <u>\$ 2,321,038</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

PART III

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - PERS**

LAST TEN FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.00061077953%	0.0705552755%	0.0662089355%	0.0471549230%	0.0348643606%	0.0259848477%	0.0260107656%
Charter School's proportionate share of the net pension liability (asset)	\$ 9,960,217	\$ 12,712,990	\$ 13,036,210	\$ 10,976,913	\$ 10,325,824	\$ 5,833,078	\$ 4,869,927
Charter School's covered-employee payroll	\$ 4,486,343	\$ 5,242,015	\$ 6,944,253	\$ 7,729,503	\$ 7,821,775	\$ 1,992,972	\$ 1,992,972
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	222.01%	242.52%	187.73%	142.01%	132.01%	292.68%	244.36%
Plan fiduciary net position as a percentage of the total pension liability	58.32%	53.60%	53.60%	48.10%	40.14%	47.92%	52.08%

Note - The amounts presented for each fiscal year were determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

LAST TEN FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 668,162	\$ 686,295	\$ 658,565	\$ 436,840	\$ 309,730	\$ 223,400	\$ 215,281
Contributions in relation to the contractually required contribution	<u>(668,162)</u>	<u>(686,295)</u>	<u>(658,565)</u>	<u>(436,840)</u>	<u>(309,730)</u>	<u>(223,400)</u>	<u>(215,281)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 4,486,343	\$ 5,242,015	\$ 6,944,253	\$ 7,729,503	\$ 7,821,775	\$ 1,992,972	\$ 1,992,972
Contributions as a percentage of covered-employee payroll	14.89%	13.09%	9.48%	5.65%	3.96%	11.21%	10.80%

Note - The amounts presented for each fiscal year were determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - TPAF**

LAST TEN FISCAL YEARS (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0869592716%	0.0724714455%	0.0578632441%	0.0502994193%	0.0459958380%	0.0440804413%	0.0403614824%
State proportionate share of net pension liability attributable to the Charter School	57,261,634	\$ 44,476,410	\$ 36,811,353	\$ 33,913,683	\$ 36,183,255	\$ 27,860,721	\$ 21,571,899
Charter School's covered-employee payroll	\$ 9,318,424	\$ 8,415,336	\$ 8,784,933	\$ 5,972,374	\$ 7,194,429	\$ 4,212,142	\$ 5,397,350
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	614.50%	528.52%	419.03%	567.84%	502.93%	661.44%	399.68%
Plan fiduciary net position as a percentage of the total pension liability	24.60%	26.49%	26.49%	25.41%	22.33%	28.71%	33.64%

Note - The amounts presented for each fiscal year were determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)****NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART III
YEAR ENDED JUNE 30, 2021****Public Employees Retirement System (PERS)**

Change in benefit terms. There was no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 6.28% to 7.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

The projection of cash flows used to determine the discount rate of 7% as of June 30, 2020 measurement date assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and nonemployer contributing entity will be based on 78% (70% in prior measurement date) of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from 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 all 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.

Teachers Pension and Annuity Fund (TPAF)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 5.60% to 5.40% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 5.40% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.00% in prior measurement date) and a municipal bond rate of 2.21% (3.5% in prior measurement date) based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Other Post-employment Benefits (OPEB)

Change in benefit terms. There is no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total nonemployer OPEB liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 3.87% to 3.50% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR OPEB (GASB 75)**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

LAST TEN FISCAL YEARS (1)

	Fiscal Year Ended June 30,			
	2021	2020	2019	2018
Charter School's proportion of the Total OPEB Liability (Asset)	0%	0%	0%	0%
Charter School's proportionate share of the Total OPEB Liability (Asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the Total OPEB Liability (Asset) associated with the Charter School	\$ 19,427,072	\$ 12,290,939	\$ 10,810,594	\$ 12,049,670
Charter School Covered-employee payroll ⁽²⁾	\$ 13,804,768	\$ 13,657,350	\$ 15,729,186	\$ 13,701,877
Charter School's proportionate share of the Total OPEB Liability (Asset) as a percentage of its covered-employee payroll	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total OPEB Liability	0%	0%	0%	0%
Total State OPEB Liability Attributable to Charter School				
Service cost	\$ 1,949,935	\$ 1,733,678	\$ 1,628,328	\$ 1,962,900
Interest	492,741	478,447	484,720	396,209
Difference between expected and actual experience	1,472,757	(548,928)	(1,832,475)	-
Changes in assumptions and other inputs	3,548,658	183,259	(1,240,569)	(2,113,271)
Contributions from the member	10,251	11,184	9,991	(279,096)
Benefit payments	(338,209)	(377,295)	(289,071)	10,277
Net Change in Total State OPEB Liability Attributable to the Charter School	7,136,133	1,480,345	(1,239,076)	(22,981)
Total State OPEB Liability Attributable to Charter School:				
At beginning of year	\$ 12,290,939	\$ 10,810,594	\$ 12,049,670	\$ 12,072,651
At end of year	<u>\$ 19,427,072</u>	<u>\$ 12,290,939</u>	<u>\$ 10,810,594</u>	<u>\$ 12,049,670</u>
Total State OPEB liability as a percentage of Charter School covered-employee payroll	140.73%	90.00%	68.73%	87.94%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. No data is available prior to fiscal year 2018.

(2) Covered payroll was based on the Charter School's payroll for the year ended June 30.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT E-1

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2021

	Every Student Succeeds Act (E.S.S.A.)			COVID-19 Grants					Student Activities	Total
	Title I, Part A	Title I, SIA	IDEA Basic	Education Stabilization Fund (CARES Act)	Covid Relief Fund	ESSER II - Learning Acceleration Grant	Perkins Grant	Other Local Grants		
Revenues										
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,064	\$ 24,957	\$ 39,021
Federal Sources	<u>1,165,262</u>	<u>57,645</u>	<u>361,869</u>	<u>447,956</u>	<u>199,316</u>	<u>36,501</u>	<u>13,468</u>	-	-	<u>2,282,017</u>
Total revenues	<u>1,165,262</u>	<u>57,645</u>	<u>361,869</u>	<u>447,956</u>	<u>199,316</u>	<u>36,501</u>	<u>13,468</u>	<u>14,064</u>	<u>24,957</u>	<u>2,321,038</u>
Expenditures										
Instruction:										
Salaries	736,471	-	268,310	-	-	-	-	-	-	1,004,781
Salaries of teachers	-	-	-	-	-	-	3,000	-	-	3,000
Purchased professional and technical ser	-	-	73,045	120,799	-	-	-	250	-	194,094
Other purchased services (400-500 series	-	-	-	-	-	-	-	13,814	-	13,814
Instructional supplies	37,695	57,645	-	269,777	48,973	-	5,887	-	-	419,977
Student activities	-	-	-	-	-	-	-	-	30,430	30,430
Total instruction	<u>774,166</u>	<u>57,645</u>	<u>341,355</u>	<u>390,576</u>	<u>48,973</u>	<u>-</u>	<u>8,887</u>	<u>14,064</u>	<u>30,430</u>	<u>1,666,096</u>
Support services:										
Salaries - support	85,470	-	-	-	-	-	-	-	-	85,470
Employee benefits	301,126	-	20,514	-	-	-	-	-	-	321,640
Purchased property services	-	-	-	31,765	-	36,501	-	-	-	68,266
Other purchased services	4,500	-	-	6,684	140,481	-	4,581	-	-	156,246
Supplies and materials	-	-	-	18,931	9,862	-	-	-	-	28,793
Total support services	<u>391,096</u>	<u>-</u>	<u>20,514</u>	<u>57,380</u>	<u>150,343</u>	<u>36,501</u>	<u>4,581</u>	<u>-</u>	<u>-</u>	<u>660,415</u>
Total expenditures	<u>1,165,262</u>	<u>57,645</u>	<u>361,869</u>	<u>447,956</u>	<u>199,316</u>	<u>36,501</u>	<u>13,468</u>	<u>14,064</u>	<u>30,430</u>	<u>2,326,511</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,473)</u>	<u>\$ (5,473)</u>
Fund Balance at beginning of year, as reported									-	-
Prior Period Adjustment									<u>25,005</u>	<u>25,005</u>
Fund Balance at beginning of year, as restated									<u>25,005</u>	<u>25,005</u>
Fund Balance at end of year									<u>\$ 19,532</u>	<u>19,532</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND

SCHEDULE OF PRESCHOOL EDUCATION AID - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
EXPENDITURES:					
Instruction					
Salaries of teachers	\$ 322,454	\$ -	\$ 322,454	\$ 322,454	\$ -
Other salaries for instruction	228,154	-	228,154	228,154	-
Purchased professional and technical services	250	-	250	-	250
Other purchased services	-	-	-	-	-
Instructional supplies	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total instruction	<u>550,858</u>	<u>-</u>	<u>550,858</u>	<u>550,608</u>	<u>250</u>
Support services					
Other salaries for support services	20,801	-	20,801	4,833	15,968
Employee benefits	<u>184,690</u>	<u>-</u>	<u>184,690</u>	<u>184,690</u>	<u>-</u>
Total support services	<u>205,491</u>	<u>-</u>	<u>205,491</u>	<u>189,523</u>	<u>15,968</u>
Total Expenditures	<u>\$ 756,349</u>	<u>\$ -</u>	<u>\$ 756,349</u>	<u>\$ 740,131</u>	<u>\$ 16,218</u>

CALCULATION OF BUDGET AND CARRYOVER

Total revised 2020-21 Preschool Education Aid Allocation	\$ 807,242
Add: Actual ECPA/PEA Carryover (June 30, 2020)	<u>-</u>
Add: Budgeted Transfer from the General Fund	<u>-</u>
Total Preschool Education Aid Funds Available for 2020-21 Budget	807,242
Less: 2020-21 Budgeted Preschool Education Aid (Including Prior year budget carryover)	<u>740,131</u>
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2021	67,111
Add: June 30, 2021 Unexpended Preschool Education Aid 2020-21 Carryover - Preschool Education Aid Programs	<u>67,111</u>
Budgeted for Preschool Programs 2021-22	<u>\$ 67,111</u>

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2021, there was no capital project fund.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2021

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 158,065	\$ -	158,065
Accounts receivable:			
Federal	-	64,724	64,724
State	<u>-</u>	<u>2,360</u>	<u>2,360</u>
Total current assets	<u>158,065</u>	<u>67,084</u>	<u>225,149</u>
Interfund receivable - Food Service	<u>163,439</u>	<u>(163,439)</u>	<u>-</u>
Total assets	<u>\$ 321,504</u>	<u>\$ (96,355)</u>	<u>\$ 225,149</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ -	\$ 56,627	\$ 56,627
Cash overdraft	-		-
Interfund payable - General Fund	<u>-</u>	<u>79,163</u>	<u>79,163</u>
Total current liabilities	-	135,790	135,790
Net position			
Unrestricted	<u>321,504</u>	<u>(232,145)</u>	<u>89,359</u>
Total liabilities and net position	<u>\$ 321,504</u>	<u>\$ (96,355)</u>	<u>\$ 225,149</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2021

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ -	\$ -	\$ -
Miscellaneous	45	-	45
Total operating revenues	<u>45</u>	<u>-</u>	<u>45</u>
Operating expenses:			
Cost of sales - reimbursable programs	-	157,274	157,274
Salaries	-	705	705
Employee benefits	-	-	-
Professional /Technical service	-	-	-
Supplies and materials	-	495,083	495,083
Depreciation	-	-	-
Miscellaneous	-	-	-
Total operating expenses	<u>-</u>	<u>653,062</u>	<u>653,062</u>
Operating income (loss)	<u>45</u>	<u>(653,062)</u>	<u>(653,017)</u>
Nonoperating revenues:			
State sources:			
State School Lunch	-	15,910	15,910
State School Snacks	-	-	-
Federal sources:			
National School Lunch	-	372,938	372,938
National School Breakfast	-	215,068	215,068
After School Snacks	-	-	-
Fresh Fruit and Vegetable	-	57,767	57,767
Food Commodities	-	93,263	93,263
After School Snacks	-	-	-
Total nonoperating revenues	<u>-</u>	<u>754,946</u>	<u>754,946</u>
Net income (loss)	45	101,884	101,929
Other financing sources:			
Miscellaneous revenue	-	-	-
Transfers in - General Fund	-	300,000	300,000
Total other financing sources	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Changes in net position	45	401,884	401,929
Total net position at beginning of year	<u>321,459</u>	<u>(634,029)</u>	<u>(312,570)</u>
Total net position at end of year	<u>\$ 321,504</u>	<u>\$ (232,145)</u>	<u>\$ 89,359</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Cash flows from operating activities			
Operating income (loss)	\$ 45	\$ (653,062)	\$ (653,017)
Changes in assets and liabilities:			
Accounts receivable	-	(43,227)	(43,227)
Accounts payable	-	(8,274)	(8,274)
Interfund payable	21,894	(350,383)	(328,489)
Net cash from operating activities	<u>21,939</u>	<u>(1,054,946)</u>	<u>(1,033,007)</u>
Cash flows from noncapital financing activities			
Transfer-in from General Fund	-	300,000	300,000
Cash received from state and federal reimbursements	<u>-</u>	<u>754,946</u>	<u>754,946</u>
Net cash from noncapital financing activities	-	1,054,946	1,054,946
Cash flows from investing activities			
Net increase in cash and cash equivalents	21,939	-	21,939
Cash and cash equivalents at beginning of year	<u>136,126</u>	<u>-</u>	<u>136,126</u>
Cash and cash equivalents at end of year	<u>\$ 158,065</u>	<u>\$ -</u>	<u>\$ 158,065</u>

FIDUCIARY FUNDS

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School's own programs which are as follow:

- a. Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b. Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c. Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

At June 30, 2021, the Charter School do not have a Trust Fund nor Custodial Fund.

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the Charter School. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

YEAR ENDED JUNE 30, 2021

	<u>Amount of Original Issue</u>	<u>Balance June 30, 2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2021</u>
Vehicles/Buses	\$ 234,134	\$ 87,924	-	\$ 36,553	\$ 51,371
Total Liabilities	<u>\$ 234,134</u>	<u>\$ 87,924</u>	<u>-</u>	<u>\$ 36,553</u>	<u>\$ 51,371</u>

STATISTICAL SECTION

Unless otherwise noted, the information in these Schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INTRODUCTION TO THE STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	85
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	90
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	91
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	93
Sources: <i>Schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter-wide information include information beginning in that year.</i>	

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

NET ASSETS BY COMPONENT
Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 200,557	\$ 164,337	\$ 196,742	\$ 235,580	\$ 301,970	\$ 314,890	\$ 356,825	\$ 141,352	\$ 38,653	\$ 56,983
Restricted	232,145	634,029	781,410	659,025	540,512	439,046	423,703	164,565	150,046	-
Unrestricted	<u>(5,323,906)</u>	<u>(6,869,050)</u>	<u>(6,687,320)</u>	<u>(5,509,275)</u>	<u>(1,886,990)</u>	<u>1,278,350</u>	<u>1,775,247</u>	<u>1,620,345</u>	<u>510,809</u>	<u>170,340</u>
Total governmental activities net assets	<u>\$ (4,891,204)</u>	<u>\$ (6,070,684)</u>	<u>\$ (5,709,168)</u>	<u>\$ (4,614,670)</u>	<u>\$ (1,044,508)</u>	<u>\$ 2,032,286</u>	<u>\$ 2,555,775</u>	<u>\$ 1,926,262</u>	<u>\$ 699,508</u>	<u>\$ 227,323</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>89,359</u>	<u>(312,570)</u>	<u>(474,950)</u>	<u>(368,118)</u>	<u>(270,340)</u>	<u>(216,164)</u>	<u>(265,869)</u>	<u>(57,228)</u>	<u>(82,962)</u>	<u>(84,747)</u>
Total business-type activities net assets	<u>\$ 89,359</u>	<u>\$ (312,570)</u>	<u>\$ (474,950)</u>	<u>\$ (368,118)</u>	<u>\$ (270,340)</u>	<u>\$ (216,164)</u>	<u>\$ (265,869)</u>	<u>\$ (57,228)</u>	<u>\$ (82,962)</u>	<u>\$ (84,747)</u>
Charter School-wide										
Invested in capital assets, net of related debt	\$ 200,557	\$ 164,337	\$ 196,742	\$ 235,580	\$ 301,970	\$ 314,890	\$ 356,825	\$ 141,352	\$ 38,653	\$ 56,983
Restricted	232,145	634,029	781,410	659,025	540,512	439,046	423,703	164,565	150,046	-
Unrestricted	<u>(5,234,547)</u>	<u>(7,181,620)</u>	<u>(7,162,270)</u>	<u>(5,877,393)</u>	<u>(2,157,330)</u>	<u>1,062,186</u>	<u>1,509,378</u>	<u>1,563,117</u>	<u>427,847</u>	<u>85,593</u>
Total Charter School net assets	<u>\$ (4,801,845)</u>	<u>\$ (6,383,254)</u>	<u>\$ (6,184,118)</u>	<u>\$ (4,982,788)</u>	<u>\$ (1,314,848)</u>	<u>\$ 1,816,122</u>	<u>\$ 2,289,906</u>	<u>\$ 1,869,034</u>	<u>\$ 616,546</u>	<u>\$ 142,576</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN NET ASSETS/NET POSITION
Last Ten Fiscal Years**

(Accrual basis of accounting)

	Fiscal Year Endend June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental activities										
Instruction	\$ 20,707,525	\$ 20,203,799	\$ 18,577,226	20,999,050	\$ 17,951,352	\$ 14,240,570	\$ 11,211,304	\$ 6,126,956	\$ 6,041,944	\$ 5,761,466
Administrative	8,484,418	6,784,554	6,928,898	4,752,713	4,186,190	3,789,171	2,972,753	2,092,355	1,700,384	1,644,468
Support Services	5,664,502	7,595,514	9,912,676	7,912,986	8,183,922	7,469,628	6,566,535	3,340,273	2,855,555	3,043,864
Unallocated										
Capital Outlay	-	-	10,350	16,500	3,000	1,098	-	15,790	-	-
Depreciation	68,956	68,958	93,911	131,441	94,013	99,457	95,819	12,201	63,087	92,040
Total governmental activities expenses	<u>34,925,401</u>	<u>34,652,825</u>	<u>35,523,061</u>	<u>33,812,690</u>	<u>30,418,477</u>	<u>25,599,924</u>	<u>20,846,411</u>	<u>11,587,575</u>	<u>10,660,970</u>	<u>10,541,838</u>
Business-type activities:										
Food service	653,062	840,390	1,011,348	1,034,773	864,079	852,419	854,144	537,825	529,043	454,124
Child Care	-	20,919	73,757	61,907	66,546	68,758	44,009	19,300	11,955	18,181
Total business-type activities expense	<u>653,062</u>	<u>861,309</u>	<u>1,085,105</u>	<u>1,096,680</u>	<u>930,625</u>	<u>921,177</u>	<u>898,153</u>	<u>557,125</u>	<u>540,998</u>	<u>472,305</u>
Total district expenses	<u>\$ 35,578,463</u>	<u>\$ 35,514,134</u>	<u>\$ 36,608,166</u>	<u>\$ 34,909,370</u>	<u>\$ 31,349,102</u>	<u>\$ 26,521,101</u>	<u>\$ 21,744,564</u>	<u>\$ 12,144,700</u>	<u>\$ 11,201,968</u>	<u>\$ 11,014,143</u>
Program Revenues										
Governmental activities:										
Operating grants and contributions	<u>\$ 9,870,657</u>	<u>\$ 8,431,263</u>	<u>\$ 7,659,312</u>	<u>\$ 7,108,519</u>	<u>\$ 4,778,739</u>	<u>\$ 4,349,758</u>	<u>\$ 3,047,857</u>	<u>\$ 2,366,354</u>	<u>\$ 2,351,882</u>	<u>\$ 1,538,536</u>
Total governmental activities program revenues	<u>9,870,657</u>	<u>8,431,263</u>	<u>7,659,312</u>	<u>7,108,519</u>	<u>4,778,739</u>	<u>4,349,758</u>	<u>3,047,857</u>	<u>2,366,354</u>	<u>2,351,882</u>	<u>1,538,536</u>
Business-type activities:										
Charges for services										
Food service	45	38,332	28,589	24,364	25,266	16,767	6,283	5,672	9,468	17,854
Child care	-	35,918	89,310	82,642	113,836	133,806	94,506	59,553	43,032	27,426
Operating grants and contributions	754,946	649,439	860,374	726,896	617,347	680,309	578,151	517,634	490,283	373,778
Transfers	300,000	300,000	-	165,000	120,000	140,000	-	-	-	-
Total business type activities program revenues	<u>1,054,991</u>	<u>1,023,689</u>	<u>978,273</u>	<u>998,902</u>	<u>876,449</u>	<u>970,882</u>	<u>678,940</u>	<u>582,859</u>	<u>542,783</u>	<u>419,058</u>
Total charter school program revenues	<u>10,925,648</u>	<u>9,454,952</u>	<u>8,637,585</u>	<u>8,107,421</u>	<u>5,655,188</u>	<u>5,320,640</u>	<u>3,726,797</u>	<u>2,949,213</u>	<u>2,894,665</u>	<u>1,957,594</u>
Net (Expense)/Revenue										
Governmental activities	(25,054,744)	(26,221,562)	(27,863,749)	(26,704,171)	(25,639,738)	(21,250,166)	(17,798,554)	(9,221,221)	(8,309,088)	(9,003,302)
Business-type activities	401,929	162,380	(106,832)	(97,778)	(54,176)	49,705	(219,213)	25,734	1,785	(53,247)
Total charter school-wide net expense	<u>\$(24,652,815)</u>	<u>\$(26,059,182)</u>	<u>\$(27,970,581)</u>	<u>\$(26,801,949)</u>	<u>\$(25,693,914)</u>	<u>\$(21,200,461)</u>	<u>\$(18,017,767)</u>	<u>\$(9,195,487)</u>	<u>\$(8,307,303)</u>	<u>\$(9,056,549)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 26,399,270	\$ 25,975,760	\$ 26,710,505	\$ 23,236,408	\$ 22,662,022	\$ 20,860,196	\$ 19,757,042	\$ 10,442,830	\$ 8,793,320	\$ 7,932,991
Semi-reimbursements	31,062	23,156	48,136	60,456	16,763	-	-	-	-	-
Miscellaneous	53,930	161,130	10,610	2,145	4,159	6,481	7,351	5,145	3,166	981
Transfers	(300,000)	(300,000)	-	(165,000)	(120,000)	(140,000)	-	-	-	-

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN NET ASSETS/NET POSITION
Last Ten Fiscal Years
(Accrual basis of accounting)**

	Fiscal Year Endend June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total governmental activities	<u>26,184,262</u>	<u>25,860,046</u>	<u>26,769,251</u>	<u>23,134,009</u>	<u>22,562,944</u>	<u>20,726,677</u>	<u>19,764,393</u>	<u>10,447,975</u>	<u>8,796,486</u>	<u>7,933,972</u>
Total Charter School-wide	<u>\$ 26,184,262</u>	<u>\$ 25,860,046</u>	<u>\$ 26,769,251</u>	<u>\$ 23,134,009</u>	<u>\$ 22,562,944</u>	<u>\$ 20,726,677</u>	<u>\$ 19,764,393</u>	<u>\$ 10,447,975</u>	<u>\$ 8,796,486</u>	<u>\$ 7,933,972</u>
Changes in Net Assets/Net Position										
Governmental activities	\$ 1,129,518	\$ (361,516)	\$ (1,094,498)	\$ (3,570,162)	\$ (3,076,794)	\$ (523,489)	\$ 1,965,839	\$ 1,226,754	\$ (206,816)	\$ (201,726)
Business-type activities	<u>401,929</u>	<u>162,380</u>	<u>(106,832)</u>	<u>(97,778)</u>	<u>(54,176)</u>	<u>49,705</u>	<u>(219,213)</u>	<u>25,734</u>	<u>(53,247)</u>	<u>(74,910)</u>
Total Charter School	<u>\$ 1,531,447</u>	<u>\$ (199,136)</u>	<u>\$ (1,201,330)</u>	<u>\$ (3,667,940)</u>	<u>\$ (3,130,970)</u>	<u>\$ (473,784)</u>	<u>\$ 1,746,626</u>	<u>\$ 1,252,488</u>	<u>\$ (260,063)</u>	<u>\$ (276,636)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	<u>Fiscal Year Ended June 30,</u>									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund										
Assigned	\$ 1,635,498	\$ -	\$ 45,762	\$ 97,207	\$ 94,623	\$ 344,921	\$ 894,209	\$ 652,818	\$ 239,034	\$ 56,983
Unassigned	<u>5,234,686</u>	<u>4,645,685</u>	<u>3,154,643</u>	<u>2,420,639</u>	<u>4,629,882</u>	<u>6,526,412</u>	<u>5,830,730</u>	<u>1,267,798</u>	<u>565,648</u>	<u>342,529</u>
Total general fund	<u>\$ 6,870,184</u>	<u>\$ 4,645,685</u>	<u>\$ 3,200,405</u>	<u>\$ 2,517,846</u>	<u>\$ 4,724,505</u>	<u>\$ 6,871,333</u>	<u>\$ 6,724,939</u>	<u>\$ 1,920,616</u>	<u>\$ 804,682</u>	<u>\$ 399,512</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)**

Function	Fiscal Year Ended June 30,									
	2021	2021	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
Local Sources:										
Local tax levy	\$ 2,812,487	\$ 3,052,212	\$ 3,147,679	\$ 2,955,501	\$ 2,849,977	\$ 2,782,468	\$ 2,618,739	\$ 1,372,596	\$ 1,126,597	\$ 1,099,724
Miscellaneous	301,253	163,101	105,395	16,483	84,762	71,073	45,020	220,445	27,250	53,166
State sources	27,673,948	24,428,451	24,703,140	20,802,535	20,342,612	19,871,926	19,005,460	10,580,616	9,046,327	8,268,574
Federal sources	<u>2,313,079</u>	<u>1,541,001</u>	<u>1,447,117</u>	1,332,121	<u>994,249</u>	<u>1,047,911</u>	<u>820,576</u>	<u>640,672</u>	<u>812,227</u>	<u>690,511</u>
Total Revenues	<u>33,100,767</u>	<u>29,184,765</u>	<u>29,403,331</u>	<u>25,106,640</u>	<u>24,271,600</u>	<u>23,773,378</u>	<u>22,489,795</u>	<u>12,814,329</u>	<u>11,012,401</u>	<u>10,111,975</u>
Current expense:										
Instruction	12,299,976	11,794,408	11,265,618	13,211,942	12,226,367	10,442,313	8,341,687	4,578,881	4,625,065	4,306,319
Administrative cost	12,502,944	9,439,204	10,056,325	7,953,708	7,528,386	6,717,143	6,022,405	4,102,178	3,445,737	3,273,096
Support services	5,710,198	6,205,873	7,779,959	6,012,648	6,540,675	6,268,908	5,730,382	2,939,336	2,516,786	2,697,219
Capital outlay	<u>68,623</u>	<u>-</u>	<u>22,020</u>	<u>45,000</u>	<u>3,000</u>	<u>58,620</u>	<u>28,268</u>	<u>78,000</u>	<u>8,513</u>	<u>54,553</u>
Total Expenditures	<u>30,581,741</u>	<u>27,439,485</u>	<u>46,960,206</u>	<u>41,189,654</u>	<u>40,367,489</u>	<u>36,473,035</u>	<u>31,875,529</u>	<u>18,739,909</u>	<u>16,558,624</u>	<u>16,301,502</u>
Excess (Deficiency) of Revenues										
Over Expenditures	2,519,026	1,745,280	279,409	(16,083,014)	(16,095,889)	(12,699,657)	2,367,053	(5,925,580)	(5,546,223)	(6,189,527)
Net change in fund balances	<u>\$ 2,519,026</u>	<u>\$ 1,745,280</u>	<u>\$ 279,409</u>	<u>\$ (16,083,014)</u>	<u>\$ (16,095,889)</u>	<u>\$ (12,699,657)</u>	<u>\$ 2,367,053</u>	<u>\$ (5,925,580)</u>	<u>\$ (5,546,223)</u>	<u>\$ (6,189,527)</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.05%	0.06%	0.03%	0.00%	0.02%	0.00%	0.04%	0.08%	0.07%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Bond Anticipation Notes (BANs)	Business-Type Activities	Total Charter School
	General Obligation Bonds	Certificates of Participation	Capital Leases		Capital Leases	
2021	\$ -	\$ -	\$ 51,371	\$ -	\$ -	\$ 51,371
2020	-	-	87,924	-	-	87,924
2019	-	-	124,476	-	-	124,476
2018	-	-	161,029	-	-	161,029
2017	-	-	197,852	-	-	197,852
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2021	**	**	**	**
2020	282,520	**	**	14.70%
2019	282,011	\$ 19,054,637,237	\$ 67,567	6.00%
2018	282,090	19,029,509,310	67,459	7.00%
2017	281,014	17,859,563,756	63,554	7.50%
2016	280,628	17,198,848,236	61,287	7.90%
2015	279,629	16,814,371,399	60,131	8.80%
2014	278,991	16,130,422,647	57,817	10.20%
2013	278,152	15,400,998,088	55,369	7.90%
2012	277,590	15,207,212,970	54,783	8.80%

** Data not available

Source:

^a U.S. Census Bureau, Population Division

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

^c Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in thousands of current dollars (not adjusted for inflation). Estimates for 2011-2018 reflect county population estimates available as of November 14, 2019.

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago**

Employer	2021		2020	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
St. Barnabas Health Care System	21,000	**	21,000	**
Verizon	15,000	**	15,000	**
Prudential Ins. Co. of America	8,743	**	8,743	**
Rutgers University - Newark Campus	4,265	**	4,265	**
Continental Airlines				
Newark Board of Education	5,595	**	5,595	**
Automatic Data Processing	1,500	**	1,500	**
New Jersey Transit	11,500	**	11,500	**
City of Newark	4,000	**	4,000	**
Essex County		**		**
PSE&G	10,000	**	10,000	**
Ricoh Corporation	-		-	
Horizon Blue Cross/Blue Shield	2,700	**	2,700	**
UMDNJ University Hospital	-		-	
	<u>84,303</u>		<u>84,303</u>	

Note - Principal employers are that of Essex County

** Information not available

Source: Essex County Economic Development Corporation

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction										
Regular	63	100	100	93	93	93	71	47	47	48
Special education	10	16	16	12	12	12	14	5	5	2
Other instruction	13	32	32	28	28	28	34	18	18	-
Support Services										
Student & instruction related services	25	27	27	30	30	30	19	2	2	2
General administration	12	8	8	6	6	6	6	5	5	6
Other administrative services	8	10	10	19	19	19	9	5	5	2
Central services	4	23	23	10	10	10	19	6	6	2
Administrative Information Technology	1	3	3	3	3	3	2	-	-	-
Plant operations and maintenance	6	13	13	18	18	18	16	4	4	4
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	1	-	-	17	17	17	15	6	6	6
Food Service	0	2	2	8	8	8	6	1	1	4
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<u>143</u>	<u>234</u>	<u>234</u>	<u>244</u>	<u>244</u>	<u>244</u>	<u>211</u>	<u>1,390</u>	<u>99</u>	<u>76</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage	
						Kindergarten	Elementary	Middle School					High School
2011	573	9,054,062	15,801	1.3%	60	12.9	12.9	16	N/A	573.0	562	12.35%	98.00%
2012	659	10,546,267	16,011	1.3%	50	12.3	12.7	16	N/A	510.0	500	-10.99%	98.00%
2013	694	10,596,101	15,268	-4.6%	70	12.3	12.7	16	N/A	693.0	679	35.88%	98.00%
2014	748	11,698,395	15,640	2.4%	70	12.3	12.7	16	N/A	693.0	679	0.00%	98.00%
2015	1,272	20,122,742	15,820	1.2%	119	12.3	12.7	16	17	1290.0	1,264	86.15%	98.00%
2016	1,291	23,486,984	18,193	15.0%	133	12.3	12.7	16	17	1314.0	1,288	1.86%	98.00%
2017	1,331	27,335,612	20,538	12.9%	133	12.3	12.7	16	17	1314.0	1,288	0.00%	98.00%
2018	1,359	28,709,822	21,126	2.9%	133	12.3	12.7	16	17	1314.0	1,288	0.00%	98.00%
2019	1,481	31,217,141	21,078	2.6%	148	12.3	12.7	16	17	1553.8	1,523	18.25%	98.00%
2020	1,489	30,101,296	20,216	-1.6%	148	12.3	12.7	16	17	1514.7	1,348	-6.68%	89.00%
2021	1,473	30,581,741	20,762	1.09%	86	12.3	12.7	16	17	1450.0	1,421	-4.27%	98.00%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

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

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Square Feet	221,463	221,463	90,004	90,004	90,004	90,004	90,004	45,002	45,002	45,002
Capacity (students)	1,950	1,950	1,350	1,350	1,350	1,350	1,350	750	750	525
Enrollment	1,473	1,489	1,481	1,359	1,331	1,291	1,272	748	694	517

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2020
(Unaudited)**

	<u>Coverage</u>	<u>Premium</u>
Commercial Property & General Liability:		
Property:		
Property (Buildings & Contents)	88,744,208	79,317
Electronic Data Processing	1,500,000	4,441
Environmental	1,000,000	
Equipment Breakdown	100,000,000	6,458
Crisis Management	1,000,000	Included in package
Breach Response Services	1,000,000	Included in package
Extra Expenses	6,000,000	Included in package
Valuable Papers	10,000,000	Included in package
Business Income	1,000,000	Included in package
Limited Builders Risk	10,000,000	Included in package
Crime		
Faithful Performance	25,000	81
Forgery or Alteration	25,000	81
Money & Securities	5,000	92
Money Orders/Counterfeit	5,000	92
Computer Fraud	250,000	140
Public Officials Bond:		
Board President	500,000	1,860
Board Secretary	500,000	1,860
CEO/Superintendent	500,000	1,860
Comprehensive General Liability	1,000,000	34,152
Automobile Liability	1,000,000	6,127
Auto Physical Damage	ACV	223
Workers Compensation	Statutory/3,000,000	399,781
Supplemental Indemnity	7 days	4,869
School Leaders Errors & Omissions		51,383
Coverage A	1,000,000/3,000,000	
Coverage B	100,000/300,000	
Umbrella	5,000,000	Included in package
Total New Jersey Schools Insurance Group		592,817
Directors and Officers Liability		5,299

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

June 30, 2020

(Unaudited)

	<u>Coverage</u>	<u>Premium</u>
Student Accident Liability		8,770
Bond - Treasurer	500,000	701

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2019 Audit	2020 Audit	2021 Audit	Source
Cash	\$ 922,239	\$ 4,561,384	\$ 10,198,904	Audit: Exhibit A-1
Current Assets (include cash)	3,323,051	6,031,876	12,412,062	Audit: Exhibit A-1
Current Liabilities	597,596	1,698,761	5,432,987	Audit: Exhibit A-1
Total Expenses	36,608,166	35,514,134	35,578,463	Audit: Exhibit A-2
Change in Net Position	(1,201,330)	(199,136)	1,556,404	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	1,544	1,489	1,473	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	1,615	1,525	1,430	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	93,911	68,958	68,956	Auditor/Workpapers
Interest Expense	26,912	21,764	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

Performance Indicators	2019	2020	2021	3 YR CUM	Calculation****	Target****
Near Term Indicators						
1a. Current Ratio (working capital ratio)	5.56	3.55	2.28		Current Assets/Current Liabilities	1.0-1.1 with
1b. Unrestricted days cash on hand	9	47	105		Cash/(Total Expenses/365)	days with positive
1c. Enrollment Variance	96%	98%	103%	99%	Average Daily Enrollment/Budgeted Enrollment	3 yr cum
1d.** Default on loans or delinquent in debt payments	NO	NO	NO		Auditor	not in default
Sustainability Indicators						
2a*** 3 Year Cumulative Cash Flow	(59,762)	3,639,145	5,637,520	9,216,903	Net change in cash flow from prior years	with most recent
2b Debt Service Coverage Ratio	N/A	N/A	N/A		N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

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

Meets Standard
 Does Not Meet Standard
 Falls Far Below Standard

SINGLE AUDIT SECTION

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

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, New Jersey

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion P. Thomas Charter Schools (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated February 28, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2021-001 as a material weakness.

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

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.

Compliance and Other Matters

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

We also noted certain matters that we have reported to the Board of Trustees of the Marion P. Thomas Charter Schools in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated February 28, 2022.

Charter School's Response to Findings

The Charter School's response to the findings identified in our audit is included in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Galleros Robinson CPAs, LLP
Certified Public Accountants

February 28, 2022
Cream Ridge, New Jersey



EXHIBIT K-2

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, New Jersey

Report on Compliance for Each Major Federal and State Programs

We have audited the Marion P. Thomas Charter Schools (the Charter School) in the County of Essex, State of New Jersey compliance 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 auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey OMB Circular Letter 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

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

Basis for Qualified Opinion on Major Federal Programs

As described in the accompanying schedule of findings and questioned costs as Finding 2021-003, the Marion P. Thomas Charter Schools, in the County of Essex, State of New Jersey did not comply with requirements regarding the following:

Finding #	Assistance Listing	Program (or Cluster) Name	Compliance Requirement
2021-003	84.425D	Covid-19 – Elementary and Secondary Schools Emergency Relief Fund (ESSER)	A. Activities Allowed or Unallowed B. Allowable Costs/Cost Principles
2021-003	21.019	Covid-19 - Coronavirus Relief Fund	A. Activities Allowed or Unallowed B. Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the Marion P. Thomas Charter Schools, in the County of Essex, State of New Jersey, to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Marion P. Thomas Charter Schools, in the County of Essex, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistance Listing 84.425D, Covid-19 Elementary and Secondary Schools Emergency Relief Fund and Assistance Listing 21.019, Covid-19 - Coronavirus Relief Fund for the year ended June 30, 2021.

Unmodified Opinion on Each of the Major State Program

In our opinion, the Marion P. Thomas Charter Schools, in the County of Essex, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state program for the fiscal year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and New Jersey OMB Letter Circular 15-08, and described in the accompanying schedule of findings and questioned costs as Finding 2021-002. Our opinion on each major federal program and state financial assistance is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

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

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance for each major federal and state programs and to test and report on internal control over compliance in accordance with Uniform Guidance and NJ OMB Letter Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2021-003 to be a material weakness.

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

Charter School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

February 28, 2022
Cream Ridge, New Jersey

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grant/ Pass-Through Grantor/ Program Title	Assistance Listing No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2020	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2021				
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor		
U.S. Department of Education:																
Passed-through New Jersey State Department Education																
General Fund:																
Medical Assistance Program (SEMI)	93.778	2005NJ5MAP	N/A	\$ 31,062	7/1/2020	6/30/2021	\$ -	\$ -	\$ 31,062	\$ (31,062)	\$ -	\$ -	\$ -	\$ -		
Special Revenue Fund:																
Title I Part A Grants to Local Educational Agencies	84.010	S011A200030	ESSA - 7210 - 21	1,165,262	7/1/2020	9/30/2021	-	-	1,165,262	(1,165,262)	-	-	-	-		
Title I Part A Grants to Local Educational Agencies	84.010	S011A190030	ESSA - 7210 - 20	988,556	7/1/2019	6/30/2020	(22,667)	-	22,667	-	-	-	-	-		
Title I, School Improvement Grant, Part G	84.010	S011A200030	ESSA - 7210 - 21	57,645	7/1/2020	9/30/2021	-	-	57,645	(57,645)	-	-	-	-		
English Language Acquisition (Title III)	84.365	S365A190030	ESSA - 7210 - 20	5,427	7/1/2019	6/30/2020	(5,427)	-	5,427	-	-	-	-	-		
Individuals with Disabilities - States Grant	84.027	H027A200100	IDEA - 7210 - 21	361,869	7/1/2020	9/30/2021	-	-	330,209	(361,869)	-	(31,660)	-	-		
Individuals with Disabilities - States Grant	84.027	H027A190100	IDEA - 7210 - 20	354,578	7/1/2019	6/30/2020	(71,883)	-	71,883	-	-	-	-	-		
COVID-19 -ESSER II	84.425D	S425D200027	N/A	3,066,098	3/13/2020	9/30/2023	-	-	-	(36,501)	-	(36,501)	-	-		
COVID-19 - CARES Act Education Stabilization Fund	84.425D	S425D200027	N/A	763,525	3/13/2020	9/30/2022	-	-	412,038	(447,956)	-	(35,918)	-	-		
Career and Technical Education - Basic Grants (Perkins)	84.048	V048A200030	N/A	76,831	7/1/2020	6/30/2021	-	-	1,500	(13,468)	-	(11,968)	-	-		
Total U.S. Department of Education							(99,977)	-	2,066,631	(2,082,701)	-	(116,047)	-	-		
U.S. Department of Treasury:																
Passed-through New Jersey State Department Education																
COVID-19 - Coronavirus Relief Fund	21.019	SLT0007	N/A	198,316	9/23/2020	12/31/2020	-	-	199,316	(199,316)	-	-	-	-		
Total U.S. Department of Treasury							-	-	199,316	(199,316)	-	-	-	-		
Total Special Revenue Fund							(99,977)	-	2,265,947	(2,282,017)	-	(116,047)	-	-		
U.S. Department of Agriculture																
Passed-through New Jersey State Department of Agriculture																
Enterprise Fund:																
National School Lunch Program	10.555	211NJ304N1099	N/A	372,938	7/1/2020	6/30/2021	-	-	331,228	(372,938)	-	(41,710)	-	-		
National School Lunch Program	10.555	201NJ304N1099	N/A	421,102	7/1/2019	6/30/2020	(10,383)	-	10,383	-	-	-	-	-		
Fresh Fruits and Vegetables	10.582	211NJ304N1099	N/A	57,767	7/1/2020	6/30/2021	-	-	55,667	(57,767)	-	(2,100)	-	-		
Fresh Fruits and Vegetables	10.582	201NJ304N1099	N/A	44,311	7/1/2019	6/30/2020	(8,220)	-	8,220	-	-	-	-	-		
Food Donation Program	10.555	211NJ304N1099	N/A	93,263	7/1/2020	6/30/2021	-	-	93,263	(93,263)	-	-	-	-		
National School Breakfast Program	10.553	211NJ304N1099	N/A	215,068	7/1/2020	6/30/2021	-	-	194,154	(215,068)	-	(20,914)	-	-		
National School Breakfast Program	10.553	201NJ304N1099	N/A	159,931	7/1/2019	6/30/2020	(5,130)	-	5,130	-	-	-	-	-		
Total U.S. Department of Agriculture							(23,733)	-	698,045	(739,036)	-	(64,724)	-	-		
Total Expenditures of Federal Awards							\$ (123,710)	\$ -	\$ 2,995,054	\$ (3,052,115)	\$ -	\$ (180,771)	\$ -	\$ -		

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2021

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2020				Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2021			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Intergovernmental (Accounts Receivable)				Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure	
New Jersey State Department of Education															
General Fund:															
Equalization Aid	21-495-034-5120-078	7/1/20-6/30/21	\$ 16,478,535	\$ -	\$ -	\$ -	\$ 15,396,448	\$ (16,478,535)	\$ -	\$ (1,089,087)	\$ -	\$ 7,000	1,089,087	\$ 16,478,535	
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	17,861,527	(371,892)	396,216	-	72,967	-	(132,562)	(44,113)	-	8,842	44,113	-	
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	16,975,385	-	91	-	-	-	-	-	-	91	-	-	
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	6,702,253	-	18,178	-	-	-	-	-	-	18,178	-	-	
Special Education Categorical Aid	21-495-034-5120-089	7/1/20-6/30/21	695,670	-	-	-	695,670	(695,670)	-	-	-	-	-	695,670	
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	666,900	-	656	-	-	-	-	-	-	656	-	-	
Security Aid	21-495-034-5120-084	7/1/20-6/30/21	706,821	-	-	-	706,821	(706,821)	-	-	-	-	-	706,821	
Adjustment Aid	21-495-034-5120-085	7/1/20-6/30/21	5,497,455	-	-	-	5,483,470	(5,497,455)	-	(13,985)	-	-	13,985	5,497,455	
Reimbursed Social Security Tax	21-495-034-5094-003	7/1/20-6/30/21	628,935	-	-	-	598,348	(628,935)	-	(30,587)	-	-	-	628,935	
Reimbursed Social Security Tax	20-495-034-5094-003	7/1/19-6/30/20	578,087	(28,986)	-	-	29,986	-	(1,000)	-	-	-	-	-	
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002	7/1/20-6/30/21	2,225,672	-	-	-	2,225,672	(2,225,672)	-	-	-	-	-	2,225,672	
On-Behalf Teachers' Pension and Annuity Fund – Post-Retirement Medical	21-495-034-5094-001	7/1/20-6/30/21	697,491	-	-	-	697,491	(697,491)	-	-	-	-	-	697,491	
On-Behalf Teachers' Pension and Annuity Fund – Non-contributory Insurance	21-495-034-5094-004	7/1/20-6/30/21	3,238	-	-	-	3,238	(3,238)	-	-	-	-	-	3,238	
Total General Fund				<u>(400,878)</u>	<u>415,141</u>	<u>-</u>	<u>25,910,111</u>	<u>(26,933,817)</u>	<u>(133,562)</u>	<u>(1,177,772)</u>	<u>-</u>	<u>34,767</u>	<u>1,147,185</u>	<u>26,933,817</u>	
Special Revenue Fund:															
Pre-School Education	21-495-034-5120-086	7/1/20-6/30/21	807,242	-	-	-	699,060	(740,131)	-	(108,182)	67,111	-	-	740,131	
Pre-School Education	20-495-034-5120-086	7/1/19-6/30/20	922,200	(77,075)	-	-	77,075	-	-	-	-	-	-	-	
				<u>(77,075)</u>	<u>-</u>	<u>-</u>	<u>776,135</u>	<u>(740,131)</u>	<u>-</u>	<u>(108,182)</u>	<u>67,111</u>	<u>-</u>	<u>-</u>	<u>740,131</u>	
Enterprise Fund:															
State School Lunch Program	21-100-010-3350-023	7/1/20-6/30/21	15,910	-	-	-	13,550	(15,910)	-	(2,360)	-	-	-	15,910	
State School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	7,390	(124)	-	-	124	-	-	-	-	-	-	-	
Total Enterprise Fund				<u>(124)</u>	<u>-</u>	<u>-</u>	<u>13,674</u>	<u>(15,910)</u>	<u>-</u>	<u>(2,360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,910</u>	
Total Expenditures of State Financial Assistance				<u>\$ (478,077)</u>	<u>\$ 415,141</u>	<u>\$ -</u>	<u>\$ 26,699,920</u>	<u>\$ (27,689,858)</u>	<u>\$ (133,562)</u>	<u>\$ (1,288,314)</u>	<u>\$ 67,111</u>	<u>\$ 34,767</u>	<u>\$ 1,147,185</u>	<u>\$ 27,689,858</u>	
Less: On-Behalf TPAF Pension System Contributions															
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002							2,225,672							
On-Behalf-Teachers' Pension and Annuity Fund – Post-Retirement Medical	21-495-034-5094-001							697,491							
On-Behalf Teachers' Pension and Annuity Fund – Non-contributory Insurance	21-495-034-5094-004							3,238							
								2,926,401							
Total for State Financial Assistance-Major Program Determination								<u>\$ (24,763,457)</u>							

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)****NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE****YEAR ENDED JUNE 30, 2021****NOTE 1 GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activities of the Marion P. Thomas Charter Schools (the "Charter School"). All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") are presented using the budgetary basis of accounting with the exception of those recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules are 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 New Jersey OMB's Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these Schedules may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying Schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both accounting principles generally accepted in the United States of America (GAAP) and budgetary basis. The special revenue fund is presented in the accompanying Schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See Exhibit C-3 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 Charter School's basic financial statements on a GAAP basis as follows:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE - CONTINUED**

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 31,062	\$ 24,007,416	\$ 24,038,478
Special Revenue Fund	2,282,017	740,131	3,022,148
Enterprise Fund	739,036	15,910	754,946
Total	<u>\$3,052,115</u>	<u>\$ 24,763,457</u>	<u>\$ 27,815,572</u>

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security contributions represents reimbursements in the amount of \$628,935 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2021. The State had also made on-behalf TPAF payments for post-retirement medical benefits and long-term disability insurance in the amount of \$2,926,401.

NOTE 6 NON-CASH ASSISTANCE

The Charter School is the recipient of a Federal Award that does not result in cash receipts or disbursements. The Charter School was granted \$93,263 of commodities under the National School Lunch Program (CFDA 10.555).

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

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

NOTE 8 DE MINIMIS INDIRECT COST

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? ✓ Yes No

Significant deficiency(ies) identified not considered to be
 material weaknesses? Yes ✓ No

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards

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

Auditee qualified as low-risk auditee? ✓ Yes No

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

Internal control over compliance:
 Material weakness(es) identified? ✓ Yes No

Significant deficiency(ies) identified not considered to be
 material weakness(es)? Yes ✓ No

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200 section .516(a)? ✓ Yes No

Identification of Major Programs:

<u>Assistance Listing</u>	<u>Name of Federal Program</u>
21.019	COVID-19 - Coronavirus Relief Fund
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

State Financial Assistance

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

Auditee qualified as low-risk auditee? Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes No

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

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
	<i>State Aid Public Cluster:</i>
21-495-034-5120-078	Equalization Aid
21-495-034-5120-084	Security Aid
21-495-034-5120-089	Special Education Aid
21-495-034-5120-085	Adjustment Aid

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control Over Financial Reporting

Finding 2021-001 Financial Information

Criteria

Timely and accurate financial reports are prescribed by N.J.S.A.18A:17-9 and 18A:17-36 to be presented to the Board.

Condition

During our audit we noted the following:

- a. 22 of 40 sample claims were not supported with vendor invoices and approved purchase orders.
- b. 15 of 40 sample claims have no signed vendor declaration forms as required.
- c. Several personnel files did not contain signed employment agreement, Form I-9 and Form W-4. In addition, personnel files of Title I employees did not include Time and Activity Report as required. A related finding in Section III - Federal Awards is included as finding number 2021-002.
- d. Facility fees were incorrectly recorded as capital outlay.

We also noted several expense transactions that were not adequately supported when we performed substantive audit procedures of certain expenditure accounts. These transactions included expenditures charged to federal programs. A related finding in Section III - Federal Awards is included as finding number 2021-003.

Further, balances of revenue, expenses and receivables accounts in Special Revenue Fund were not reconciled to reimbursements made. As a result, there were several adjusting journal entries that were made while the audit was on-going to correct reported account balances.

Context

Transactions were not timely recorded and reconciled and filing were not properly kept

Cause

Turnover of employees was the main reason for the situation.

Effect

The books and records were not complete and accurate and supporting documents for transactions were not readily available.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED

Internal Control Over Financial Reporting - continued

Finding 2021-001 Financial Information - continued

Recommendation:

The Charter School should ensure that all transactions are recorded and reconciled on a timely basis. In addition, Charter Schools should implement proper control in recording expenses and reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A16.2(f) and follow the purchasing policy procedures.

Views of Responsible Official and Planned Corrective Actions

The Charter School separated from the Charter Management Organization on June 30, 2021, who retained the school's records. Upon separation, the Charter School did not receive complete records. The Charter School now maintains its own records and the noted items in 2021-001 are corrected.

Compliance and Other Matters

There are none.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION III - FEDERAL AWARDS

Finding 2021-002 Time and Activity Reports

Assistance Listing No. 84.010 – Title I Grants to Local Educational Agencies

Criteria

An employee who works, in whole or in part, on a Federal program or cost objective must document time and effort. An employee who works solely on a single cost objective (e.g., a single Federal program) must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. The certification must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with Uniform Guidance 2 C.F.R. 200.302. The payroll expense recorded in the books should represent the approved time and activity report.

Condition

During our audit, all required time and activity reports for the Title I employees were not provided.

Context

Monthly time and activity reports of Title I employees were not available.

Cause

Procedures to monitor the submission of time and effort documentation were not adhered to consistently.

Effect

Allocation of salaries among programs may not be equitable.

Questioned cost

None.

Recommendation

The Charter School should ensure that federally funded employee salaries have a completed semi-annual or monthly time and activity certification in accordance with Uniform Guidance 2 C.F.R. 200.302.

View of Responsible Official and Planned Corrective Action

The Charter School separated from the Charter Management Organization on June 30, 2021, who retained the school's records. Upon separation, the Charter School did not receive complete records. The Charter School now maintains its own records and the noted items in 2021-002 are corrected.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Finding 2021-003 Inadequate Supporting Documents on Federal Grants

Assistance Listing No. #84.425D – COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund

Assistance Listing No. #21.019 – COVID-19 - Coronavirus Relief Fund

Criteria

In accordance with the Uniform Guidance 2 CFR 200.302(a), “Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also § 200.450.”

Condition

During the audit we noted that invoices and purchase orders amounting to \$497,099 for major federal programs (Assistance Listing 84.425D and 21.019) were not provided.

Context

Claims for COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund and COVID-19 - Coronavirus Relief Fund are not correctly supported.

Cause

Procedures to monitor proper filing of supporting documents were not adhered to consistently.

Effect

Expense was not properly supported

Questioned cost

Known questioned cost amounted to \$497,099.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION III - FEDERAL AWARDS - CONTINUED

Finding 2021-003 Inadequate Supporting Documents on Federal Grants - continued

Recommendation

The Charter School should ensure that federally funded programs should have adequate documentation in accordance with Uniform Guidance 2 C.F.R. 200.84.

View of Responsible Official and Planned Corrective Action

The Charter School separated from the Charter Management Organization on June 30, 2021, who retained the school's records. Upon separation, the Charter School did not receive complete records. The Charter School now maintains its own records and the noted items in 2021-003 are corrected.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION IV - STATE FINANCIAL ASSISTANCE

There are none.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FISCAL YEAR ENDED JUNE 30, 2021

Finding 2020-001 Financial Reports and Claims

During our audit we noted the following:

- a. Payment amounting to \$98,506 for consulting services incurred in the prior fiscal year (FY 2019) was charged to the current fiscal year.
- b. Various purchase orders were dated after or the same as the invoice date.
- c. Audit expense of \$10,200 and administrative consulting services of \$15,000 were classified as instructional expense in the books. Instructional expenses should only be those expenses directly dedicated to instruction. Adjusting journal entries were posted to reclassify these expenses during the audit.
- d. There were various expense reclassifications during the year within the General Fund and from General fund to Special Revenue Fund.

Status: This finding is still existing in the current year. Refer to Finding 2021-001 for similar finding.

Finding 2020-002 Time and Activity Reports

During our audit, not all required time and activity reports for the Title I and IDEA employees were provided.

Status: This finding is still existing in the current year. Refer to Finding 2021-002 for similar finding.

Finding 2020-003 Time and Activity Reports

During the audit we noted that \$39,783 expense already claimed for IDEA was recorded as expenses for Title I, SIA

Status: This finding has been corrected.