

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE
NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

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INTRODUCTORY SECTION

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

February 9, 2022

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

Dear Commissioner:

The Annual Comprehensive Financial Report of the North Star Academy Charter School of Newark (the Charter School) for the fiscal year ended June 30, 2021, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes unaudited data from the Charter School's last seven fiscal years. The Charter School is required to undergo an annual single audit in conformity with 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 State Treasury OMB's Circular Letter 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments.*" Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) Reporting Entity and its Services:** North Star Academy Charter School of Newark constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

- 2) **Enrollment Outlook:** The Charter School enrolled 6,319 students, over thirteen campuses; two high schools, five middle schools and six elementary schools for the 2020-2021 school year.

The Charter School was chartered by The New Jersey Department of Education as one of the state's very first charter schools in January 1997. The Charter School opened its doors to its first 72 students – 36 fifth graders and 36 sixth graders – in September 1997. Since that time, the Charter School has grown each year increasing the number of students served, as indicated in the table below.

<u>School Year</u>	<u>Grades Served</u>	<u>Student Enrollment</u>
1998-1999	5th – 7th	108
1999-2000	5th – 8th	144
2000-2001	5th – 9th	180
2001-2002	5th – 10th	216
2002-2003	5th – 11th	240
2003-2004	5th – 12th	270
2004-2005	5th – 12th	300
2005-2006	5th – 12th	379
2006-2007	5th – 12th	445
2007-2008	K; 5th – 12th	583
2008-2009	K-1; 5th – 12th	760
2009-2010	K-2; 5th – 12th	902
2010-2011	K-3; 5th – 12th	1,255
2011-2012	K – 12th	1,677
2012-2013	K – 12th	2,203
2013-2014	K – 12th	2,733
2014-2015	K – 12th	3,441
2015-2016	K – 12th	3,970
2016-2017	K – 12th	4,492
2017-2018	K – 12th	4,958
2018-2019	K – 12th	5,382
2019-2020	K – 12th	5,916
2020-2021	K – 12th	6,319

The Charter School operates an extended school year. Students attend classes from 8:00 to 4:00, which is more than an hour longer than most public schools. In addition, programs are available from 7:30 a.m. to 5:00 p.m. There are approximately 31 students per class. Students wear uniforms. Parents are heavily involved in school activities and governance. Teachers are recruited nationally.

- 3) **Major Accomplishments:** In 2020-2021, the Charter School achieved an attendance rate of 93%, despite the hardships of COVID-19 and remote learning. Parents and students reported a high level of satisfaction in all areas including health and safety when returning to in-person instruction in the Spring. For the majority of the school year, the Charter School remained in remote instruction and continued to improve on remote learning techniques that included, Chromebooks for each student, Hot Spots as needed, new online learning platforms, and live Zoom classes. When the school moved to hybrid instruction in the Spring, students were able to seamless transition from remote and in-person learning with teachers conducting both in-person and remote teaching classes. The Charter School had more than 1,900 students on the waitlist and is still the most selected school by students via the Newark Enrolls application system.

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

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

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

- 5) **Budgetary Controls:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Charter School and the State of New Jersey. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal 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. Those amounts to be re-appropriated are reported as reservations of fund balances at June 30, 2021.

- 6) **Accounting System and Reports:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by 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 Note 1 of the accompanying footnotes.

- 7) **Financial Information at Fiscal Year-End:** As demonstrated by the various statements and schedules included in the financial section of report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund, Capital Fund, and Enterprise Fund revenues for the fiscal year ended June 30, 2021:

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>
State Share	\$ 82,523,091	66%
State Aid	15,036,654	12
Local Share	12,692,868	10
Federal Aid - Special Revenue	11,188,001	9
Private Grants - Special Revenue	1,333,099	2
Food Service - Federal Aid and Local	679,521	1
E-rate Funding - General Fund	444,631	-
Food Service Board Subsidy	258,434	-
Interest and Dividend Income - General Fund	169,083	-
Private Funding - General Fund	20,109	-
Daily Sales - Reimbursable Programs and Special Lunch Program - Enterprise Fund	9,744	-
Miscellaneous Revenue - Enterprise Fund	<u>2,781</u>	<u>-</u>
	<u>\$ 124,358,016</u>	<u>100%</u>

7) Financial Information at Fiscal Year-End: (Continued)

The following schedule presents a summary of the General Fund, Special Revenue Fund, Capital Fund, and Enterprise Fund expenditures for the fiscal year ended June 30, 2021.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Current - General Fund	\$ 96,492,916	87%
Special Revenue Fund	12,484,815	12
Enterprise Fund	736,915	1
Capital Fund	-	-
Total	<u>\$ 109,714,646</u>	<u>100%</u>

8) Cash Management: The investment policy of the Charter School is guided in large by the state Statute as detailed in Note 2 in the accompanying basic notes to financial statements. The Charter School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) Risk Management: The Charter School carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) Other Information:

Independent Audit - State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of AAFCPAs, Inc. was selected by the Charter School.

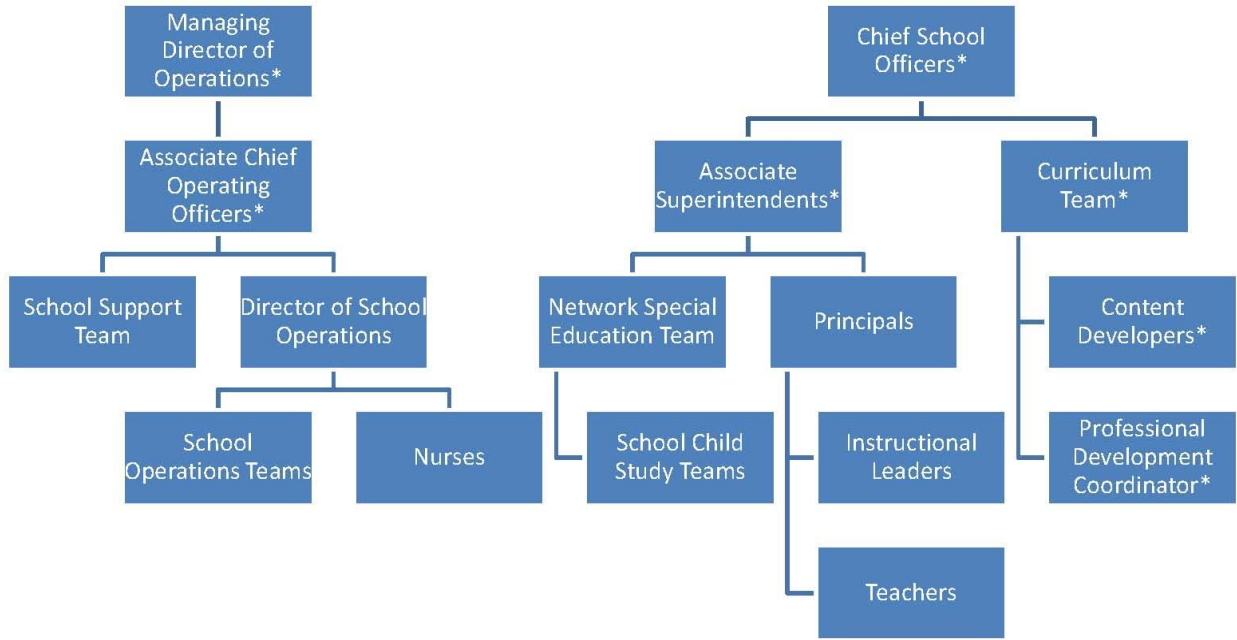
In addition to meeting the requirements set forth in the state statutes, the Charter School is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Treasury OMB's 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.

Respectfully submitted,



Cynthia Leger
Managing Director of Operations

**ORGANIZATIONAL CHART
JUNE 30, 2021**



**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2021**

<u>Board of Directors</u>	<u>Term Expires</u>
Nicole Bearce Albano	6/2021
Paul Bambrick-Santoyo, Secretary	6/2021
Ravi Bellur	6/2021
Lawrence Evans	6/2021
Rick Rieder, Chairman	6/2021
Scott Sleyster	6/2021
James Verrilli	6/2021
Thomas Redburn	6/2021
Ezdehar Abuhatab	6/2021
Trisha Scipio-Derrick	6/2021
Doug McNeely	6/2021
Steven Creekmur	6/2021
<u>Other Officers</u>	
Karin Gerald, Senior Director	
Juliana Worrell, Chief Schools Officer K-8th	
Serena Savarirayan, Assistant Superintendent	
Kelly Dowling, Assistant Superintendent	
Mike Mann, High School Head of School	

CONSULTANTS AND ADVISORS

AUDIT FIRM

AAFCPAs, Inc.
50 Washington Street
Westborough, MA 01581

OFFICIAL DEPOSITORY

Santander
200 Park Avenue, Suite 100
Florham Park, NJ 07932

FINANCIAL SECTION



**Unmodified Opinion on General Purpose Financial Statements
Accompanied by Other Information - Governmental Entity**

Independent Auditor's Report

To the Board of Trustees of
North Star Academy Charter School of Newark:

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 North Star Academy Charter School of Newark (the Charter School), County of Essex, State of New Jersey, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the *Office of School Finance, Department of Education, State of New Jersey*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to on page eight 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 North Star Academy Charter School of Newark as of June 30, 2021, and the respective changes in net position and, where applicable, cash flows, as of and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw your attention to Note 2 to the financial statements, which discloses adoption of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which enhances the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. 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*, the pension and post-employment benefit schedules in Schedules L-1 through L-4 and M-1, and the *Budgetary Comparison Information* in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying combining and individual fund financial statements and Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance for the year ended June 30, 2021, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the provisions of New Jersey OMB's Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory section and Statistical section 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 9, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

AAFCPAs, Inc.

Westborough, Massachusetts
February 9, 2022

John R. Buckley, C.P.A.
Public School Accountant
PSA #20CS00271800

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

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

FINANCIAL HIGHLIGHTS

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

- Total Net Position was \$43,173,099, which was net of a pension adjustment of \$28,764,978.
- Total Net Position increased by \$10,098,743 from July 1, 2020 to June 30, 2021.
- The General Fund balance at June 30, 2021, is \$39,078,689, an increase of \$14,393,520 when compared with the beginning balance at July 1, 2020.
- The Enterprise Fund balance at June 30, 2021, is \$642,600, an increase of \$213,565 when compared with the beginning balance at July 1, 2020.

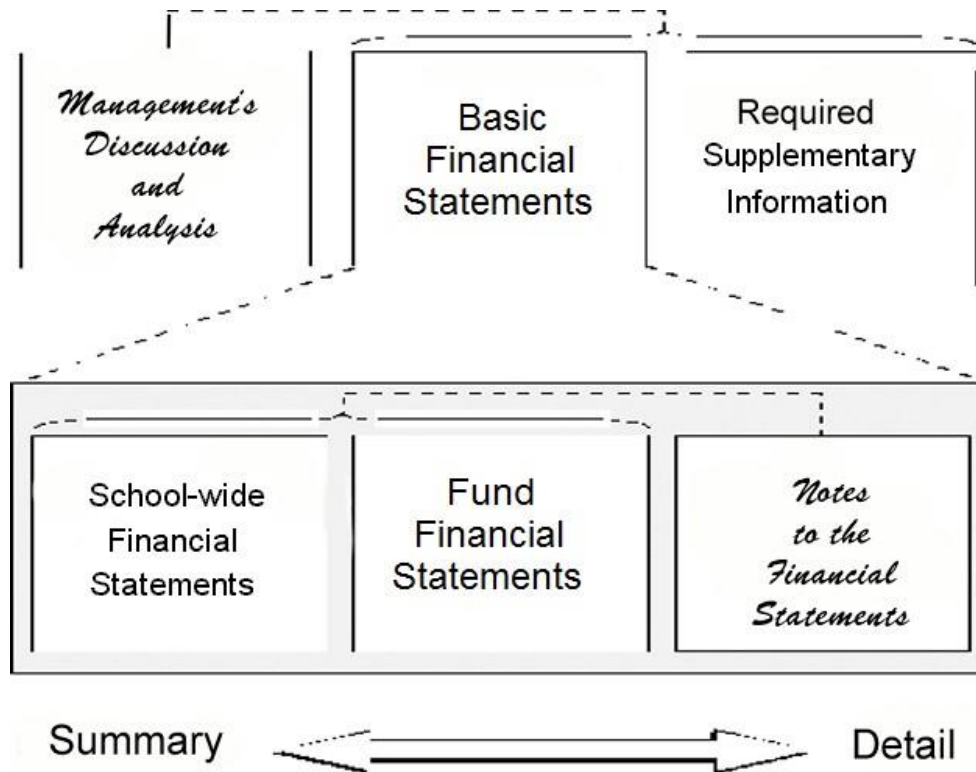
OVERVIEW OF THE FINANCIAL STATEMENTS

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

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



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the North Star Academy Charter School of Newark's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the North Star Academy Charter School of Newark, reporting the North Star Academy Charter School of Newark's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the Food Service activities the North Star Academy Charter School of Newark operates like businesses, per government definition.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

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

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

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

School-wide Statements

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

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

- Over time, increases or decreases in the North Star Academy Charter School of Newark's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

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

- *Governmental activities* - Most of the North Star Academy Charter School of Newark's basic services are included here, such as regular and special education, transportation, administration, food services, and community education.
- *Business-type activities* - The North Star Academy Charter School of Newark's Food Service Fund and Enrichment Fund are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the North Star Academy Charter School of Newark's funds – focusing on its most significant or “major” funds – not the North Star Academy Charter School of Newark as a whole.

Funds are accounting devices the North Star Academy Charter School of Newark uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

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

The North Star Academy Charter School of Newark has three kinds of funds:

- **Governmental funds** - Most of the North Star Academy Charter School of Newark's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the North Star Academy Charter School of Newark's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds** - Services for which the North Star Academy Charter School of Newark charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds** - The North Star Academy Charter School of Newark is the trustee, or *fiduciary*, for assets that belong to others such as parent council fund. The North Star Academy Charter School of Newark is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the North Star Academy Charter School of Newark's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the North Star Academy Charter School of Newark's government-wide financial statements because the North Star Academy Charter School of Newark cannot use these assets to finance its operations. There were no such funds as of June 30, 2021.

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK AS A WHOLE

Net position. The North Star Academy Charter School of Newark's net position is \$43,815,699 on June 30, 2021. (See Table A-1)

Governmental	\$ 43,173,099
Business Activities	<u>642,600</u>
Total	<u>\$ 43,815,699</u>

The Statement of Net Position of \$43,173,099 reflects total capital assets of \$32,618,276, net of accumulated depreciation from inception.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK AS A WHOLE (Continued)

The North Star Academy Charter School of Newark's financial position is the product of these factors:

- Total revenues during the 2020-21 school year were \$124,358,016.
- Total expenditures during the 2020-21 school year were \$109,714,646.

Table A-1
North Star Academy Charter School of Newark
Statement of Net Position
As of June 30, 2021

	<u>Total</u>
Current and other assets	\$ 47,034,806
Capital assets	<u>32,618,276</u>
Total assets	<u>\$ 79,653,082</u>
Other liabilities	<u>\$ 7,072,405</u>
Total liabilities	<u>\$ 7,072,405</u>
Net Position:	
Invested in capital assets	\$ 32,618,276
Unrestricted	10,900,120
Restricted	<u>297,303</u>
Total net position	<u>\$ 43,815,699</u>
Fund balance, June 30, 2021, before pension adjustment	\$ 39,319,801
Cost of capital assets, net of accumulated depreciation	<u>32,618,276</u>
Net position before pension adjustment	71,398,077
Less - pension adjustment	<u>(28,764,978)</u>
Net position as adjusted for pension liability, June 30, 2021	<u>\$ 43,173,099</u>

Total Governmental and Business Activities revenues and beginning assets minus net adjusted expenditures resulting in a calculation of net position of \$43,815,699 on June 30, 2021.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

**Table A-2
North Star Academy Charter School of Newark
Changes in Net Position - School-Wide
For the Fiscal Year Ended June 30, 2021**

	<u>Total</u>	<u>Percentage</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,768	-
General revenues:		
Local Share	12,692,868	11
State Share	82,523,091	74
State Aid	15,036,654	13
Federal Aid	665,753	2
Private Grants - Special Revenue	56,394	-
E-rate Funding	444,631	-
Interest and dividend income	169,083	-
Food Service Board Subsidy	258,434	-
Total revenues	<u>111,860,676</u>	<u>100%</u>
Expenses:		
Regular instruction	32,714,426	34%
General administrative	32,945,074	32
School administrative	21,285,981	22
On-behalf TPAF Social Security and Pension	8,736,948	10
Capital outlay	761,460	1
Food service and enrichment	810,487	1
Total expenses	<u>96,492,916</u>	<u>100%</u>
Increase in fund balance	14,643,370	
Decrease in net capital outlay	(828,721)	
Pension adjustment	(3,715,906)	
Net increase in net position	10,098,743	
Net position, beginning July 1, 2020 (restated)	33,716,956	
Net position	<u>\$ 43,815,699</u>	

Total revenue exceeded expenditures, increasing the fund balance by \$9,885,178 in the General Fund.
Total revenues exceeded expenditures, increasing the fund balance by \$213,565 in the Enterprise Fund.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

Table A-3 (See Exhibit B-1) North Star Academy Charter School of Newark Changes in Net Position - School-Wide For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK'S FUNDS

The financial performance of the North Star Academy Charter School of Newark as a whole is reflected in its governmental activities Exhibit B-1. As the North Star Academy Charter School of Newark completed the year, its general funds reported a combined fund balance of \$39,319,801.

There was no Capital Projects Fund balance at June 30, 2021.

The business activities fund balance at June 30, 2021, was \$642,600.

Revenues for the North Star Academy Charter School of Newark's business activities were \$950,480, while total expenses were \$736,915. (Table A-2) (Exhibit G-2)

GOVERNMENTAL FUND

The Governmental Fund includes the primary operations of the North Star Academy Charter School of Newark in providing educational services to students from kindergarten through grade 12.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

The following schedule presents a summary of Governmental Fund revenues. The summary reflects the dollar increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
North Star Academy Charter School of Newark
Changes in Net Position – Governmental
For the Fiscal Years Ended June 30

<u>Governmental Funds Revenues</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Amount of Increase (Decrease)</u>
Local Sources:			
Local share	\$ 12,692,868	\$ 12,040,344	\$ 652,524
State Share	82,523,091	76,567,814	5,955,277
Other local revenue	<u>1,966,922</u>	<u>2,885,852</u>	<u>(918,930)</u>
Total local sources	<u>97,182,881</u>	<u>91,494,010</u>	<u>5,688,871</u>
Intergovernmental Sources:			
State sources	15,036,654	13,948,109	1,088,871
Federal sources	<u>11,188,001</u>	<u>5,848,070</u>	<u>5,339,931</u>
Total intergovernmental sources	<u>26,224,655</u>	<u>19,796,179</u>	<u>6,428,476</u>
Total revenues	<u>\$ 123,407,536</u>	<u>\$ 111,290,189</u>	<u>\$ 12,117,347</u>

The following schedule presents a summary of Governmental Fund expenditures. The summary reflects the dollar increase (decrease) from the prior year.

Table A-5 (See Exhibit B-2)
North Star Academy Charter School of Newark
Changes in Net Position – Governmental
For the Fiscal Years Ended June 30

<u>Governmental Funds Expenditures</u>	<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Amount of Increase (Decrease)</u>
Current:			
Regular instruction	\$ 42,208,461	\$ 38,962,824	\$ 3,245,637
General administrative services	35,935,854	34,172,017	1,763,837
School administration	21,285,981	22,193,306	(907,325)
On-behalf TPAF Social Security and Pension	8,736,948	7,898,776	838,172
Capital outlay	<u>810,487</u>	<u>15,025</u>	<u>795,462</u>
Total expenditures	<u>\$ 108,977,731</u>	<u>\$ 103,241,948</u>	<u>\$ 5,735,783</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the Governmental Fund unreserved-undesignated fund balance.

Table A-6
North Star Academy Charter School of Newark
Changes in Fund Balance – Governmental
For the Fiscal Years Ended June 30

General Funds	2021	2020	2019	2018	2017
Unreserved-Undesignated Fund Balance	39,022,498	24,019,990	16,636,928	20,298,319	10,457,939
Expenditures	108,977,731	103,241,948	106,317,763	91,592,268	85,849,805
Percentage	40%	23%	16%	22%	12%
General Funds	2016	2015	2014	2013	
Unreserved-Undesignated Fund Balance		9,363,723	7,432,456	5,884,567	4,563,973
Expenditures		72,868,190	64,072,903	50,332,421	41,397,610
Percentage		13%	12%	12%	11%

The North Star Academy Charter School of Newark values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

FACTORS BEARING ON THE CHARTER SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the North Star Academy Charter School of Newark was aware of these existing circumstances that could significantly affect its financial health in the future:

- Future State Aid may be reduced due to the State's criteria utilized in calculating allocations of State Aid.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, in the General Fund, the North Star Academy Charter School of Newark had invested \$32,618,276 in a broad range of capital assets, including leasehold improvements, computer and audio-visual equipment, and administrative offices, etc., net of accumulated depreciation (more detailed information about capital assets can be found in Note 4 to the financial statements).

Total General Fund depreciation expense for the year was \$1,645,586.

Table A-7
North Star Academy Charter School of Newark
Changes in Net Position – School-Wide
For the Fiscal Year Ended June 30, 2021

Facilities improvement	\$ 40,468,655
Equipment	894,123
Equipment	<u>50,766</u>
Total - General Fund	41,413,544
Less - accumulated depreciation	<u>(8,795,268)</u>
Total - Net Capital Assets General Fund	<u>\$ 32,618,276</u>

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and contributors with a general overview of the North Star Academy Charter School of Newark's finances and to demonstrate the North Star Academy Charter School of Newark's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, North Star Academy Charter School of Newark, 10 Washington Place, Newark, New Jersey 07102.

BASIC FINANCIAL STATEMENTS

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

SCHOOL-WIDE FINANCIAL STATEMENTS

North Star Academy Charter School of Newark
Statement of Net Position
As of June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 37,643,188	\$ 131,119	\$ 37,774,307
Receivables	7,904,506	511,481	8,415,987
Prepaid expenses	806,000	-	806,000
Due from School Districts	38,512	-	38,512
Capital assets, net	32,618,276	-	32,618,276
Total assets	79,010,482	642,600	79,653,082
DEFERRED OUTFLOW OF RESOURCES:			
Pension deferred outflows	18,176,333	-	18,176,333
Total assets and deferred outflow of resources	\$ 97,186,815	\$ 642,600	\$ 97,829,415
LIABILITIES:			
Accounts payable and accrued expense	\$ 6,958,642	\$ -	\$ 6,958,642
Unemployment compensation claims payable	86,763	-	86,763
Deferred revenue	27,000	-	27,000
Net pension liability	33,005,060	-	33,005,060
Total liabilities	40,077,465	-	40,077,465
DEFERRED INFLOW OF RESOURCES:			
Pension deferred inflows	13,936,251	-	13,936,251
Total liabilities and deferred inflow of resources	54,013,716	-	54,013,716
NET POSITION:			
Invested in capital assets	32,618,276	-	32,618,276
Restricted	297,303	-	297,303
Unrestricted	10,257,520	642,600	10,900,120
Total net position	43,173,099	642,600	43,815,699
Total net position, liabilities and deferred inflow of resources	\$ 97,186,815	\$ 642,600	\$ 97,829,415
Fund Balance, June 30, 2021 - B-1	\$ 39,319,801		
Cost of capital assets, net of accumulated depreciation	32,618,276		
Net position before pension adjustments	71,938,077		
Less - pension, net (deficit)	(28,764,978)		
Total net position, June 30, 2021	\$ 43,173,099		

**North Star Academy Charter School of Newark
Statement of Activities
For the 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	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 42,208,461	\$ -	\$ 9,494,035	\$ -	\$ 32,714,426	\$ -	\$ 32,714,426
Support services:							
General administration	35,935,854	-	2,990,780	-	32,945,074	-	32,945,074
School administrative services	21,285,981	-	-	-	21,285,981	-	21,285,981
TPAF Social Security (Reimbursed)	1,389,708	-	-	-	1,389,708	-	1,389,708
TPAF Medical (On-Behalf - Non-Budgeted)	1,760,642	-	-	-	1,760,642	-	1,760,642
TPAF Pension (On-Behalf - Non-Budgeted)	5,586,598	-	-	-	5,586,598	-	5,586,598
Capital outlay	810,487	-	-	-	810,487	-	810,487
Total governmental activities	<u>108,977,731</u>	<u>-</u>	<u>12,484,815</u>	<u>-</u>	<u>96,492,916</u>	<u>-</u>	<u>96,492,916</u>
Business-type activities:							
Food Service	475,700	9,744	-	-	-	465,956	465,956
Enrichment Programs	261,215	2,781	-	-	-	258,434	258,434
Total business-type activities	<u>736,915</u>	<u>12,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>724,390</u>	<u>724,390</u>
Total primary government	<u>\$ 109,714,646</u>	<u>\$ 12,525</u>	<u>\$ 12,484,815</u>	<u>\$ -</u>	<u>96,492,916</u>	<u>724,390</u>	<u>97,217,306</u>
General revenues:							
Local share					12,692,868	13,768	12,706,636
State share					82,523,091	-	82,523,091
State aid					15,036,654	-	15,036,654
Federal aid					-	665,753	665,753
E-Rate funding					444,631	-	444,631
Private grants					56,394	-	56,394
Board contribution					-	258,434	258,434
Interest and dividend income					169,083	-	169,083
Total general revenues					<u>110,922,721</u>	<u>937,955</u>	<u>111,860,676</u>
Net increase in Fund balance					14,429,805	213,565	14,643,370
Decrease in net Capital Outlay					(828,721)	-	(828,721)
Increase in Pension Deficit (A-1 Net Position)					(3,715,906)	-	(3,715,906)
Change in Net Position					<u>9,885,178</u>	<u>213,565</u>	<u>10,098,743</u>
Net Position - beginning July 1, 2020 (restated)					<u>33,287,921</u>	<u>429,035</u>	<u>33,716,956</u>
Net Position - ending June 30, 2021					<u>\$ 43,173,099</u>	<u>\$ 642,600</u>	<u>\$ 43,815,699</u>

The accompanying notes are an integral part of these statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

North Star Academy Charter School of Newark
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 37,417,076	\$ 226,112	\$ 37,643,188
Receivables	6,478,197	1,426,309	7,904,506
Prepaid expenses	806,000	-	806,000
Interfund receivable	1,319,004	(1,319,004)	-
Due from School Districts	38,512	-	38,512
	<u>\$ 46,058,789</u>	<u>\$ 333,417</u>	<u>\$ 46,392,206</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable and accrued expense	\$ 6,893,337	\$ 65,305	\$ 6,958,642
Unemployment compensation claims payable	86,763	-	86,763
Deferred revenue	-	27,000	27,000
Total liabilities	<u>6,980,100</u>	<u>92,305</u>	<u>7,072,405</u>
Fund Balances:			
Unassigned	39,022,498	-	39,022,498
Restricted:			
Unemployment compensation	56,191	-	56,191
Scholarships	-	15,000	15,000
Student activities	-	226,112	226,112
Total fund balances	<u>39,078,689</u>	<u>241,112</u>	<u>39,319,801</u>
Total liabilities and fund balances	<u>\$ 46,058,789</u>	<u>\$ 333,417</u>	<u>\$ 46,392,206</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. The cost of the assets is \$41,413,544 and the accumulated depreciation is \$8,795,268 (see Note 4).	\$ 32,618,276
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements (see Note 8).	18,176,333
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements (see Note 8).	(13,936,251)
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the fund statements (see Note 8).	(33,005,060)
Net position of governmental activities	<u>\$ 43,173,099</u>

North Star Academy Charter School of Newark
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local sources:			
Local Share	\$ 12,692,868	\$ -	\$ 12,692,868
State Share	82,523,091	-	82,523,091
Other Restricted Miscellaneous Revenues	444,631	318,411	763,042
Interest and Dividend Income	169,083	-	169,083
Philanthropic Support	20,109	1,014,688	1,034,797
	<u>95,849,782</u>	<u>1,333,099</u>	<u>97,182,881</u>
Total - Local Sources			
State sources	15,036,654	-	15,036,654
Federal sources	-	11,188,001	11,188,001
	<u>110,886,436</u>	<u>12,521,100</u>	<u>123,407,536</u>
Total revenues			
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	32,714,426	9,494,035	42,208,461
Supportive services:			
Support Services - General Administrative	32,945,074	2,990,780	35,935,854
Support Services - School Admin/Operations Plant	21,285,981	-	21,285,981
TPAF Social Security (Reimbursed)	1,389,708	-	1,389,708
TPAF Medical (On-Behalf - Non-Budgeted)	1,760,642	-	1,760,642
TPAF Pension (On-Behalf - Non-Budgeted)	5,586,598	-	5,586,598
Capital outlay	810,487	-	810,487
	<u>96,492,916</u>	<u>12,484,815</u>	<u>108,977,731</u>
Total expenditures			
Excess of revenues over expenditures	<u>14,393,520</u>	<u>36,285</u>	<u>14,429,805</u>
Net change in fund balances	14,393,520	36,285	14,429,805
Fund Balance - July 1, 2020 (restated)	<u>24,685,169</u>	<u>204,827</u>	<u>24,889,996</u>
Fund Balance - June 30, 2021	<u>\$ 39,078,689</u>	<u>\$ 241,112</u>	<u>\$ 39,319,801</u>

**North Star Academy Charter School of Newark
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2021**

Total net change in fund balances - governmental funds (from B-2) \$ 14,429,805

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

	Depreciation expense	(1,645,586)	
	Capital outlays	<u>816,865</u>	(828,721)

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

(3,715,906)

Change in net position of governmental activities

\$ 9,885,178

PROPRIETARY FUNDS

**North Star Academy Charter School of Newark
Statement of Net Position
Proprietary Funds
As of June 30, 2021**

	<u>Business-type Activities - Enterprise Funds</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 131,119
Accounts receivable - Federal Aid	<u>511,481</u>
Total current assets	<u><u>\$ 642,600</u></u>
 NET POSITION:	
Unrestricted	<u><u>\$ 642,600</u></u>

North Star Academy Charter School of Newark
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Fund
	Food Service Program School Nutrition (A) and Enrichment Program
Operating Revenues:	
Charges for services:	
Daily sales - reimbursable programs and Special Lunch Program	\$ 9,744
Miscellaneous revenue	2,781
Total operating revenues	12,525
Operating Expenses:	
Cost of sales	736,915
Operating loss	(724,390)
Non-operating Revenues:	
State sources:	
State school lunch program	13,768
Federal sources:	
National school breakfast program	111,673
National school lunch program	554,080
Total non-operating revenues	679,521
Loss before contributions	(44,869)
Transfers from General Fund to Subsidize Program	258,434
Change in net position	213,565
Total Net Position - beginning	429,035
Total Net Position - ending	\$ 642,600

(A) SFA-SFA Vended Meal Contract

North Star Academy Charter School of Newark
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 9,744
Miscellaneous revenue	2,781
Payments to suppliers	<u>(749,002)</u>
Net cash used in operating activities	<u>(736,477)</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal sources	189,993
Transfers from General Fund to subsidize program	<u>258,434</u>
Net cash provided by noncapital financing activities	<u>448,427</u>
Net decrease in cash and cash equivalents	(288,050)
Cash and Cash Equivalents balance - beginning of year	<u>419,169</u>
Cash and Cash Equivalents balance - end of year	<u><u>\$ 131,119</u></u>
Reconciliation of Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (724,390)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Changes in operating assets and liabilities:	
Decrease in accounts payable	<u>(12,087)</u>
Net cash used in operating activities	<u><u>\$ (736,477)</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

North Star Academy Charter School of Newark (the Charter School) was incorporated in the State of New Jersey as a not-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School's Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. Under the existing the statutes, the Charter School's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

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

Its mission is to establish a charter 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 operates thirteen schools and served 6,319 students during the year ended June 30, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Charter School Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Governmental Funds

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

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

As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund not included in the capital projects fund (see below). Generally accepted accounting principles, as they pertain to governmental entities, state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes. There was no Debt Service Fund at June 30, 2021.

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. There was no Capital Fund at June 30, 2021.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

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 similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

Enterprise Funds – The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Charter School is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods and services of food service 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.

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. As of June 30, 2021, there was no Fiduciary Fund due to the adoption of GASB Statement No. 84, *Fiduciary Activities* (see page 37).

Measurement Focus

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Basis of Accounting

In the government-wide statement of net position and statement 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), regardless of the timing of related cash flows.

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 funds revenues.

Budgets/Budgetary Control

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

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

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control (Continued)

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks, and all highly liquid investment with a maturity of three months or less.

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In the accompanying school-wide statement of net position, deferred outflows of resources consistent of deferred amounts on net pension liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

Net Position/Fund Balance

School-Wide Statements

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

- Invested in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included. Also included in invested in capital assets are amounts the Charter School prepaid in advance of the work performed.
- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - any portion of net position not already classified as either net invested in capital assets or net position - restricted is classified as net position – unrestricted, which includes deferred inflows and outflows.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance and Equity

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

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

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

Capital Assets

Capital assets, which include leasehold improvements, equipment, and furniture and fixtures, are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. The following estimated useful lives are used to compute depreciation:

<u>Description of Capital Cost</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	25 years or life of lease
Equipment	10 - 20 years
Furniture	7 years

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

The Charter School had no compensated absences as of June 30, 2021.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

Deferred Revenue

Deferred revenue represents funds which have been received but not yet earned. Deferred revenue as of June 30, 2021, is expected to be earned in fiscal year 2022.

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.

On-Behalf Payments

Revenues and expenditures of the General Fund include payments made by the State of New Jersey for Pension and Social Security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget (see Note 8).

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

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

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

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

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

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

Adoption of New Accounting Standard

During fiscal year 2021, the Charter School adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 enhances the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Specifically, GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. As part of the adoption, the Charter School no longer considers activities in the Unemployment Fund Account, Payroll Agency Fund and Student activities as fiduciary activities applicable under GASB 84. As a result, the Charter School no longer presents a Statement of Fiduciary Net Position, and records payroll deductions and withholdings payable, unemployment activities in the General Fund in the Governmental Fund financial statements.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard (Continued)

Student activities are recorded in the Special Revenue Fund in the Governmental Fund financial statements. Special Revenue Fund balance as of June 30, 2020, was restated by \$189,827 to meet requirements of the new standard as follows:

Fund Balance, June 30, 2021, as previously stated	\$ 15,000
Adoption of GASB 84	<u>189,827</u>
Fund Balance, June 30, 2021, as restated	<u>\$ 204,827</u>

3. DEPOSITS AND INVESTMENTS

New Jersey statutes require that charter schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75% of its capital funds or \$200,000,000. 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.

Deposits

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 carrying number of deposits and investments are as follows:

	School-Wide Financial Statements
Cash Balance	<u>\$ 37,774,307</u>

Operating cash accounts are held in the Charter School's name by one banking institution. At June 30, 2021, the Charter School's bank balance was \$38,636,920. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2021, was secured by Federal deposit insurance and \$38,386,920 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey GUDPA.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Reconciliation to the financial statements:

Total cash balance covered by collateral pool	\$ 38,386,920
Plus - insured amount	250,000
Plus - deposits in transit	31,206
Less - outstanding checks	(572,447)
Less - other reconciling items	<u>(321,372)</u>
Total cash per school-wide financial statements	<u>\$ 37,774,307</u>

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

Category 1

Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name.

Category 2

Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name.

Category 3

Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School's name.

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

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
3. Bonds or other obligations of the Charter School.
4. 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

4 CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2021:

<u>Governmental Activities</u>	<u>Beginning Balance July 1, 2020</u>	<u>Net Additions</u>	<u>Ending Balance June 30, 2021</u>
Capital assets, being depreciated:			
Leasehold improvements	\$ 39,708,935	\$ 759,720	\$ 40,468,655
Equipment	887,744	6,379	894,123
Furniture	<u>-</u>	<u>50,766</u>	<u>50,766</u>
Total capital assets being depreciated	<u>40,596,679</u>	<u>816,865</u>	<u>41,413,544</u>
Less - accumulated depreciated:			
Leasehold improvements	6,416,593	1,603,534	8,020,127
Equipment	733,089	38,545	771,634
Furniture	<u>-</u>	<u>3,507</u>	<u>3,307</u>
Total accumulated depreciation	<u>7,149,682</u>	<u>1,645,586</u>	<u>8,795,268</u>
Total capital assets, net	<u>\$ 33,446,997</u>	<u>\$ (828,721)</u>	<u>\$ 32,618,276</u>

Depreciation expense of \$1,645,586 was charged to an unallocated function.

5. RENTAL EXPENSE

The Charter School leases its premises under the terms of non-cancelable leases from Uncommon Schools, Inc. and the Newark Board of Education through the Charter School's current charter of June 30, 2026. Certain leases are automatically extended upon the charter renewal and can be extended through various dates through June 30, 2048. Rent expense for the year ended June 30, 2021, amounted to \$10,563,650.

Future minimum rental commitments under the remaining terms of the lease agreements over the next five years are expected to be \$10,417,100 annually.

6. RELATED PARTY AND MANAGEMENT AGREEMENT

Uncommon Schools Inc. (USI), a nonprofit charter school management organization, provided management and facility services in the amount of \$13,526,458 to the Charter School for the year ended June 30, 2021. USI provided services such as academic, financial, technology, and curriculum and operations support. In the opinion of management, the payments are less than the market. USI also raises philanthropy and governmental grants which are passed-through to the Charter School.

One Board member is employed by USI. This Board member does not participate in decisions related to USI.

In addition, the Charter School leases nine facilities from USI's wholly-owned subsidiaries, with rent totaling approximately \$9,900,000 for the year ended June 30, 2021.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

7. PENSION PLANS OPEN

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

Teachers' Pension and Annuity Fund (TPAF) - TPAF was established as of January 1, 1955, 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.

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

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15a and N.J.S.A. 18A:66 for TPAF. All benefits vest after ten years of service, except for medical benefits that vest after twenty-five years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving twenty-five 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

7. PENSION PLANS (Continued)

Vesting and Benefit Provisions (Continued)

The TPAF and PERS provides for specified medical benefits for member who retire after achieving twenty-five years of qualified service, as defined, or under the disability provisions of the System.

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

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

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended thirty-year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed thirty-year period until the remaining period reaches twenty, when the amortization period will revert to an open-ended twenty-year period.

COLA Suspension

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

Contribution Requirements

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

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

Annual Pension Costs (APC)

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

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

The Charter School's contribution to PERS for the year ended June 30, 2021, was \$2,214,083.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

7. PENSION PLANS (Continued)

Annual Pension Costs (APC) (Continued)

In accordance with N.J.S.A 18A:66-66, the State reimbursed the Charter School \$1,389,708 for the year ended June 30, 2021, for the employer's share of Social Security contributions for TPAF members, as calculated on their base salaries. Also, the State paid \$7,347,240 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions, and TPAF Long-Term Disability Insurance Premium Contributions for the Charter School. These amounts have been included in the school-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions*.

8. PENSION PLANS – GASB 68

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

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

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation, as defined by GASB Statement No. 68, and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the State's portion of the net pension liability that was associated with the Charter School was \$139,398,576 as measured on June 30, 2020, and \$115,129,186 as measured on June 30, 2019.

For the year ended June 30, 2021, the Charter School's pension expense of \$8,668,397 and revenue of \$8,668,397 for support were provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2021, is based upon changes in the collective net pension liability with a measurement period of June 30, 2019 through June 30, 2020. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2019 and June 30, 2020.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

8. PENSION PLANS – GASB 68 (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Collective deferred outflows of resources	\$ 9,458,881,999	\$ 9,932,767,606
Collective deferred inflows of resources	\$ 14,424,322,612	\$ 17,539,845,423
Collective net pension liability (Non-employer - State of New Jersey)	\$ 65,848,796,740	\$ 61,519,112,443
State's portion of the net pension liability that was associated with the Charter School	\$ 139,398,576	\$ 115,129,186
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.0.21694%	.18759%

Actuarial Assumptions

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

Inflation (Price):	2.75%
Inflation (Wage):	3.25%
Salary Increases: 2011-2026	1.55 - 4.55% based on years of service
Salary Increases: Thereafter	2.75 - 5.65% based on years of service
Investment Rate of Return:	7%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. 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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

8. PENSION PLANS – GASB 68 (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the State's total pension liability was 5.40% as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 2.21% as of June 30, 2020, based on the Bond Buyer Go Twenty-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the state. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and municipal bond rate was applied to project benefit payments after that date in determining the total pension liability.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

8. PENSION PLANS – GASB 68 (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at:

<http://www.nj.gov/treasury/pensions/documents/financial/gasb68-tpaf20.pdf>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at:

<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2021, the Charter School reported a liability of \$33,005,060 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020, the Charter School's proportion was .202393%, which was an increase of .035751% from its proportion measured as of June 30, 2019.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

8. PENSION PLANS – GASB 68 (Continued)

Public Employees’ Retirement System (PERS) (Continued)

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

For the year ended June 30, 2021, the Charter School recognized pension expense of \$2,214,083. At June 30, 2021, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 600,968	\$ 116,720
Changes of assumptions	1,070,722	13,819,531
Net difference between projected and actual earnings on pension plan investments	1,128,139	-
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	13,162,421	-
Charter School contributions subsequent to the measurement date	<u>2,214,083</u>	<u>-</u>
Total	<u>\$ 18,176,333</u>	<u>\$ 13,936,251</u>

The \$2,214,083 reported as deferred outflows of resources related to pensions resulting from the Charter School's contributions subsequent to the measurement date (i.e., for the Charter School year ended June 30, 2021, the plan measurement date was June 30, 2020) will be recognized as a reduction of the net pension liability measured as of June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending
June 30**

2021	\$ (4,141,532)
2022	(3,775,818)
2023	(2,157,783)
2024	(872,571)
2025	<u>(188,719)</u>
Total	<u>\$ (11,136,423)</u>

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Collective deferred outflows of resources	\$ 2,347,583,337	\$ 3,419,522,616
Collective deferred inflows of resources	\$ 7,849,949,467	\$ 7,645,087,574
Collective net pension liability (Non-State-Local Group)	\$ 16,435,616,426	\$ 18,143,832,135
Charter School's proportion of net pension liability	33,005,060	30,026,383
Charter School's proportion percentage	.202393%	.166642%

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

8. PENSION PLANS – GASB 68 (Continued)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

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

Inflation (Price)	2.75%
Inflation (Wage)	3.25%
Salary increases:	
Through 2026	2.00% - 6.00% based on years of service
Thereafter	3.00% - 7.00% based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with a 82.2% adjustment for males and 101.4% adjustment for females. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with a 91.4% adjustment for males and 99.7% adjustment for females. 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. In addition, the tables provide for future improvements in mortality from the base year of 2010 using a generational approach based on the plan actuary's modified MP-2019 projection scale.

Long-Term Expected Rate of Return

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

8. PENSION PLANS – GASB 68 (Continued)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate is assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

8. PENSION PLANS – GASB 68 (Continued)

Public Employees’ Retirement System (PERS) (Continued)

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School’s proportionate share of the net pension liability	<u>\$ 34,985,364</u>	<u>\$ 33,005,060</u>	<u>\$ 30,364,655</u>

Pension Plan Fiduciary Net Position

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

9. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required the TPAF and the PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating twenty-five years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees.

The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides employer paid health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with twenty-five years of service.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB)

Plan Description and Benefits Provided

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

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

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52: 14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with twenty-five years or more of service credit in, or retires on a disability pension from, one or more of the following plans: TPAF, PERS, the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than twenty years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with twenty-five years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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

Total Nonemployer 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 GASB No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability in 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 Charter School. Note that actual numbers will be published in the NJ State's CAFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018. 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:	2.50%		
	<u>TPAF</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases: Through 2026	1.55% - 4.45% based on years of service	2.00% - 6.00% based on age	3.25% - 15.25% based on age
Salary increases: Thereafter	1.55% - 4.45% based on years of service	3.00% - 7.00% based on age	Applied to all future years

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

Disability mortality was based on Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

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

Health Care Trend Assumptions

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

Discount Rate

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

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

	Charter School's Proportionate Share of the OPEB Liability	Total OPEB Liability
Balance at June 30, 2019 measurement date	\$ 24,386,815	\$ 41,729,081,045
Changes recognized for the fiscal year:		
Service cost	5,073,502	1,790,973,822
Interest on total OPEB liability	1,017,632	1,503,341,357
Effect of differences between expected and actual experience	7,913,739	11,544,750,637
Effect of changes of assumptions	8,406,507	12,386,549,981
Contributions from the members	24,284	35,781,384
Gross benefits paid by the State	<u>(801,193)</u>	<u>(1,180,515,618)</u>
Net changes	<u>21,634,471</u>	<u>(26,080,881,53)</u>
Balance at June 30, 2020 measurement date	\$ 46,021,286	\$ 67,809,962,608

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

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

	2020		
	1% Decrease (1.21%)	At Discount Rate (2.21%)	1% Increase (3.21%)
Charter School's proportionate share of the net OPEB liability	\$ 55,481,036	\$ 46,021,286	\$ 38,624,671
Total OPEB liability	<u>\$ 81,748,410,002</u>	<u>\$ 67,809,962,608</u>	<u>\$ 56,911,439,160</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

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

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

	2020		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Charter School's proportionate share of the net OPEB liability	\$ 37,149,934	\$ 46,021,286	\$ 56,585,094
Total OPEB liability	<u>\$ 54,738,488,450</u>	<u>\$ 67,809,962,608</u>	<u>\$ 83,375,182,975</u>

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

For the fiscal year ended June 30, 2021, the Charter School recognized OPEB expense of \$5,073,502 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

The State of New Jersey's total OPEB liability is \$67,809,962,608. Of this amount, the total OPEB liability attributable to the Charter School was \$46,021,286. The State of New Jersey's proportionate share of the total OPEB liability is 100%, including the proportion attributable to the Charter School of 0.0679%.

In accordance with GASB Statement 75, as the Charter School's does not recognize a liability for the proportionate share of the OPEB liability; there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2020 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,295,318,750	\$ (9,178,070,615)
Changes of assumptions	11,534,251,250	(7,737,500,827)
Contributions subsequent to the measurement date	TBD	-
Total	<u>\$ 21,829,570,000</u>	<u>\$ (16,908,204,442)</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

9. POST-RETIREMENT BENEFITS (Continued)

Other Postemployment Benefit Plan (OPEB) (Continued)

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

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

<u>Year Ending June 30</u>	
2021	\$ 43,440,417
2022	43,440,417
2023	43,440,417
2024	43,440,417
2025	43,440,417
Thereafter	<u>4,704,163,473</u>
Total	<u>\$ 4,921,365,558</u>

10. ECONOMIC DEPENDENCY

The Charter School receives approximately 99% of its support from Federal and state governments. A significant reduction in the level of support, if it were to occur, could have an effect on the Charter School's programs and activities.

11. CONTINGENT LIABILITIES

Certain amounts from Federal and state agencies are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the net position of the Charter School as of June 30, 2021, or on its changes in fund balances for the year then ended.

The Charter School, from time-to-time, is the defendant in lawsuits. It is management's belief that the Charter School will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from these lawsuits.

12. RISK MANAGEMENT

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

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

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.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

13. RECEIVABLES

Receivables as of June 30, 2021, consisted of accounts, intergovernmental, grants, and miscellaneous. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 6,478,197	\$ 1,426,309	\$ 511,481	\$ 8,415,987

There was no allowance for doubtful accounts deemed necessary as of June 30, 2021.

As of June 30, 2021, approximately 83% of the Charter School's accounts receivable was due from two grantors. The Charter School received 89% of its total general revenues through contracts from New Jersey.

14. LINE OF CREDIT

The Charter School maintained a revolving line of credit agreement with a bank. The agreement allowed for borrowings up to \$7,700,000. This line of credit was due on demand and was subject to annual renewal. Interest was payable at the prime rate (3.25%) plus 1.50%. The loan was subject to certain guarantees and security interests on assets of the Charter School. The Charter School terminated the agreement in May 2021.

The Charter School maintains a non-interest bearing revolving line of credit agreement with USI (see Note 6). The agreement allows for borrowings up to \$5,000,000. There was no outstanding balance under this line of credit at June 30, 2021.

15. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Fund balance per B-1	\$ 39,319,801
Cost of capital assets, net of accumulated depreciation	32,618,276
Pension deferred outflows	18,176,333
Pension deferred inflows	(13,936,251)
Deferred pension liability as of June 30, 2021	<u>(33,005,060)</u>
Net position (per A-1) as of June 30, 2021	<u>\$ 43,173,099</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Basic Financial Statements
June 30, 2021

16. CONTINGENCY

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

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**North Star Academy Charter School of Newark
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Share	\$ 5,178,785	\$ 7,514,083	\$ 12,692,868	\$ 12,692,868	\$ -
State Share	80,350,747	2,172,344	82,523,091	82,523,091	-
Other Restricted Miscellaneous Revenues	317,472	127,159	444,631	444,631	-
Philanthropic Support	972,951	(952,842)	20,109	20,109	-
Interest and Dividend Income	119,999	49,084	169,083	169,083	-
Total - Local Sources	<u>86,939,954</u>	<u>8,909,828</u>	<u>95,849,782</u>	<u>95,849,782</u>	<u>-</u>
State Sources:					
Categorical Aid:					
Special Education Aid	2,401,651	557,965	2,959,616	2,959,616	-
Security Aid	5,446,226	(2,106,136)	3,340,090	3,340,090	-
TPAF Medical (On-Behalf - Non-Budgeted)	-	-	-	1,760,642	1,760,642
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	5,586,598	5,586,598
TPAF Social Security (Reimbursed)	1,598,025	(208,317)	1,389,708	1,389,708	-
Total State Sources	<u>9,445,902</u>	<u>(1,756,488)</u>	<u>7,689,414</u>	<u>15,036,654</u>	<u>7,347,240</u>
Total Revenues	<u>96,385,856</u>	<u>7,153,340</u>	<u>103,539,196</u>	<u>110,886,436</u>	<u>7,347,240</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Teachers Salary	27,277,392	1,075,239	28,352,631	28,352,631	-
Other Salaries	1,465,502	(189,102)	1,276,400	1,276,400	-
Prof/Tech Services	859,972	(791,503)	68,469	68,469	-
Other Purchased Services	690,845	99,261	790,106	790,106	-
General Supplies	3,559,437	(1,336,743)	2,222,694	2,222,694	-
Textbooks	29,057	(24,931)	4,126	4,126	-
Other Objects	57,530	(57,530)	-	-	-
Total Regular Programs - Instruction	<u>33,939,735</u>	<u>(1,225,309)</u>	<u>32,714,426</u>	<u>32,714,426</u>	<u>-</u>

North Star Academy Charter School of Newark
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
Current Expense: (Continued)					
Support Services - General Administrative:					
Salaries of Administrative Salaries	4,304,948	(696,091)	3,608,857	3,608,857	-
Salaries of Secretarial and Clerical Assistants	3,084,359	(671,321)	2,413,038	2,413,038	-
Cost of Benefits	11,731,101	(1,896,532)	9,834,569	9,834,569	-
Contracted Management Services	11,914,501	1,611,957	13,526,458	13,526,458	-
Consultants	166,952	23,555	190,507	190,507	-
Purchased Professional and Technical Services	1,455,270	727,911	2,183,181	2,183,181	-
Communications/Telephone	547,812	204,984	752,796	752,796	-
Supplies and Materials	467,300	(216,624)	250,676	250,676	-
Other Objects	190,930	(5,938)	184,992	184,992	-
Total Support Services - General Administrative	<u>33,863,173</u>	<u>(918,099)</u>	<u>32,945,074</u>	<u>32,945,074</u>	<u>-</u>
Support Services - School Admin/Operation Plant Services:					
Salaries	4,145,498	(640,285)	3,505,213	3,505,213	-
Purchased Professional and Technical Services	3,089,759	(241,951)	2,847,808	2,847,808	-
Other Purchased Services (400-500 series)	2,480,827	(33,697)	2,447,130	2,447,130	-
Rental of Land and Building - other than Lease Purchase Agreements	11,003,735	(440,085)	10,563,650	10,563,650	-
Insurance	540,836	4,316	545,152	545,152	-
General Supplies	245,629	145,790	391,419	391,419	-
Transportation - Trips	13,389	(3,627)	9,762	9,762	-
Energy (Energy and Electricity)	1,629,915	(912,501)	717,414	717,414	-
Other Objects	3,999,364	(3,740,931)	258,433	258,433	-
Total Support Services - School Admin/Operations Plant Services	<u>27,148,952</u>	<u>(5,862,971)</u>	<u>21,285,981</u>	<u>21,285,981</u>	<u>-</u>
On-behalf TPAF Medical Contributions (non-budgeted)	-	-	-	1,760,642	(1,760,642)
On-behalf TPAF Pension Contributions (non-budgeted)	-	-	-	5,586,598	(5,586,598)
Reimbursed TPAF Social Security Contributions	1,598,025	(208,317)	1,389,708	1,389,708	-
Total On-Behalf Contributions	<u>1,598,025</u>	<u>(208,317)</u>	<u>1,389,708</u>	<u>8,736,948</u>	<u>(7,347,240)</u>
Total Undistributed Expenditures	<u>28,746,977</u>	<u>(6,071,288)</u>	<u>22,675,689</u>	<u>62,968,003</u>	<u>(7,347,240)</u>
Total General Current Expense	<u>62,686,712</u>	<u>(7,296,597)</u>	<u>55,390,115</u>	<u>95,682,429</u>	<u>(7,347,240)</u>

North Star Academy Charter School of Newark
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
Capital Outlay:					
Equipment:					
Regular Programs - Instruction:					
Miscellaneous	(234,964)	14,842,592	14,607,628	810,487	13,797,141
Total Equipment	(234,964)	14,842,592	14,607,628	810,487	13,797,141
Total Expenditures - General Fund	62,451,748	7,545,995	69,997,743	96,492,916	6,449,901
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,934,108	(392,655)	33,541,453	14,393,520	13,797,141
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	33,934,108	(392,655)	33,541,453	14,393,520	13,797,141
Fund Balance, July 1	-	-	-	24,685,169	-
Fund Balance, June 30	\$ 33,934,108	\$ (392,655)	\$ 33,541,453	\$ 39,078,689	\$ 13,797,141

North Star Academy Charter School of Newark
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Philanthropic Support	\$ 1,990,795	\$ (976,107)	\$ 1,014,688	\$ 1,014,688	\$ -
Other Miscellaneous Sources	350,000	(31,589)	318,411	318,411	-
Federal Sources	6,255,783	4,932,218	11,188,001	11,188,001	-
Total Revenues	<u>8,596,578</u>	<u>3,924,522</u>	<u>12,521,100</u>	<u>12,521,100</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	6,272,882	(1,023,216)	5,249,666	5,249,666	-
Other Salaries for Instruction	88,000	(84,406)	3,594	3,594	-
Other Purchased Services	36,500	213,444	249,944	249,944	-
General Supplies	64,196	2,004,220	2,068,416	2,068,416	-
Personal Services - Employee Benefits	68,618	1,853,797	1,922,415	1,922,415	-
Total Instruction	<u>6,530,196</u>	<u>2,963,839</u>	<u>9,494,035</u>	<u>9,494,035</u>	<u>-</u>
Support Services:					
Salaries of Supervisor of Instruction	-	622,705	622,705	622,705	-
Salaries of Program Directors	185,746	7,504	193,250	193,250	-
Salaries of Other Professional Staff	-	1,201,713	1,201,713	1,201,713	-
Salaries of Secretaries and Clerical Assistants	-	355,545	355,545	355,545	-
Supplies and Materials	130,424	41,781	172,205	172,205	-
Transportation	71,834	(70,697)	1,137	1,137	-
Communication	1,920	(325)	1,595	1,595	-
Other Purchased Professional Services	380,347	(34,081)	346,266	346,266	-
Scholarship Aid	78,551	17,813	96,364	96,364	-
Total Support Services	<u>848,822</u>	<u>2,141,958</u>	<u>2,990,780</u>	<u>2,990,780</u>	<u>-</u>
Total Expenditures	<u>7,379,018</u>	<u>5,105,797</u>	<u>12,484,815</u>	<u>12,484,815</u>	<u>-</u>
Total Outflows	<u>7,379,018</u>	<u>5,105,797</u>	<u>12,484,815</u>	<u>12,484,815</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ 1,217,560</u>	<u>\$ (1,181,275)</u>	<u>\$ 36,285</u>	<u>\$ 36,285</u>	<u>\$ -</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2021

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

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

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

North Star Academy Charter School of Newark
Schedule of Charter School 's Proportionate Share of the Net Pension Liability - PERS
For the Fiscal Years Ended June 30*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charter School Proportion of the Net Position Liability (Asset)	0.202393%	0.166642	0.157167	0.127777	0.098699	0.125343	0.048540	0.059514
Charter School Proportionate Share of the Net Position Liability (Asset)	33,005,060	30,026,383	30,945,164	29,744,482	29,231,819	16,168,356	9,184,123	11,142,652
Charter School Covered Employee Payroll	21,034,297	17,346,509	11,870,796	10,410,458	9,967,199	7,732,570	5,623,571	4,503,990
Charter School Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	156.91%	173.10%	260.68%	285.72%	293.28%	209.09%	163.31%	247.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.73%	57.77%	38.36%	35.00%	34.09%	46.16%	37.56%	40.40%

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

North Star Academy Charter School of Newark
Schedule of Charter School Contributions - PERS
For the Fiscal Years Ended June 30*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 2,214,083	\$ 1,645,364	\$ 1,592,379	\$ 1,261,650	\$ 904,106	\$ 602,222	\$ 497,300	\$ 668,883
Contributions in Relation to the Contractually Required Contributions	(2,214,083)	(1,645,364)	(1,592,379)	(1,261,650)	(904,106)	(602,222)	(497,300)	(668,883)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-
Charter School Covered Employee Payroll	21,034,297	17,346,509	11,870,796	10,410,458	9,967,199	7,732,570	5,623,571	4,503,990
Contributions as a Percentage of Covered Employee Payroll	10.53%	9.49%	13.41%	12.12%	9.07%	7.79%	8.84%	14.85%

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

**North Star Academy Charter School of Newark
 Schedule of Charter School Proportionate Share of Net Pension Liability - TPAF
 For the Fiscal Years Ended June 30***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charter School Proportion of the Net Pension Liability (Asset)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate Share of the Net Pension Liability (Asset)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's Proportionate Share of the Net Pension Liability (Asset)								
associated with the Charter School	<u>139,398,576</u>	<u>115,129,186</u>	<u>122,187,972</u>	<u>120,838,703</u>	<u>111,997,539</u>	<u>86,503,970</u>	<u>32,662,588</u>	<u>49,807,078</u>
Total	139,398,576	115,129,186	122,187,972	120,838,703	111,997,539	86,503,970	32,662,588	49,807,078
Charter School Covered Employee Payroll	18,346,065	18,217,259	21,047,073	21,800,756	19,372,666	18,571,576	16,836,386	13,676,988
Charter School Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to Required Supplementary Information Pension Schedules
For the Fiscal Year Ended June 30, 2021

Public Employees' Retirement System (PERS)

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

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back four year for males and females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

Teachers' Pension and Annuity Fund (TPAF)

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

Changes of assumptions. Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

North Star Academy Charter School of Newark
Schedule of Changes in the Charter School's Total OPEB Liability and Related Ratios - PERS and TPAF
For the Fiscal Years Ended June 30*

	<u>2021</u>	<u>2020</u>
Changes for the Year:		
Service cost	\$ 5,073,502	\$ 4,419,202
Interest cost	1,017,632	965,049
Changes of assumptions	7,913,739	363,609
Changes between expected and actual experiences	8,406,507	(1,511,861)
Member contributions	24,284	22,191
Gross benefit payments	<u>(801,193)</u>	<u>(748,603)</u>
Net change in total OPEB liability	21,634,471	3,509,587
Total OPEB Liability - beginning of year	<u>24,386,815</u>	<u>20,877,228</u>
Total OPEB Liability - end of year	<u>\$ 46,021,286</u>	<u>\$ 24,386,815</u>
Covered employee payroll - PERS and TPAF	\$ 9,683,233	\$ 8,140,270
Total OPEB liability as a percentage of covered employee payroll	475%	300%
State's proportionate share of the net OPEB liability (asset) associated with the Charter School	0.09%	0.05%
Charter School's contributions	\$ -	\$ -

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

Notes to Schedule:

Changes of Benefits Terms - none

Changes of Assumptions - The discount rate changed from 3.50% to 2.21%.

SPECIAL REVENUE FUND

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

North Star Academy Charter School of Newark
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2021

	<u>Total</u>	<u>IDEA Part B-Basic Reg. Prog.</u>	<u>ESSA Title I</u>	<u>COVID Relief Fund</u>	<u>NJ CARES Grant</u>	<u>Digitat Divide Grant</u>	<u>Semi Grant</u>	<u>ACE Grant</u>	<u>Private Grants</u>
REVENUES:									
Intergovernmental:									
Federal	\$ 11,188,001	\$ 1,363,348	\$ 4,725,399	\$ 781,908	\$ 2,949,624	\$ 1,184,088	\$ 183,634	\$ -	\$ -
Other Sources:									
Philanthropic Support	<u>1,333,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,411</u>	<u>1,014,688</u>
Total Revenues	<u>12,521,100</u>	<u>1,363,348</u>	<u>4,725,399</u>	<u>781,908</u>	<u>2,949,624</u>	<u>1,184,088</u>	<u>183,634</u>	<u>318,411</u>	<u>1,014,688</u>
EXPENDITURES:									
Instruction:									
Salaries of Teachers	5,249,666	885,444	3,205,494	-	939,850	-	-	-	218,878
Other Salaries for Instruction	3,594	-	-	-	-	-	-	-	3,594
General Supplies	2,068,416	-	-	740,822	-	1,184,088	-	119	143,387
Other Purchased Services	249,944	-	-	-	-	-	-	-	249,944
Personal Services - Employee Benefits	<u>1,922,415</u>	<u>372,818</u>	<u>1,284,684</u>	<u>-</u>	<u>200,550</u>	<u>-</u>	<u>-</u>	<u>11,027</u>	<u>53,336</u>
Total Instruction	<u>9,494,035</u>	<u>1,258,262</u>	<u>4,490,178</u>	<u>740,822</u>	<u>1,140,400</u>	<u>1,184,088</u>	<u>-</u>	<u>11,146</u>	<u>669,139</u>
Support Services:									
Salaries of Supervisors of Instruction	622,705	105,086	202,707	-	284,480	-	-	-	30,432
Salaries of Program Directors	193,250	-	-	-	-	-	-	193,250	-
Salaries of Other Professional Staff	1,201,713	-	-	-	1,201,713	-	-	-	-
Salaries of Secretaries and Clerical Assistants	355,545	-	32,514	-	323,031	-	-	-	-
Transportation	1,137	-	-	-	-	-	-	-	1,137
Communication	1,595	-	-	-	-	-	-	1,595	-
Scholarships Aid	96,364	-	-	-	-	-	-	96,364	-
Other Purchased Professional Services	346,266	-	-	41,086	-	-	183,634	-	121,546
Supplies and Materials	<u>172,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,056</u>	<u>156,149</u>
Total Support Services	<u>2,990,780</u>	<u>105,086</u>	<u>235,221</u>	<u>41,086</u>	<u>1,809,224</u>	<u>-</u>	<u>183,634</u>	<u>307,265</u>	<u>309,264</u>
Total Expenditures	<u>12,484,815</u>	<u>1,363,348</u>	<u>4,725,399</u>	<u>781,908</u>	<u>2,949,624</u>	<u>1,184,088</u>	<u>183,634</u>	<u>318,411</u>	<u>978,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ 36,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,285</u>

CAPITAL PROJECTS FUND

Capital Projects funds are used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

North Star Academy Charter School of Newark
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Year Ended June 30, 2021

<u>Project Title/Issue</u>	<u>Approval Date</u>	<u>Revised Budgetary Appropriations</u>	<u>GAAP Expenditures to Date</u>		<u>Unexpended Appropriations June 30, 2021</u>
			<u>Prior Years</u>	<u>Current Year</u>	
18th Avenue	2017	\$ 9,086,865	\$ 8,998,289	\$ 88,576	\$ -

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Enrichment Fund - The fund provides for the operation of after school and other enrichment programs.

**North Star Academy Charter School of Newark
Combining Statement of Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021**

	Business-type Activities - Enterprise Funds		
	Food Service	Enrichment Program	Total Enterprise
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 131,119	\$ -	\$ 131,119
Federal receivables	511,481	-	511,481
Total assets	\$ 642,600	\$ -	\$ 642,600
NET POSITION:			
Unrestricted	\$ 642,600	\$ -	\$ 642,600

North Star Academy Charter School of Newark
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Food Service	Enrichment Program	Total Enterprise
Operating Revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 9,744	\$ -	\$ 9,744
Miscellaneous revenue	-	2,781	2,781
	<u>9,744</u>	<u>2,781</u>	<u>12,525</u>
Total operating revenues			
	<u>9,744</u>	<u>2,781</u>	<u>12,525</u>
Operating Expenses:			
Salaries, wages and employee benefits	-	117,078	117,078
Supplies, materials and other expenses	469,321	131,717	601,038
Transportation	-	12,420	12,420
Non-instructional equipment	6,379	-	6,379
	<u>475,700</u>	<u>261,215</u>	<u>736,915</u>
Total operating expenses			
	<u>475,700</u>	<u>261,215</u>	<u>736,915</u>
Operating loss	<u>(465,956)</u>	<u>(258,434)</u>	<u>(724,390)</u>
Nonoperating Revenues:			
State sources:			
State School Lunch Program	13,768	-	13,768
Federal sources:			
School Breakfast Program	111,673	-	111,673
National School Lunch Program	554,080	-	554,080
	<u>679,521</u>	<u>-</u>	<u>679,521</u>
Total nonoperating revenues			
	<u>679,521</u>	<u>-</u>	<u>679,521</u>
Income (loss) before contributions and transfers	213,565	(258,434)	(44,869)
Transfer from General Fund to Subsidize Program	<u>-</u>	<u>258,434</u>	<u>258,434</u>
Change in net position	213,565	-	213,565
Total Net Position - beginning of year	<u>429,035</u>	<u>-</u>	<u>429,035</u>
Total Net Position - ending of year	<u>\$ 642,600</u>	<u>\$ -</u>	<u>\$ 642,600</u>

**North Star Academy Charter School of Newark
Combining Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021**

Cash Flows from Operating Activities:

Receipts from customers	\$ 9,744
Miscellaneous revenue	2,781
Payments to suppliers for goods and services	<u>(749,002)</u>
Net cash used in operating activities	<u>(736,477)</u>

Cash Flows from Noncapital Financing Activities:

State and Federal sources	189,993
Transfers from General Fund to subsidize program	<u>258,434</u>
Net cash provided by noncapital financing activities	<u>448,427</u>

Net decrease in cash and cash equivalents (288,050)

Cash and Cash Equivalents, beginning of year 419,169

Cash and Cash Equivalents, end of year \$ 131,119

Reconciliation of Operating Loss to Net Cash Used In**Operating Activities:**

Operating loss	\$ (724,390)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Changes in operating assets and liabilities:	
Decrease in accounts payable	<u>(12,087)</u>

Net cash used in operating activities \$ (736,477)

STATISTICAL SECTION (UNAUDITED)

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

Contents

Exhibits

Financial Trends

J-1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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

Charter School Performance Framework Financial Indicators

J-21

These schedules contain financial indicators to help the reader understand how the Charter School's financial performance have changed over time.

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

FINANCIAL TRENDS

North Star Academy Charter School of Newark
Net Assets by Component
For the Fiscal Years Ended June 30
(Accrual Basis of Accounting)

	<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>
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 32,618,276	\$ 34,112,176	\$ 35,933,373	\$ 25,977,565	\$ 22,280,746	\$ 14,973,681	\$ 10,813,389	\$ 9,472,461	\$ 7,251,540	\$ 5,024,166
Restricted	297,303	15,000	15,000	287,101	-	-	-	-	-	-
Unrestricted	<u>10,257,520</u>	<u>(1,029,082)</u>	<u>(5,106,889)</u>	<u>3,293,898</u>	<u>(3,081,600)</u>	<u>(825,855)</u>	<u>(1,674,664)</u>	<u>(3,222,551)</u>	<u>4,563,973</u>	<u>3,765,557</u>
Total governmental activities net position	<u>\$ 43,173,099</u>	<u>\$ 33,098,094</u>	<u>\$ 30,841,484</u>	<u>\$ 29,558,564</u>	<u>\$ 19,199,146</u>	<u>\$ 14,147,826</u>	<u>\$ 9,138,725</u>	<u>\$ 6,249,910</u>	<u>\$ 11,815,513</u>	<u>\$ 8,789,723</u>
Business-type Activities:										
Unrestricted	<u>\$ 642,600</u>	<u>\$ 429,035</u>	<u>\$ 313,244</u>	<u>\$ 29,942</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>
Total business-type activities net position	<u>\$ 642,600</u>	<u>\$ 429,035</u>	<u>\$ 313,244</u>	<u>\$ 29,942</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,467</u>
School-wide:										
Invested in capital assets, net of related debt	\$ 32,618,276	\$ 34,112,176	\$ 35,933,373	\$ 25,977,565	\$ 22,280,746	\$ 14,973,681	\$ 10,813,389	\$ 9,472,461	\$ 7,251,540	\$ 5,024,166
Restricted	297,303	15,000	15,000	287,101	-	-	-	-	-	-
Unrestricted	<u>10,900,120</u>	<u>(600,047)</u>	<u>(4,793,645)</u>	<u>3,293,898</u> *	<u>(3,073,133)</u>	<u>(817,388)</u>	<u>(1,666,197)</u> *	<u>(3,214,084)</u>	<u>4,572,440</u>	<u>3,774,024</u>
Total school-wide net position	<u>\$ 43,815,699</u>	<u>\$ 33,527,129</u>	<u>\$ 31,154,728</u>	<u>\$ 29,558,564</u>	<u>\$ 19,207,613</u>	<u>\$ 14,156,293</u>	<u>\$ 9,147,192</u>	<u>\$ 6,258,377</u>	<u>\$ 11,823,980</u>	<u>\$ 8,798,190</u>

* As restated

North Star Academy Charter School of Newark
Changes in Net Position
For the Fiscal Years Ended June 30
(Accrual Basis of Accounting)

	<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>
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 42,208,461	\$ 38,962,824	\$ 38,183,475	\$ 36,120,567	\$ 33,512,442	\$ 29,593,079	\$ 28,569,460	\$ 22,353,327	\$ 18,661,363	\$ 13,319,253
Support Services:										
General administration	35,935,854	34,172,017	28,447,887	27,670,578	24,450,634	20,749,360	17,573,326	13,392,668	10,944,715	8,008,480
School administrative services	21,285,981	22,193,306	22,146,255	16,422,669	14,569,991	11,858,508	10,743,497	8,372,729	6,105,589	5,218,176
On-behalf TPAF Social Security and other	8,736,948	7,898,776	7,162,063	6,543,138	5,262,743	4,010,899	3,333,100	2,211,170	1,887,819	1,274,360
Capital outlay	810,487	15,025	10,378,083	4,835,316	8,053,995	4,729,541	1,847,881	2,590,690	2,543,174	2,315,040
Unallocated depreciation	1,645,586	1,640,627	1,293,706	1,138,497	733,808	569,233	485,411	368,075	315,800	121,351
Total governmental activities expenses	<u>110,623,317</u>	<u>104,882,575</u>	<u>107,611,469</u>	<u>92,730,765</u>	<u>86,583,613</u>	<u>71,510,620</u>	<u>62,552,675</u>	<u>49,288,659</u>	<u>40,458,460</u>	<u>30,256,660</u>
Business-type activities:										
Food service	736,915	2,518,061	2,643,297	2,485,142	2,232,981	1,926,803	2,005,639	1,411,837	1,254,950	934,288
Total business-type activities expense	<u>736,915</u>	<u>2,518,061</u>	<u>2,643,297</u>	<u>2,485,142</u>	<u>2,232,981</u>	<u>1,926,803</u>	<u>2,005,639</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,288</u>
Total school expenses	<u>\$ 111,360,232</u>	<u>\$ 107,400,636</u>	<u>\$ 110,254,766</u>	<u>\$ 95,215,907</u>	<u>\$ 88,816,594</u>	<u>\$ 73,437,423</u>	<u>\$ 64,558,314</u>	<u>\$ 50,700,496</u>	<u>\$ 41,713,410</u>	<u>\$ 31,190,948</u>
Program Revenues:										
Governmental activities:										
Operating grants and contributions	\$ 12,521,100	\$ 7,651,530	\$ 7,212,506	\$ 6,697,495	\$ 4,971,142	\$ 4,401,305	\$ 4,130,710	\$ 3,741,155	\$ 4,092,714	\$ 3,627,756
Capital grants and contributions	-	-	-	8,700,000	-	-	-	-	-	-
Interest and dividend income	169,083	128,906	165,316	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>12,690,183</u>	<u>7,780,436</u>	<u>7,377,822</u>	<u>15,397,495</u>	<u>4,971,142</u>	<u>4,401,305</u>	<u>4,130,710</u>	<u>3,741,155</u>	<u>4,092,714</u>	<u>3,627,756</u>
Business-type activities:										
Charges for services:										
Food service and transfers	950,480	2,633,852	2,926,599	2,506,617	2,232,981	1,926,803	2,005,639	1,411,837	1,254,950	934,288
Total business type activities program revenues	<u>950,480</u>	<u>2,633,852</u>	<u>2,926,599</u>	<u>2,506,617</u>	<u>2,232,981</u>	<u>1,926,803</u>	<u>2,005,639</u>	<u>1,411,837</u>	<u>1,254,950</u>	<u>934,288</u>
Total district program revenues	<u>\$ 13,640,663</u>	<u>\$ 10,414,288</u>	<u>\$ 10,304,421</u>	<u>\$ 17,904,112</u>	<u>\$ 7,204,123</u>	<u>\$ 6,328,108</u>	<u>\$ 6,136,349</u>	<u>\$ 5,152,992</u>	<u>\$ 5,347,664</u>	<u>\$ 4,562,044</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (97,933,134)	\$ (97,102,139)	\$ (100,233,647)	\$ (77,333,270)	\$ (81,612,471)	\$ (67,109,315)	\$ (58,421,965)	\$ (45,547,504)	\$ (36,365,746)	\$ (26,628,904)
Business-type activities	213,565	115,791	283,302	21,475	-	-	-	-	-	389
Total school-wide net expense	<u>\$ (97,719,569)</u>	<u>\$ (96,986,348)</u>	<u>\$ (99,950,345)</u>	<u>\$ (77,311,795)</u>	<u>\$ (81,612,471)</u>	<u>\$ (67,109,315)</u>	<u>\$ (58,421,965)</u>	<u>\$ (45,547,504)</u>	<u>\$ (36,365,746)</u>	<u>\$ (26,628,515)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Local share	\$ 12,692,868	\$ 12,040,344	\$ 11,123,916	\$ 10,744,075	\$ 9,138,790	\$ 8,488,451	\$ 6,187,952	\$ 5,739,383	\$ 4,363,898	\$ 3,046,200
State share	82,523,091	76,567,814	69,248,977	64,592,509	59,255,291	51,175,930	46,354,725	35,548,577	27,930,177	20,400,537
State aid	15,036,654	13,948,109	12,131,879	9,815,120	8,221,103	7,469,860	6,288,156	4,780,707	3,490,180	2,655,976
Miscellaneous income	464,740	953,486	2,501,677	1,169,650	5,357,695	1,337,108	653,608	431,356	1,064,107	1,022,317
Increase in net capital outlay	816,865	25,682	10,378,083	4,835,316	8,040,873	4,729,541	1,826,339	2,588,996	2,543,174	2,290,827
Total governmental activities	<u>111,534,218</u>	<u>103,535,435</u>	<u>105,384,532</u>	<u>91,156,670</u>	<u>90,013,752</u>	<u>73,200,890</u>	<u>61,310,780</u>	<u>49,089,019</u>	<u>39,391,536</u>	<u>29,415,857</u>
Total school-wide	<u>\$ 111,534,218</u>	<u>\$ 103,535,435</u>	<u>\$ 105,384,532</u>	<u>\$ 91,156,670</u>	<u>\$ 90,013,752</u>	<u>\$ 73,200,890</u>	<u>\$ 61,310,780</u>	<u>\$ 49,089,019</u>	<u>\$ 39,391,536</u>	<u>\$ 29,415,857</u>
Change in Net Position:										
Governmental activities	\$ 13,601,084	\$ 6,433,296	\$ 5,150,885	\$ 13,824,300	\$ 8,401,281	\$ 6,091,575	\$ 2,888,815	\$ 3,541,515	\$ 3,025,790	\$ 2,786,953
Business-type activities	213,565	115,791	283,302	21,475	-	-	-	-	-	389
Total school	<u>\$ 13,814,649</u>	<u>\$ 6,549,087</u>	<u>\$ 5,434,187</u>	<u>\$ 13,845,775</u>	<u>\$ 8,401,281</u>	<u>\$ 6,091,575</u>	<u>\$ 2,888,815</u>	<u>\$ 3,541,515</u>	<u>\$ 3,025,790</u>	<u>\$ 2,787,342</u>

North Star Academy Charter School of Newark
Fund Balances - Governmental Funds
For the Fiscal Years Ended June 30
(Modified Accrual Basis of Accounting)

	<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>
Governmental Fund:										
Unreserved	\$ 39,022,498	\$ 24,685,169	\$ 16,636,928	\$ 20,298,319	\$ 10,457,939	\$ 9,363,723	\$ 7,432,456	\$ 5,884,567	\$ 4,563,973	\$ 3,765,557
Reserved	<u>297,303</u>	<u>15,000</u>	<u>15,000</u>	<u>287,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 39,319,801</u>	<u>\$ 24,700,169</u>	<u>\$ 16,651,928</u>	<u>\$ 20,585,420</u>	<u>\$ 10,457,939</u>	<u>\$ 9,363,723</u>	<u>\$ 7,432,456</u>	<u>\$ 5,884,567</u>	<u>\$ 4,563,973</u>	<u>\$ 3,765,557</u>

North Star Academy Charter School of Newark
Changes in Fund Balances - Governmental Funds
For the Fiscal Years ended June 30
(Modified Accrual Basis of Accounting)

	<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>
Revenues:										
Local tax levy	\$ 12,692,868	\$ 12,040,344	\$ 11,123,916	\$ 10,744,975	\$ 9,138,790	\$ 8,488,451	\$ 6,187,952	\$ 5,739,383	\$ 4,363,898	\$ 3,046,200
Other local revenue	1,797,839	2,756,946	4,092,869	10,840,472	6,381,234	2,382,303	2,003,820	1,594,353	2,520,843	2,234,821
State sources	97,559,745	90,515,923	81,380,856	74,407,629	67,502,362	58,668,870	52,663,641	40,346,110	31,436,235	23,070,322
Federal sources	11,188,001	5,848,070	5,621,314	5,726,673	3,921,635	3,333,030	2,759,738	2,561,332	2,620,100	2,401,832
Interest and dividend income	169,083	128,906	165,316	-	-	-	-	-	-	-
Total revenues	<u>123,407,536</u>	<u>111,290,189</u>	<u>102,384,271</u>	<u>101,719,749</u>	<u>86,944,021</u>	<u>72,872,654</u>	<u>63,615,151</u>	<u>50,241,178</u>	<u>40,941,076</u>	<u>30,753,175</u>
Expenditures:										
Instruction:										
Regular instruction	32,714,426	32,907,361	32,262,268	30,884,182	29,489,918	26,222,762	24,897,873	19,006,149	15,532,877	9,279,438
Support Services:										
General administration	32,945,074	32,575,950	27,171,587	26,209,468	23,502,016	19,718,372	17,114,203	12,998,691	9,980,487	8,420,539
School administrative services/Plant	21,285,981	22,193,306	22,146,255	16,422,669	14,569,991	11,858,508	10,743,497	8,372,729	6,105,589	5,218,176
TPAF Social Security and other	8,736,948	7,898,776	7,162,063	6,543,138	5,262,743	4,010,899	3,333,100	2,211,170	1,887,819	1,274,360
Capital outlay	810,487	15,025	10,378,083	4,835,316	8,053,995	4,729,541	1,847,881	2,590,690	2,543,174	2,315,040
Special revenue	12,484,815	7,651,530	7,197,506	6,697,495	4,971,142	4,401,305	4,130,710	3,741,155	4,092,714	3,627,756
Total expenditures	<u>108,977,731</u>	<u>103,241,948</u>	<u>106,317,762</u>	<u>91,592,268</u>	<u>85,849,805</u>	<u>70,941,387</u>	<u>62,067,264</u>	<u>48,920,584</u>	<u>40,142,660</u>	<u>30,135,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,429,805</u>	<u>8,048,241</u>	<u>(3,933,491)</u>	<u>10,127,481</u>	<u>1,094,216</u>	<u>1,931,267</u>	<u>1,547,887</u>	<u>1,320,594</u>	<u>798,416</u>	<u>617,866</u>
Net change in fund balances	<u>\$ 14,429,805</u>	<u>\$ 8,048,241</u>	<u>\$ (3,933,491)</u>	<u>\$ 10,127,481</u>	<u>\$ 1,094,216</u>	<u>\$ 1,931,267</u>	<u>\$ 1,547,887</u>	<u>\$ 1,320,594</u>	<u>\$ 798,416</u>	<u>\$ 617,866</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

North Star Academy Charter School of Newark
General Fund - Other Local Revenue by Source
For the Fiscal Years Ended June 30
(Modified Accrual Basis of Accounting)

	<u>E-Rate</u>	<u>Donations</u>	<u>Totals</u>
2012	\$ -	\$ 1,022,317	\$ 1,022,317
2013	345,049	719,058	1,064,107
2014	239,646	191,710	431,356
2015	315,008	338,600	653,608
2016	529,613	807,495	1,337,108
2017	57,395	5,296,011	5,353,406
2018	855,677	5,296,011	6,151,688
2019	494,936	2,006,741	2,501,677
2020	386,271	567,215	953,486
2021	429,599	35,141	464,740

Source: School Financial Statements

DEMOGRAPHIC AND ECONOMIC INFORMATION

**North Star Academy Charter School of Newark
Demographic and Economic Statistics
For the Fiscal Years Ended June 30**

Year	Population ^a	Personal Income (thousands of dollars) ^b	County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	781,943	\$ 39,807,171	\$ 50,908	8.5%
2010	784,037	40,729,430	51,948	10.8%
2011	785,551	42,595,367	54,224	10.8%
2012	785,063	43,221,035	55,054	10.7%
2013	786,649	43,901,088	55,808	9.7%
2014	788,726	46,129,885	58,487	8.0%
2015	790,439	48,089,979	60,840	6.9%
2016	792,689	49,411,680	62,334	6.0%
2017	796,349	51,151,274	64,232	5.7%
2018	798,570	52,078,018	65,214	5.2%
2019	798,975	54,056,329	67,657	4.4%
2020	*	*	*	10.8%
2021	*	*	*	11.7%

Source:

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

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

^c Personal capital income by municipality estimated based upon the 2000 Census published by the U.S. Bureau of Economic Analysis.

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

* Data was not available at time of issuance.

**North Star Academy Charter School of Newark
Principal Employers
For the Fiscal Year Ended June 30, 2021**

<u>Employer</u>	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
Newark Liberty International Airport	24,500	1	18.00%
Verizon Communications	20,700	2	15.00%
Continental - United Airlines	15,800	3	12.00%
Public Service Enterprise Group	13,400	4	10.00%
Robert Wood Johnson Health	12,945	5	10.00%
Prudential Financial, Inc.	11,000	6	8.00%
Newark Board of Education	8,743	7	6.00%
US Government	6,000	8	4.00%
Horizon Blue Cross and Blue Shield	5,595	9	4.00%
Newark Hopitals	5,523	10	4.00%
NJ Transit	4,000		3.00%
Essex County	3,900		3.00%
City of Newark	3,500		3.00%
	<u>135,606</u>		<u>100.00%</u>

OPERATING INFORMATION

**North Star Academy Charter School of Newark
Full-Time Equivalent Charter School Employees by Function/Program
For the Fiscal Years Ended June 30**

<u>Function/Program</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	491	475	443	416	360	305	289	241	226	160
Support Services:										
General administration	60	60	55	53	45	34	34	28	-	-
Other support services	<u>104</u>	<u>77</u>	<u>70</u>	<u>81</u>	<u>78</u>	<u>75</u>	<u>61</u>	<u>60</u>	<u>-</u>	<u>-</u>
Total	<u><u>655</u></u>	<u><u>612</u></u>	<u><u>568</u></u>	<u><u>550</u></u>	<u><u>483</u></u>	<u><u>414</u></u>	<u><u>384</u></u>	<u><u>329</u></u>	<u><u>226</u></u>	<u><u>160</u></u>

Source: School Personnel Records

**North Star Academy Charter School of Newark
Operating Statistics
For the Fiscal Years Ended June 30**

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2012	1,677	\$ 30,421,990	\$ 18,141	12.00%	160	61	71	28	1,671	1,625	33.00%	96.90%
2013	2,203	40,326,665	18,305	0.91%	226	91	100	35	2,187	2,090	30.88%	95.56%
2014	2,733	49,435,078	18,088	-1.19%	241	104	100	37	2,711	2,570	23.96%	94.80%
2015	3,441	64,072,903	18,620	2.94%	289	158	87	44	3,436	3,281	26.74%	95.49%
2016	3,970	60,677,252	15,284	-17.92%	305	166	94	45	4,016	3,818	16.88%	95.07%
2017	4,492	82,820,042	18,437	20.63%	360	187	110	63	4,510	4,287	12.30%	95.06%
2018	4,958	82,947,566	16,730	-9.26%	416	191	146	79	4,970	4,688	10.20%	94.33%
2019	5,361	92,513,107	17,257	3.15%	443	210	145	88	5,391	5,093	8.47%	94.47%
2020	5,970	97,861,233	16,392	-2.02%	475	210	153	112	5,969	5,576	20.10%	93.42%
2021	6,319	100,977,698	15,980	-4.48%	491	215	150	126	6,329	5,886	27.34%	93.00%

Sources: School records

**North Star Academy Charter School of Newark
School Building Information
For the Fiscal Years Ended June 30**

District Building	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Downtown Campus (MS#1, HS#1 and Network Office)										
Square Feet	113,229	113,229	113,229	113,229	109,200	109,200	109,200	109,200	109,200	104,900
Capacity (students)	1,400	1,400	1,400	1,400	1,190	900	900	900	900	900
Enrollment	1,103	1,061	983	960	919	851	722	679	624	539
Vailsbury Campus (ES#1, MS#3)										
Square Feet	89,000	89,000	89,000	89,000	89,000	89,000	89,000	81,000	81,000	81,000
Capacity (students)	850	850	850	850	850	850	800	800	800	735
Enrollment	846	845	817	812	795	805	762	757	673	576
Clinton Hill Campus (MS#2)										
Square Feet	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Capacity (students)	400	400	400	400	400	400	400	400	400	400
Enrollment	376	376	364	359	354	376	333	308	293	300
West Side Park Campus (ES#2)										
Square Feet			86,000	86,000	86,000	86,000	86,000	86,000	86,000	86,000
Capacity (students)			850	850	850	850	850	735	735	735
Enrollment			445	444	441	858	709	536	348	174
Fairmount Campus (ES#3, ES#4)										
Square Feet	118,888	118,888	118,888	118,888	118,888	118,888	118,888	118,888	118,888	12,637
Capacity (students)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	87
Enrollment	921	938	897	901	900	837	625	453	265	87
Alexander Campus (ES#5)										
Square Feet	75,000	75,000	75,000	75,000	75,000	75,000	75,000			
Capacity (students)	700	700	700	700	700	700	700			
Enrollment	473	469	453	601	469	380	290			
Central Campus (MS#5)										
Square Feet	35,000	35,000	35,000	35,000	35,000	48,000				
Capacity (students)	400	400	400	400	400	400				
Enrollment	373	372	353	270	180	96				
Lincoln Park Campus (HS#2, MS#6, ES#6)										
Square Feet	162,600	162,600	63,000	63,000	63,000					
Capacity (students)	1,700	1,700	994	994	994					
Enrollment	1,325	1,067	686	251	80					
West Side Park Middle Campus (MS#4)										
Square Feet			30,000	30,000	30,000					
Capacity (students)			410	410	410					
Enrollment			363	355	354					
West Side Park Campus (ES#2, MS#4)										
Square Feet	78,000	78,000								
Capacity (students)	900	900								
Enrollment	840	842								

Number of Schools at June 30, 2021
 Elementary = 6
 Middle School = 6
 Senior High School = 2
 Other = 0

Source: School Office

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Insurance Schedule
For the Fiscal Year Ended June 30, 2021

Coverage	Policy Period	Policy No.	Carrier	Limits of Liability	Deductible	Coverage Comments	Premium
General Liability	7/1/20 – 7/1/21	P673AJ	New Jersey School Boards Association Insurance Group	\$31,000,000 - Products - Completed Operations \$31,000,000 - Personal and Adv. Injury \$31,000,000 - Each Occurrence \$17,000,000 - Sexual Abuse \$31,000,000 - Employee Benefits \$1,000,000 - Terrorism	N/A N/A N/A N/A \$1,000 Each Claim N/A		\$336,353
Automobile Liability	7/1/20 – 7/1/21	P673AJ	New Jersey School Boards Association Insurance Group	\$31,000,000 - Combined Single Limit			Incl. with GL
Workers' Compensation	7/1/20 – 7/1/21	W673AJ	New Jersey School Boards Association Insurance Group	\$3,000,000 - Each Accident \$3,000,000 - Policy Limit \$3,000,000 - Each Employee		Professional/Non \$49,099,255/ \$850,000	\$285,257
Errors and Omissions	7/1/20 – 7/1/21	E673AI	New Jersey School Boards Association Insurance Group	\$30,000,000 - Coverage A \$50,000/\$150,000 - Coverage B	\$10,000 \$10,000		\$152,167
Supplemental Indemnity	7/1/20 – 7/1/21	6477-5774	New Jersey School Boards Association Insurance Group	7 days waiting period			\$14,404
Property	7/1/20 – 7/1/21	P673AJ	New Jersey School Boards Association Insurance Group	\$500,000,000 - Real and Personal Property \$50,000,000 - Extra Expense \$10,000,000 - Valuable Papers Included - Ordinance or Law \$25,000,000 - Demolition and increased Cost of Const. \$25,000,000 - Special Flood Zones \$75,000,000 - All Flood Zones \$50,000 - Earthquake \$1,000,000 - EDP \$100,000,000 - Equipment Breakdown	\$5,000 – per occurrence \$5,000 \$5,000 \$5,000 \$5,000 \$500,000 per building \$10,000 – per occurrence \$5,000 \$0 \$5,000		Incl. with GL
Crime and Bonds	7/1/20 – 7/1/21	P673AJ	New Jersey School Boards Association Insurance Group	\$50,000 - Faithful Performance \$10,000 - Money Orders/Counterfeit \$50,000 - Theft, Disappearance and Destruction \$100,000 - Business Administrator	\$500 \$500 \$500 \$1,000		Incl. with GL
Excess Side A D&O	7/1/20 – 7/1/21	EPG0028431	RLI Insurance Company	\$3,000,000 excess of 16,000,000			\$8,610

CHARTER SCHOOL PERFORMANCE FRAMEWORK FINANCIAL INDICATORS

North Star Academy Charter School of Newark
Near Term and Sustainability Indicators
For the Fiscal Years Ended June 30

	<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>
Cash	\$ 37,774,307	\$ 26,753,187	\$ 6,161,295	\$ 9,881,466	\$ 8,551,885	\$ 8,784,826	\$ 6,093,493	\$ 5,779,792	\$ 4,789,709
Current Assets	47,034,806	30,292,161	21,919,860	23,295,218	11,572,042	10,368,778	8,389,045	6,586,756	5,554,760
Capital Assets - net	32,618,276	33,446,997	35,061,942	25,977,565	22,280,746	14,974,697	10,813,389	9,472,461	7,251,540
Total Assets	<u>79,653,082</u>	<u>63,739,158</u>	<u>56,981,802</u>	<u>49,272,783</u>	<u>33,852,788</u>	<u>25,343,475</u>	<u>19,202,434</u>	<u>16,059,217</u>	<u>12,806,300</u>
Current Liabilities	<u>7,072,405</u>	<u>5,162,957</u>	<u>4,954,688</u>	<u>2,679,856</u>	<u>1,105,636</u>	<u>996,588</u>	<u>948,122</u>	<u>693,722</u>	<u>982,320</u>
Net Position	<u>\$ 72,580,677</u>	<u>\$ 58,576,201</u>	<u>\$ 52,027,114</u>	<u>\$ 46,592,927</u>	<u>\$ 32,747,152</u>	<u>\$ 24,346,887</u>	<u>\$ 18,254,312</u>	<u>\$ 15,365,495</u>	<u>\$ 11,823,980</u>
Total Revenue	\$ 123,407,536	\$ 111,290,189	\$ 102,384,271	\$ 101,719,749	\$ 89,177,002	\$ 74,799,457	\$ 65,620,790	\$ 51,653,015	\$ 42,196,026
Total Expenses	<u>(108,977,731)</u>	<u>(103,241,948)</u>	<u>(106,317,763)</u>	<u>(91,592,268)</u>	<u>(88,082,786)</u>	<u>(72,868,190)</u>	<u>(64,072,903)</u>	<u>(50,332,421)</u>	<u>(41,397,610)</u>
Change in Fund Balance	<u>\$ 14,429,805</u>	<u>\$ 8,048,241</u>	<u>\$ (3,933,492)</u>	<u>\$ 10,127,481</u>	<u>\$ 1,094,216</u>	<u>\$ 1,931,267</u>	<u>\$ 1,547,887</u>	<u>\$ 1,320,594</u>	<u>\$ 798,416</u>
Depreciation	\$ 1,645,586	\$ 1,640,627	\$ 1,293,706	\$ 1,138,497	\$ 733,808	\$ 569,233	\$ 485,411	\$ 368,075	\$ 315,800
Final average daily enrollment	6,319	5,970	5,361	4,958	4,492	3,970	3,441	2,733	2,203
March 30th budgeted enrollment	6,354	5,889	5,382	4,885	4,400	3,900	3,400	2,700	2,000
Near Term Indicators									
Current Ratio	6.65	5.87	4.42	8.69	10.47	10.40	8.85	9.49	5.65
Unrestricted days in cash	126.52	94.58	21.15	39.38	35.44	44.00	34.71	41.91	42.23
Enrollment variance	100%	100%	100%	100%	100%	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sustainability Indicators									
Total Margin	11.7%	7.2%	-3.8%	10.0%	1.2%	2.6%	2.4%	2.6%	1.9%
Debt to Asset	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cash Flow	31,613,012	20,591,892	(3,720,171)	1,329,581	(232,941)	2,691,333	313,701	990,083	1,276,495
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

**Report on Compliance and Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditor's Report

To the Board of Trustees of
North Star Academy Charter School of Newark:

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 and audit requirements as prescribed by the *Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Star Academy Charter School of Newark (the Charter School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated February 9, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

AAFCPA, Inc.

Westborough, Massachusetts
February 9, 2022

John R. Buckley, C.P.A.
Public School Accountant
PSA #20CS00271800



Exhibit K-2

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with the Uniform Guidance and State of New Jersey OMB's Circular Letter 15-08

Independent Auditor's Report

To the Board of Trustees of
North Star Academy Charter School of Newark:

Report on Compliance for Each Major Federal and State Program

We have audited North Star Academy Charter School of Newark's (the Charter School) 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 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 Federal and state statutes, regulations, and the terms and conditions of its Federal and state awards applicable to its Federal and state programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. 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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Department of Treasury OMB's Circular Letter 15-08 *Single Audit Policy for Receipts of Federal Grants, State Grants and State Aid*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 and state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

AAFCPA, Inc.

Westborough, Massachusetts
February 9, 2022

John R. Buckley, C.P.A.
Public School Accountant
PSA #20CS00271800

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
 Schedule of Expenditures of Federal Awards, Schedule A
 For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-through Entity Identification Number	Program or Award Amount	Grant Period		Balance at June 30, 2020	Cash Received	Total Budgetary Expenditures	Balance at June 30, 2021
				From	To				Accounts Receivable
U.S. Department of Health and Human Services									
Passed-through New Jersey Department of Health and Human Services:									
General Fund:									
COVID-19 - Medical Assistance Program (SEMI)	93.778	2005NJ5MAP	\$ 15,032	7/1/20	6/30/21	\$ -	\$ -	\$ 15,032	\$ -
Special Revenue Fund:									
Medical Assistance Program (SEMI)	93.778	2005NJ5MAP	\$ 183,634	7/1/20	6/30/21	-	183,634	183,634 (A)	-
Total AL #93.778 and U.S. Department of Health and Human Services						-	183,634	198,666	-
U.S. Department of Education									
Passed-through New Jersey Department of Education:									
Special Revenue Fund:									
COVID-19 - Education Stabilization Fund	84.425D	S425D200027	\$ 2,949,624	7/1/20	6/30/21	-	2,657,723	2,949,624	291,901
Title I Grants to Local Educational Agencies	84.010A	S010A200030	\$ 4,725,399	7/1/20	6/30/21	543,681	4,588,125	4,725,399	680,955
Special Education Cluster (IDEA):									
Special Education Grants to States	84.027	H027A180100	\$ 1,363,348	7/1/20	6/30/21	35,861	1,252,074	1,363,348	147,135
Total U.S. Department of Education						579,542	8,497,922	9,038,371 (A)	1,119,991
U.S. Department of Treasury									
Passed-through New Jersey Department of Education:									
Special Revenue Fund:									
COVID-19 - Coronavirus Relief Fund	21.019	SLT0228	\$ 1,965,996	7/1/20	6/30/21	-	1,965,996	1,965,996 (A)	-
U.S. Department of Agriculture									
Passed-through New Jersey Department of Agriculture:									
Enterprise Fund:									
Child Nutrition Cluster:									
School Breakfast Program	10.553	171NJ304N1099	\$ 111,673	7/1/20	6/30/21	5,390	117,063	111,673	-
National School Lunch Program	10.555	202121H170341 171NJ304N1099	\$ 554,080	7/1/20	6/30/21	16,563	59,162	554,080	511,481
Total Enterprise Fund, Child Nutrition Cluster and U.S. Department of Agriculture						21,953	176,225	665,753	511,481
Total Expenditures of Federal Awards						\$ 1,181,037	\$ 10,823,777	\$ 11,868,786	\$ 1,631,472

(A) \$11,188,001 - Special Revenue Fund

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Year Ended June 30, 2021

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Accounts Receivable June 30, 2020	Cash Received	Budgetary Expenditures	Accounts Receivable June 30, 2021
			From	To				
State Department of Education								
General Fund:								
Equalization Aid - Local	21-495-034-5120-078	\$ 12,692,868	7/1/20	6/30/21	\$ -	\$ 12,692,868	\$ 12,692,868	\$ -
Equalization Aid - State	21-495-034-5120-078	\$ 82,523,091	7/1/20	6/30/21	-	82,523,091	82,523,091	-
Special Education Categorical Aid	21-495-034-5120-089	\$ 2,959,616	7/1/20	6/30/21	-	2,959,616	2,959,616	-
Security Aid	21-495-034-5120-084	\$ 3,340,090	7/1/20	6/30/21	-	3,340,090	3,340,090	-
On-Behalf Teachers' Pension and Annuity Fund - Post-Retirement Medical	21-495-034-5094-001	\$ 1,760,642	7/1/20	6/30/21	-	1,760,642	1,760,642	-
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002	\$ 5,586,598	7/1/20	6/30/21	-	5,586,598	5,586,598	-
Reimbursed TPAF Social Security Contributions	21-495-034-5094-003	\$ 1,393,935	7/1/20	6/30/21	119,895	1,393,935	1,389,708	115,668
Total General Fund					119,895	110,256,840	110,252,613	115,668
Enterprise Fund:								
State School Lunch	21-100-010-3350-023	\$ 13,768	7/1/20	6/30/21	-	13,768	13,768	-
Total Enterprise Fund					-	13,768	13,768	-
Total State Financial Assistance					<u>\$ 119,895</u>	<u>\$ 110,270,608</u>	110,266,381	<u>\$ 115,668</u>
Less: On-Behalf TPAF Pension System Contributions:								
On-Behalf Teachers' Pension and Annuity Fund - Post-Retirement Medical	21-495-034-5094-001						(1,760,642)	
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002						(5,586,598)	
Total for State Financial Assistance - Major Program Determination							<u>\$ 102,919,141</u>	

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Schedules of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2021

1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (collectively, the Schedules) include Federal and state award activity of North Star Academy Charter School of Newark. All Federal and state awards received directly from Federal and state agencies, as well as Federal awards and state financial assistance passed through other organizations are included on the Schedules.

2. BASIS OF ACCOUNTING

The accompanying Schedules are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance); and the provisions of New Jersey OMB's *Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

3. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The Schedules present only a selected portion of the activities of the Charter School. They are not intended to, nor do they, present either the balance sheet, revenue, expenditures, or changes in fund balance of the governmental funds. The financial activity for the aforementioned awards is reported in the Charter School's statement of activities and statement of revenue, expenditures and changes in fund balance - governmental funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 15,032	\$ 110,252,613	\$ 110,252,613
Special Revenue Fund	11,188,001	-	11,188,001
Food Service Fund	<u>665,753</u>	<u>13,768</u>	<u>679,521</u>
Total Awards and Financial Assistance	<u>\$ 11,868,786</u>	<u>\$ 110,266,381</u>	<u>\$ 122,135,167</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Notes to the Schedules of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2021

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. OTHER

The TPAF Social Security Contributions of \$1,389,708 represent the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2021.

The amount reported as TPAF Pension System Contributions and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$7,347,240 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2021.

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

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

7. DE MINIMIS INDIRECT COST RATE

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

1. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a “going concern” emphasis-of-matter paragraph included in the auditor’s report? Yes X No

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor’s report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major Federal programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
COVID-19 - Education Stabilization Fund	84.425D
Special Education Grants to States	84.027
COVID-19 - Coronavirus Relief Fund	21.019

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

Auditee qualified as low-risk auditee? X Yes No

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

1. SUMMARY OF AUDITOR’S RESULTS (Continued)

State Awards

	<u>Yes</u>	<u>No</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$3,307,991	
Auditee qualified as low risk auditee:	X	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor's report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to reported in Accordance with New Jersey Department of Treasury OMB Circular Letter 15-08?		X
Identification of major programs:		
<u>GMIS Number(s)</u>		<u>Name of State Program or Cluster</u>
21-495-034-5120-078		Equalization Aid - Local
21-495-034-5120-078		Equalization Aid - State
21-495-034-5120-089		Security Aid

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Schedule Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None

4. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None