

UNITY CHARTER SCHOOL

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2021

UNITY CHARTER SCHOOL

***Unity Charter School
Board of Trustees
Morris Township, New Jersey***

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

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021***

Prepared By

***Unity Charter School
Finance Department***

And

Barre & Company, CPA's

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Angelica Allen-McMillian, Ed.D, **Acting Commissioner**
Secretary, State Board of Education

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INTRODUCTORY SECTION



TEACHING CAPABLE, CONFIDENT KIDS FOR A HEALTH PLANET

ONE EVERGREEN PLACE, MORRIS TOWNSHIP, NEW JERSEY 07960
TEL. (973) 292-1808; FAX (973) 267-9288

February 25, 2022

Honorable President and
Members of the Board of Trustees
Unity Charter School
One Evergreen Place,
Morris Township, New Jersey 07960

Dear Board Members:

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

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

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

Charter School Organization

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

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

1. REPORTING ENTITY AND ITS SERVICES:

Unity Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14, as amended. All funds of the school are included in this report. Unity Charter School, Board of Trustees, constitutes the Charter School’s reporting entity.

The Unity Charter School was chartered by the New Jersey Department of Education in January 1997 as the only charter school that had included a planning year prior to opening. The Charter School opened its doors to the first 60 students in grades K-7 in September 1998, in accordance with its charter. It maintained that enrollment level throughout the first school year. The Unity Charter School now operates a K-8 program, in which students thrive in a multi-age learning environment that stresses the importance of social and environmental responsibility. While encouraging each child to grow academically, Unity Charter School integrates parents and the community to participate in classroom support as well as the governance of the school.

Average Daily Enrollment

| <u>Fiscal Year</u> | <u>Student Enrollment-ADE</u> | <u>Percent Change-ADE</u> |
|--------------------|-------------------------------|---------------------------|
| 2020-2021 | 236.9 | 0.64% |
| 2019-2020 | 235.4 | -0.51% |
| 2018-2019 | 236.6 | -1.36% |
| 2017-2018 | 239.9 | 2.94% |
| 2016-2017 | 233.0 | 6.39% |

2. ECONOMIC CONDITION AND OUTLOOK:

Unity Charter School has completed its twenty-four year of operation as a kindergarten through eighth grade public school of choice. Students are admitted to Unity Charter School using a lottery method, as required by the State of New Jersey. Informational gatherings are held for interested parents in the fall and early winter, prior to the lottery process. After lottery selection, families are notified, and waiting lists are maintained. Enrollment information is maintained and reported as per Department of Education regulations.

3. MAJOR ACCOMPLISHMENTS:

In accordance with the school's mission, the Assembly, consisting of parents, trustees, staff and students, met three times this past year, and discussing such topics as the school charter, fundraising and development of a strategic plan, educational program and facilities issues. From these meetings came proposals and activities for the school community and the Board of Trustees. Weekly school meetings, peer mediation and class meetings continued the mission of collaborative teaching and governance.

Throughout the year, in accordance with the school's mission, sustainability was taught through the investigation of effects of human endeavor on our ecosystem, using learning activities such as field trips, class curriculum and individual and individual research projects. Charter School's lunch program continued its partially organic, whole food and vegetarian program, harvesting from the garden for the school lunches. The curriculum integrated sustainability and diversity themes with a robust curriculum that integrated the State Core Curriculum Standards.

The NJ Department of Education granted Unity Charter School another renewal in the 2016-2017 school year for five (5) years as it continues to make significant strides in improving academic outcomes and providing a positive school environment for sustainability and growth for the scholars of Unity Charter School. The school has submitted its plan for renewal for the next five years.

4. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control 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). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The primary control is that the Board President and one other Board member sign all general account checks, that all Purchase Orders are reviewed and that the Board President signs all payroll checks. In addition, the Treasurer verifies the payees on the checks and confirms the check register.

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

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. 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 cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as assignments of fund balance at June 30, 2021.

6. ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR END:

Unity Charter School has continued its positive financial position as compared to last year. Detailed information can be found in the Management Discussion and Analysis. The Charter School has been aggressive in collecting tuition owed for sending districts, and insuring that the sending districts update the enrollment records in the D.O.E. Charter School Enrollment System. However, even with these efforts tuition payments from the sending districts are historically slow. Unity Charter School ended the 2020-2021 year meeting all of its obligations.

8. CASH MANAGEMENT:

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

9. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents.

10. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, LLC Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal*

Grants, State Grants, and State Aid. The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

11. ACKNOWLEDGEMENTS:

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

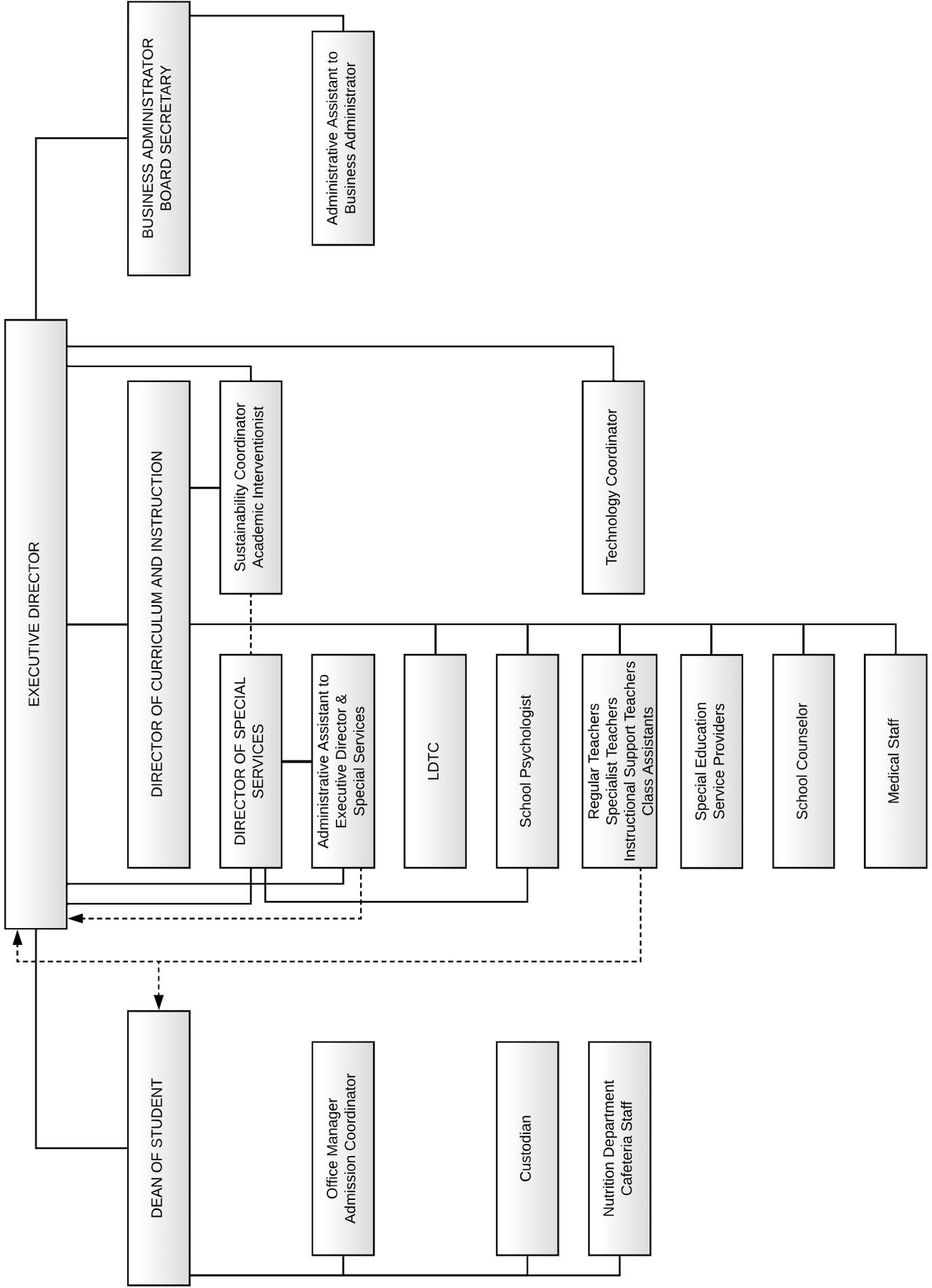
Respectfully submitted,

A handwritten signature in black ink that reads "Donald Goncalves". The signature is written in a cursive style with a large, looping 'D' and 'G'.

Donald Goncalves
Business Administrator / Board Secretary
Unity Charter School

Unity Charter School

ORGANIZATION CHART



**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2021**

MEMBERS OF THE BOARD OF TRUSTEES **TERM EXPIRES**

| | |
|---|------|
| Brina Stang President | 2022 |
| Owen Lipnick Vice President | 2023 |

Members:

| | |
|-----------------------|------|
| Charlene Burris | 2024 |
| John Coyle | 2022 |
| Valay Desai..... | 2024 |
| Brianna Divak | 2022 |
| Eslin Eckert..... | 2022 |
| Herschel Kenney..... | 2023 |
| Deven Lilburn | 2024 |
| Gayle Moran | 2023 |
| Nicole Severson..... | 2024 |

- Connie Sanchez** - Executive Director
- Donald Goncalves** - Business Administrator / Board Secretary
- Christopher Lessard** - Treasurer

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Johnston Law Firm, LLC
75 Midland Avenue
Montclair, New Jersey 07042

Official Depository

Peapack-Gladstone Bank
South Street
Morristown, New Jersey 07960

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206
Union, New Jersey 07083
(908) 686-3484
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www.cpa-bc.com ♦ info@cpa-bc.com

Independent Auditor’s Report

Honorable President
Members of the Board of Trustees
Unity Charter School

Morris Township, New Jersey

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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

Opinions

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

Emphasis of Matter

Adoption of New Accounting Principle

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

Consistency of Financial Statements

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

Prior Period Restatement

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

Other Matters

Required Supplementary Information

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

procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Unity Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section and schedules of expenditures of federal awards are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey. The accompanying schedule of expenditures of state financial assistance, as required by State of New Jersey's Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey*

In accordance with *Government Auditing Standards* and the Office of School Finance, Department of Education, State of New Jersey, we have also issued our report dated February 25, 2022 on our consideration of the Unity Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
February 25, 2022

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

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

The discussion and analysis of Unity Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- ❖ General revenues accounted for \$4,742,772 or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$173,927 or 4% of total revenues of \$4,916,699.
- ❖ The Charter School had \$4,617,637 in expenses; only \$173,927 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,742,772 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$4,631,206 in revenues and \$4,277,595 in expenditures. The General Fund's fund balance increased \$353,611 over 2020. This increase was anticipated by the Board of Trustees.

Using this Annual Comprehensive Financial Report (ACFR)

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

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

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2021?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

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

Statement of Net Position and the Statement of Activities (Continued)

most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

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

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 35 of this report.

The Charter School as a Whole

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

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

The Charter School's combined Net Position were \$817,387 for 2021 and \$518,012 for 2020.

Governmental Activities

The Charter School's total revenues were \$4,756,026 for 2021 and \$4,620,351 for 2020, this includes \$111,135 for 2021 and \$117,066 for 2020 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$4,464,202 for 2021 and \$4,414,326 for 2020. Instruction comprises 53% for 2021 and 48% for 2020 of Charter School expenses.

Business-Type Activities

Revenues for the Charter School's business-type activities (Food Service and After Care) were comprised of charges for services and federal and state reimbursements.

FOOD SERVICE

- ❖ Food service expenses exceeded revenues by (\$27,851) for 2021 while expenses exceeded revenues by (\$49,974) for 2020.
- ❖ Charges for services represent \$2,277 for 2021 and \$8,329 for 2020 of revenue. This represents amounts paid by patrons for daily food.

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

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

Business-Type Activities (Continued)

FOOD SERVICE

- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$61,973 for 2021 and \$21,779 for 2020.

AFTER CARE

- ❖ Revenues exceeded expenses by \$35,089 for 2021 and by \$21,049 for 2020.
- ❖ Charges for services represent \$96,423 for 2021 and \$35,306 for 2020 of revenue. This represents amounts paid by patrons for after care.

Governmental Activities

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

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

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

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

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$4,756,026 for 2021 and \$4,620,351 for 2020 and expenditures were \$4,398,921 for 2021 and \$4,411,662 for 2020. The net change in fund balance was most significant in the general fund, an increase of \$353,611 in 2021 and an increase of \$208,689 in 2020.

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

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

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

The Charter School's Funds (Continued)

| Revenues | Amount | Percent of Total | Increase/ (Decrease) From 2020 | Percent of Increase/ (Decrease) |
|-----------------|---------------------|---------------------|--------------------------------------|---------------------------------------|
| Local Sources | \$ 3,416,648 | 71.84% | \$ (995,856) | -22.57% |
| State Sources | 1,227,812 | 25.82% | (3,326,350) | -73.04% |
| Federal Sources | 111,566 | 2.34% | 11,602 | 11.61% |
| Total | \$ 4,756,026 | 100.00% | \$ (4,316,482) | |

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2021, and the percentage of increases and decreases in relation to prior year amounts.

| Expenditures | Amount | Percent of Total | Increase/ (Decrease) From 2020 | Percent of Increase/ (Decrease) |
|------------------|---------------------|---------------------|--------------------------------------|---------------------------------------|
| Instruction | \$ 1,750,235 | 39.79% | \$ 129,358 | 7.98% |
| Administration | 949,373 | 21.58% | (102,360) | -9.73% |
| Support Services | 1,699,313 | 38.63% | (12,302) | -0.72% |
| Capital Outlay | - | 0.00% | (27,437) | -100.00% |
| Total | \$ 4,398,921 | 100.00% | \$ (12,741) | |

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation) and Debt Administration

The Charter School had \$102,803 for 2021 and \$108,435 for 2020 invested in building improvements and equipment. At the end of fiscal years 2021 and 2020 there is no debt outstanding.

**UNITY CHARTER SCHOOL
MORRIS TOWNSHIP, NEW JERSEY**

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

For the Future

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

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Connie Sanchez, Executive Director at Unity Charter School, One Evergreen Place, Morris Township, New Jersey, 07960.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

UNITY CHARTER SCHOOL
Statement of Net Position
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 632,509 | \$ 45,873 | \$ 678,382 |
| Internal Balances | 101,564 | (101,564) | - |
| Other Receivables | 499,593 | 7,303 | 506,896 |
| Capital Assets, Net | 102,803 | | 102,803 |
| Total Assets | 1,336,469 | (48,388) | 1,288,081 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pensions Deferred Outflows | 573,499 | | 573,499 |
| Total Deferred Outflows of Resources | 573,499 | - | 573,499 |
| LIABILITIES: | | | |
| Accounts Payable | 11,238 | | 11,238 |
| Deferred Revenue | 12,203 | | 12,203 |
| Other Current Liabilities | 38,403 | | 38,403 |
| Net Pension Liability | 678,681 | | 678,681 |
| Total Liabilities | 740,525 | - | 740,525 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pensions Deferred Inflows | 303,668 | | 303,668 |
| Total Deferred Inflows of Resources | 303,668 | - | 303,668 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 111,566 | | 111,566 |
| Restricted for: | | | |
| Student Activities | 3,807 | | |
| Unrestricted (Deficit) | 750,402 | (48,388) | 702,014 |
| Total Net Position | \$ 865,775 | \$ (48,388) | \$ 813,580 |

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

UNITY CHARTER SCHOOL
Statement of Activities
For The Fiscal Year Ended June 30, 2021

| Functions/Programs | Expenses | Indirect Expenses Allocation | Program Revenues | | | Net (Expense) Revenue and Changes In Net Position | | |
|--------------------------------------|--------------|------------------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| GOVERNMENTAL ACTIVITIES: | | | | | | | | |
| Instruction | 1,717,314 | \$ 627,621 | \$ - | \$ - | \$ - | \$ (2,344,935) | \$ - | \$ (2,344,935) |
| Administration | 113,650 | 160,310 | | | | (273,960) | | (273,960) |
| Support Services | 1,704,210 | 132,334 | 13,254 | | | (1,823,290) | | (1,823,290) |
| Unallocated Depreciation | 8,763 | | | | | (8,763) | | (8,763) |
| Total Governmental Activities | 3,543,937 | \$ 920,265 | 13,254 | - | - | (4,450,948) | - | (4,450,948) |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | | |
| Food Service and After Care | 153,435 | | 98,700 | 61,973 | | | 7,238 | 7,238 |
| Total Business-Type Activities | 153,435 | | 98,700 | 61,973 | | | 7,238 | 7,238 |
| Total Primary Government | \$ 3,697,372 | | \$ 111,954 | \$ 61,973 | \$ - | \$ (4,450,948) | \$ 7,238 | \$ (4,443,710) |
| GENERAL REVENUES | | | | | | | | |
| General Purposes | | | | | | \$ - | \$ - | \$ - |
| Federal and State Aid Not Restricted | | | | | | 1,339,378 | | 1,339,378 |
| Miscellaneous Income | | | | | | 3,403,394 | | 3,403,394 |
| Total General Revenues | | | | | | 4,742,772 | | 4,742,772 |
| Change in Net Position | | | | | | 291,824 | 7,238 | 299,062 |
| Net Position - Beginning of Year | | | | | | 573,638 | (55,626) | 518,012 |
| Prior Period Adjustments | | | | | | 313 | - | 313 |
| Net Position - July 1 (Restated) | | | | | | 573,951 | (55,626) | 518,325 |
| Net Position - Ending | | | | | | \$ 865,775 | \$ (48,388) | \$ 817,387 |

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

UNITY CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2021

| | General Fund | Special Revenue Fund | Total |
|---|---------------------|----------------------------|---------------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 628,702 | \$ 3,807 | \$ 632,509 |
| Receivables: | | | |
| Interfund Receivables | 176,596 | | 176,596 |
| Receivables From Other Governments | 419,959 | 79,634 | 499,593 |
| Total Current Assets | <u>1,225,257</u> | <u>83,441</u> | <u>1,308,698</u> |
| Total Assets | <u>\$ 1,225,257</u> | <u>\$ 83,441</u> | <u>\$ 1,308,698</u> |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Interfund Payables | \$ 7,601 | \$ 67,431 | \$ 75,032 |
| Accounts Payable | 11,238 | | 11,238 |
| Unearned Revenue | | 12,203 | 12,203 |
| Payable to Other Local Units | 38,403 | | 38,403 |
| Total Current Liabilities | <u>57,242</u> | <u>79,634</u> | <u>136,876</u> |
| Total Liabilities | <u>57,242</u> | <u>79,634</u> | <u>136,876</u> |
| Fund Balances: | | | |
| Restricted For: | | | |
| Student Activities | | 3,807 | 3,807 |
| Unassigned: | | | |
| General Fund | 1,168,015 | | 1,168,015 |
| Total Fund Balances | <u>1,168,015</u> | <u>3,807</u> | <u>1,171,822</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,225,257</u> | <u>\$ 83,441</u> | |
| Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$289,379 and the accumulated depreciation is \$186,576. | | | |
| | | | 102,803 |
| Net pension liability of \$678,681, deferred inflows of resources of \$303,668 less deferred outflows of resources of \$573,499 related to pensions are not reported in the governmental funds | | | |
| | | | <u>(408,850)</u> |
| Net Position of Governmental Activities | | | <u>\$ 865,775</u> |

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

UNITY CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2021

| | General Fund | Special Revenue Fund | Total |
|--------------------------------|-----------------|----------------------------|--------------|
| REVENUES: | | | |
| Local Sources: | | | |
| Local Tax Levy | \$ - | \$ - | \$ - |
| Transportation Fees | 3,204,027 | | 3,204,027 |
| Miscellaneous | 199,367 | 13,254 | 212,621 |
| Total Local Sources | 3,403,394 | 13,254 | 3,416,648 |
| Intermediate Sources | | | |
| State Sources | 1,227,812 | | 1,227,812 |
| Federal Sources | | 111,566 | 111,566 |
| Total Revenues | 4,631,206 | 124,820 | 4,756,026 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction | 1,717,314 | 32,921 | 1,750,235 |
| Administration | 949,373 | | 949,373 |
| Support Services | 1,610,908 | 88,405 | 1,699,313 |
| Capital Outlay | | | |
| Total Expenditures | 4,277,595 | 121,326 | 4,398,921 |
| NET CHANGE IN FUND BALANCES | 353,611 | 3,494 | 357,105 |
| FUND BALANCES, JULY 1 | 814,404 | - | 814,404 |
| PRIOR PERIOD ADJUSTMENT | | 313 | 313 |
| FUND BALANCE, JULY 1, RESTATED | 814,404 | 313 | 814,717 |
| FUND BALANCES, JUNE 30 | \$ 1,168,015 | \$ 3,807 | \$ 1,171,822 |

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

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

| | | |
|---|------------|----------|
| Total net change in fund balances - governmental fund (from B-2) | \$ | 357,105 |
| <p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p> | | |
| Depreciation Expense | \$ (8,763) | |
| Capital Outlay | - | (8,763) |
| <p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p> | | |
| | | (56,518) |
| Change in net position of governmental activities | \$ | 291,824 |

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

PROPRIETARY FUNDS

UNITY CHARTER SCHOOL
 Proprietary Fund
 Statement of Net Position
 June 30, 2021

| | Business-Type Activities Enterprise Fund | | |
|------------------------------------|--|--------------|------------|
| | Food Service | After School | Totals |
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ - | 45,873 | \$ 45,873 |
| Interfund Accounts Receivable | | 7,601 | 7,601 |
| Receivables From Other Governments | 7,303 | - | 7,303 |
| | 7,303 | 53,474 | 60,777 |
| Total Current Assets | | | |
| | 7,303 | 53,474 | 60,777 |
| Total Assets | \$ 7,303 | \$ 53,474 | \$ 60,777 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Interfund Accounts Payable | \$ 109,165 | - | \$ 109,165 |
| | 109,165 | - | 109,165 |
| Total Current Liabilities | | | |
| | 109,165 | - | 109,165 |
| Total Liabilities | | | |
| | 109,165 | - | 109,165 |
| NET POSITION: | | | |
| Unrestricted (Deficit) | (101,862) | 53,474 | (48,388) |
| | (101,862) | 53,474 | (48,388) |
| Total Net Assets | | | |
| | (101,862) | 53,474 | (48,388) |
| Total Liabilities and Net Assets | \$ 7,303 | \$ 53,474 | \$ 60,777 |

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

UNITY CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

| | Business-Type Activities Enterprise Fund | | | Totals |
|--|--|-------------------------|------------------|--------------------|
| | Food Service | Fixed Price Contract | After Care | |
| OPERATING REVENUES: | | | | |
| Charges for Services: | | | | |
| Daily Sales - Program (Reimbursable Program) Meals | \$ 2,278 | \$ - | \$ 96,422 | \$ 98,700 |
| Daily Sales - Non-Program (Non-reimbursable Program) Meals | - | | | - |
| Total Operating Revenues | <u>2,278</u> | <u>-</u> | <u>96,422</u> | <u>98,700</u> |
| OPERATING EXPENSES: | | | | |
| Salaries | 61,988 | - | 39,402 | 101,390 |
| Cost of Sales - Program (Reimbursable Program) Meals | 30,113 | - | | 30,113 |
| Miscellaneous Expenses | - | | 21,932 | 21,932 |
| Total Operating Expenses | <u>92,101</u> | <u>-</u> | <u>61,334</u> | <u>153,435</u> |
| OPERATING LOSS | <u>(89,823)</u> | <u>-</u> | <u>35,088</u> | <u>(54,735)</u> |
| NONOPERATING REVENUES: | | | | |
| State Lunch Program | 2,994 | - | | 2,994 |
| Federal Source: | | | | |
| Federal Breakfast Program | 1,204 | | | 1,204 |
| Federal Lunch Program | 57,775 | | | 57,775 |
| Total Nonoperating Revenues | <u>61,973</u> | <u>-</u> | <u>-</u> | <u>61,973</u> |
| CHANGE IN NET POSITION | <u>(27,850)</u> | <u>-</u> | <u>35,088</u> | <u>7,238</u> |
| CHANGE IN NET POSITION | <u>(27,850)</u> | <u>-</u> | <u>35,088</u> | <u>7,238</u> |
| TOTAL NET POSITION, JULY 1 | <u>(74,012)</u> | <u>-</u> | <u>18,386</u> | <u>(55,626)</u> |
| TOTAL NET POSITION, JUNE 30 | <u>\$ (101,862)</u> | <u>\$ -</u> | <u>\$ 53,474</u> | <u>\$ (48,388)</u> |

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

UNITY CHARTER SCHOOL
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2021

| | Business-Type Activities | | Total |
|---|-----------------------------|---------------|-------------|
| | Food Service | After Care | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash Received from Customers | \$ 2,277 | \$ 96,423 | \$ 98,700 |
| Cash Payments to Suppliers and Employees | (64,250) | (50,549) | (114,799) |
| Net Cash Used by Operating Activities | (61,973) | 45,874 | (16,099) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Cash Received from State and Federal Reimbursements | 61,973 | | 61,973 |
| Net Cash Provided by Noncapital Financing Activities | 61,973 | - | 61,973 |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | 45,874 | 45,874 |
| Cash and Cash Equivalents, July 1 | - | - | - |
| Cash and Cash Equivalents, June 30 | \$ - | \$ 45,874 | \$ 45,874 |
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities: | | | |
| Operating Loss Used for Operating Activities | \$ (89,823) | 35,089 | (54,734) |
| Changes in Assets and Liabilities: | | | |
| Decrease in Interfund Accounts Receivable | | 10,785 | 10,785 |
| Increase in Intergovernmental Accounts Receivable | (6,013) | | (6,013) |
| Increase in Interfund Accounts Payable | 33,863 | | 33,863 |
| Net Cash Used by Operating Activities | \$ (61,973) | \$ 45,874 | \$ (16,099) |

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

The Board of Education (“Board”) of the Unity Charter School (“Charter School”) is an instrumentality of the State of New Jersey, established to function as an educational institution. The Charter School is located in the County of Morris, State of New Jersey. The Board consists of elected officials and is responsible for the fiscal control of the Charter School. The purpose of the district is to education students in grades K-8. An Executive Director is appointed by the Board and is responsible for the administrative control of the Charter School.

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The financial statements include all funds of the Charter School over which the Board exercises operating control. The operations of the Charter School include an elementary and middle school located in Morristown, NJ. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Board’s basic financial statements consist of District-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the overall Charter School, except for the fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

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

FUND FINANCIAL STATEMENTS

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statement provide information about the Charter School's funds. Separate statements for each fund category – *government and proprietary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Board are grouped into the categories governmental and proprietary.

GOVERNMENTAL FUNDS

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The following fund types are used by the Charter School:

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

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

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

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

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

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

The Board's Enterprise is comprised of the Food Service and After School Program.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fiduciary Fund Types - Fiduciary Funds reporting focuses on net position and changes in net position. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organization, other governments and/or other funds. Fiduciary Funds include the Unemployment Compensation Insurance Fund, Student Activities Fund and Payroll Agency Fund.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 – Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local government, including New Jersey school districts and their charter schools. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, or FY2020-2021. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

After considering the criteria and guidance, it was determined that Payroll, Payroll Agency, and Unemployment Compensation Insurance (Fund 60), previously reported as fiduciary funds, that such activities are more appropriately reported in a general fund (Fund 10). Additionally, the charter school previously reported the activity of the Student Activity (Fund 90) as a fiduciary fund. Beginning in fiscal year 2020-2021, such activity are more appropriately reported in a special revenue fund (Fund 21).

B. Measurement Focus

District-wide Financial Statement

The District-wide statements (i.e., the statement of net position and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Board are included on the statement of net position, except for fiduciary funds.

Fund Financial Statements

All governmental funds are accounted for using allow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Like the District-wide statements, all proprietary fund types are accounted for on a flow economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under GAAP, in accordance with GASB No. 33, Accounting and Financial Reporting for Non-exchange Transactions, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: ad valorem property taxes, tuition, unrestricted grants and interest.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses / Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement of focus of governmental fund accounting is a on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets / Budgetary Control

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

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

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

| | |
|--|-------------------|
| Total Revenues & Expenditures (Budgetary Basis) | \$ 121,326 |
| Adjustments: | |
| Less Encumbrances at June 30, 2021 | - |
| Plus Encumbrances at June 30, 2020 | - |
| Total Revenues and Expenditures (GAAP Basis) | <u>\$ 121,326</u> |

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets / Budgetary Control (Continued)

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

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

E. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as assignments of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contract for goods and services.

Open encumbrances in the special revenue fund, for which the Board has received advances, are reflected in the balance sheet as unearned revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Cash, Cash Equivalents and Investments

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

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

Additionally, the Board 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 at ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds in deposit with a failed banking institution in New Jersey.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

G. Tuition Revenues / Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final cost have been confirmed.

H. Tuition Payable

Tuition charges were established by the receiving district. The charges are subject to adjustment when the final costs have been determined.

I. Inventories

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expenses when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in, first out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expenses when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Short-Term Interfund Receivables / Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund" receivables/payables. These amounts are eliminated in the governmental and business-type activities, which are presented as internal balances.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

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

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

Land and Construction in Progress are not depreciated.

M. 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 a specific event that is outside the control of the Board and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Board and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For the District-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentation.

N. Unearned Revenue

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, once incurred, are paid in timely manner and in full, from current resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

P. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the Charter School implemented GASB 68. This statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entries. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No, 27 and 50 remain applicable for pensions that are not covered by the scope of this statement.

The Charter School has also implemented GASB Statement 71, Pension Transition for Contributions made subsequent to the Measurement Date – an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement 68, Accounting Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as a date (measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflow of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition.

This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pension be reported at transition only if it is practical to determine all such amounts.

Q. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial 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 outflows of resources (expense / expenditure) until then. Currently, the Charter School has only one item that qualifies for reporting in this category, which is deferred amounts related to pensions.

In addition to liabilities, the statement of financial 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 Charter School has one item that qualifies in this category, deferred amounts related to pension.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balances

Fund balance is divided into five classifications based, primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

Nonspendable fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

Restricted fund balance includes amounts that can be spend only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraints originally.

Assigned fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

S. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposed for which both restricted and unrestricted net position are available.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Indirect Expenses (Continued)

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

V. Allocation of Indirect Expenses

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

W. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual result could differ from those estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Impact of Recently Issued Accounting Principles

During fiscal year 2021, the Charter School did not adopt any new GASB statements.

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

The GASB has issued the following Statements that will become effective for the Charter School for fiscal years ending after June 30, 2021

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

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

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

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

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

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

A. Deposits and Investments (Continued)

Deposits (Continued)

The carrying amount of the Board's cash and cash equivalents at June 30, 2021 was \$632,509 and the bank balance was \$678,197. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA. The Charter School had no investments at June 30, 2021.

| | <u>General Fund</u> | <u>Special Revenue</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|----------------------|-------------------------|----------------------------|----------------------------|-------------------|
| Operating Account | <u>\$ 628,702</u> | <u>\$ 3,807</u> | <u>\$ -</u> | <u>\$ 632,509</u> |

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

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

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

Investments

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

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Deposits and Investments (Continued)

Investments (Continued)

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

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

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

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

Receivables

Receivables at June 30, 2021, consisted of accounts, intergovernmental, grants, and miscellaneous.

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Receivables

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

| | Governmental Funds | | Total Governmental Activities | Proprietary Fund | Total Business Type Activities | Total |
|------------------------------------|--------------------|----------------------------|-------------------------------------|-------------------------|--------------------------------------|------------|
| | General Fund | Special Revenue Fund | | Food Service Fund | | |
| State Aid | \$ 409,038 | \$ - | \$ 409,038 | \$ - | \$ - | \$ 409,038 |
| Federal Aid | 10,921 | 79,634 | 90,555 | 7,303 | 7,303 | 97,858 |
| Other | - | - | - | - | - | - |
| Gross Receivables | 419,959 | 79,634 | 499,593 | 7,303 | 7,303 | 506,896 |
| Less: Allowance for Uncollectibles | - | - | - | - | - | - |
| Total Receivables, Net | \$ 419,959 | \$ 79,634 | \$ 499,593 | \$ 7,303 | \$ 7,303 | \$ 506,896 |

A. Interfund Receivables and Payables

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

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

| Fund | Interfund Receivable | Interfund Payable |
|----------------------|-------------------------|----------------------|
| General Fund | \$ 176,596 | \$ 7,601 |
| Special Revenue Fund | | 67,431 |
| Proprietary Fund | 7,601 | 109,165 |
| Total | \$ 184,197 | \$ 184,197 |

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

B. Capital Assets

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

| | Beginning Balance | Additions | Retirements | Ending Balance |
|--|------------------------------|-------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Building and Building Improvements | \$ 175,266 | \$ - | \$ - | \$ 175,266 |
| Machinery and Equipment | 114,113 | - | - | 114,113 |
| Total Capital Assets Being Depreciated | <u>289,379</u> | <u>-</u> | <u>-</u> | <u>289,379</u> |
| Less Accumulated Depreciation For: | | | | |
| Building and Building Improvements | 63,700 | 8,763 | - | 72,463 |
| Machinery and Equipment | 114,113 | - | - | 114,113 |
| Total Accumulated Depreciation | <u>177,813</u> | <u>8,763</u> | <u>-</u> | <u>186,576</u> |
| Total Capital Assets Being Depreciated, Net of Accumulated Depreciation | <u>111,566</u> | <u>(8,763)</u> | <u>-</u> | <u>102,803</u> |
| Government Activity Capital Assets, Net | <u>\$ 111,566</u> | <u>\$ (8,763)</u> | <u>\$ -</u> | <u>\$ 102,803</u> |

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is \$2,000. Applying the higher capitalization threshold retroactively will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

| | |
|-------------|-----------------|
| Unallocated | <u>\$ 8,763</u> |
| Total | <u>\$ 8,763</u> |

C. Rental Lease

The original Lease Agreement between The Evergreen Cemetery, Landlord, and Unity Charter School, Tenant, for the premises located at One Evergreen Place, Morris Township, New Jersey, was for a two-year term, beginning July 1, 2010, through June 30, 2012. The Lease Agreement provided for two subsequent five-year Renewal Terms. Unity is currently operating under the Second Renewal Term, which expires June 30, 2022. By way of a Fourth Amendment to the original lease, an additional five-year term was agreed upon, extending the Unity Charter School tenancy at this location to June 30, 2027. Future rental payments are as follows:

NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES (CONTINUED)

Rental Lease

| <u>Year Ended</u> | <u>Amount</u> |
|------------------------------|---------------------|
| June 30, 2022 | \$ 255,344 |
| June 30, 2023 | 255,344 |
| June 30, 2024 | 255,344 |
| June 30, 2025 | 255,344 |
| June 30, 2026 | 255,344 |
| June 30, 2027 | <u>255,344</u> |
| Total future rental payments | <u>\$ 1,532,064</u> |

NOTE 4: PENSION PLANS

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

A. Public Employees’ Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

NOTE 4: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Benefits Provided (Continued)

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

Basis of Presentation

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

Allocation Methodology and Reconciliation to Financial Statements

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

NOTE 4: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Allocation Methodology and Reconciliation to Financial Statements (Continued)

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2020 measurement date are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2021.

Contributions

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

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$ 45,528 for fiscal year 2021.

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

At June 30, 2021, the Charter School reported a liability of \$ 678,681 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 which was rolled forward to June 30, 2021. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020 measurement date, the Charter School's proportion was 0.00416180%, which was an

NOTE 4: PENSION PLANS (CONTINUED)

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

increase of 0.00198026% from its proportion measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the Charter School recognized pension expense of \$ 121,929 . At June 30, 2021, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Changes in Assumptions | \$ 22,017 | \$ 284,170 |
| Difference Between Expected and Actual Experience | \$ 12,358 | \$ 2,400 |
| Changes in Proportion | \$ 515,926 | \$ 17,098 |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | \$ 23,198 | - |
| | <u>\$ 573,499</u> | <u>\$ 303,668</u> |

Changes in Proportion

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

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

| Fiscal Year Ending June 30, | Total |
|-----------------------------|-------------------|
| 2022 | \$ 100,347.63 |
| 2023 | 91,487 |
| 2024 | 52,282 |
| 2025 | 21,142 |
| 2026 | 4,573 |
| | <u>\$ 269,831</u> |

NOTE 4: PENSION PLANS (CONTINUED)

Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of the June 30, 2020 measurement date are summarized in the following table:

NOTE 4: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of the June 30, 2020 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and 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.

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

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

NOTE 4: PENSION PLANS (CONTINUED)

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

| Measurement Date June 30, 2020 | | | |
|---|------------|---------------|------------|
| | 1% | Current | 1% |
| | Decrease | Discount Rate | Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| Charter School proportionate share of the Net Pension Liability | \$ 861,064 | \$ 684,018 | \$ 533,789 |

| Measurement Date June 30, 2019 | | | |
|---|------------|---------------|------------|
| | 1% | Current | 1% |
| | Decrease | Discount Rate | Increase |
| | (5.28%) | (6.28%) | (7.28%) |
| Charter School proportionate share of the Net Pension Liability | \$ 499,980 | \$ 395,816 | \$ 308,043 |

Pension Plan Fiduciary Net Position

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

A. Teacher’s Pension Annuity Fund (TPAF)

Pension Description

The State of New Jersey, Teacher’s Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division’s Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefit Provided

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

NOTE 4: PENSION PLANS (CONTINUED)

Teacher's Pension Annuity Fund (TPAF) (Continued)

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

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

Allocation Methodology

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

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

NOTE 4: PENSION PLANS (CONTINUED)

Special Funding Situation

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2021, the State of New Jersey contributed \$ 38,053 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 309,108 .

As June 30, 2021, the State's proportionate share of the net pension liability associated with the Charter School was \$ 8,982,396 . The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020.

The Charter School's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, Charter School's proportion was 0.0136409%, which was a decrease of - 0.0002682% from its proportion measured as of June 30, 2019.

| | | |
|---|----|-----------|
| Charter School's Proportionate Share of the Net Pension Liability | \$ | - |
| State's Proportionate Share of the Net Pension Liability Associated with the Charter School | | 8,982,396 |
| Total | \$ | 8,982,396 |

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the Charter School in the amount of \$ 309,108 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2021 financial statements.

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

NOTE 4: PENSION PLANS (CONTINUED)

Special Funding Situation (Continued)

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

The \$ 9,626,548,228 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years.

The \$ 14,591,988,841 reported as a deferred inflow of resources resulting from the difference between projected and actual.

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

Actuarial Assumptions

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

NOTE 4: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long Term Expected Rate of Return

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

NOTE 4: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.40% as of June 30, 2020. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 2.21% as of June 30, 2020 based on the Bond Buyer Go 20-Bond Municipal Bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through 2062. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 4: PENSION PLANS (CONTINUED)

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

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

| Measurement Date June 30, 2020 | | | |
|---|---------------|---------------|--------------|
| | 1% | Current | 1% |
| | Decrease | Discount Rate | Increase |
| | (4.40%) | (5.40%) | (6.40%) |
| Charter School's proportionate share of the Net Pension Liability | \$ 10,574,061 | \$ 9,002,135 | \$ 7,696,913 |

| Measurement Date June 30, 2019 | | | |
|---|---------------|---------------|--------------|
| | 1% | Current | 1% |
| | Decrease | Discount Rate | Increase |
| | (4.60%) | (5.60%) | (6.60%) |
| Charter School's proportionate share of the Net Pension Liability | \$ 10,090,313 | \$ 8,556,760 | \$ 7,284,394 |

Pension Plan Fiduciary Net Position – TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate.

NOTE 4: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

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

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

NOTE 5: POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

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

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Plan Description and Benefits Provided (Continued)

cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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

Employees covered by benefit terms:

At June 30, 2020 the OPEB Plan's measurement date, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted for the following members:

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

Total Nonemployer OPEB Liability

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

Actuarial Assumptions and Other Inputs

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

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

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

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Employees covered by benefit terms (Continued)

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

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

Health Care Trend Assumptions

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

Discount rate

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

Changes in the Total OPEB Liability

| <u>Changes in the State's Total OPEB Liability</u> | | | | |
|--|--|--|--|----------------------|
| | | | | Total OPEB Liability |
| Balance at June 30, 2020 | | | | \$ 2,295,933 |
| Service cost | | | | 305,485 |
| Interest on Total OPEB Liability | | | | 90,006 |
| Difference between expected and actual experience | | | | 282,275 |
| Effect of Changes of Assumptions | | | | 651,142 |
| Contributions - Employee | | | | 1,881 |
| Gross Benefits Paid by the State | | | | (62,058) |
| Net Changes | | | | 1,268,731 |
| Balance at June 30, 2021 | | | | \$ 3,564,664 |

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Employees covered by benefit terms (Continued)

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

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

| | Measurement Date Ended June 30, 2020 | | |
|----------------------|--------------------------------------|-----------------------|------------------|
| | At 1% | At current | At 1% |
| | Decrease (1.21%) | discount rate (2.21%) | Increase (3.21%) |
| Total OPEB Liability | \$ 4,297,386 | \$ 3,564,664 | \$ 2,991,746 |

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

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

| | Measurement Date Ended June 30, 2020 | | |
|----------------------|--------------------------------------|--------------|--------------|
| | At 1% | Trend Rate | At 1% |
| | decrease | | Increase |
| Total OPEB Liability | \$ 2,877,517 | \$ 3,564,664 | \$ 4,382,903 |

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 revenue and expense of \$ 430,564 in the government-wide financial statements for the State's proportionate share of the OPEB Plan's OPEB expenses, associated with the Charter School. This expense and revenue was based on the OPEB Plan's June 30, 2020 measurement date.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2020 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 5: POST-RETIREMENT BENEFITS (CONTINUED)

Employees covered by benefit terms (Continued)

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between Actual and Expected Experience | \$ 541,209 | \$ (482,090) |
| Net Difference between Expected and Actual Earnings on OPEB Plan Investments | - | - |
| Assumption Changes | \$ 606,338 | (406,748) |
| Sub Total | 1,147,546 | (888,838) |
| Contributions Made in Fiscal Year 2021 after June 30, 2020 Measurement Date | N/A | N/A |
| Total | \$ 1,147,546 | \$ (888,838) |

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

| Measurement Period Ending June 30 | |
|-----------------------------------|------------|
| 2022 | \$ 2,284 |
| 2023 | \$ 2,284 |
| 2024 | \$ 2,284 |
| 2025 | \$ 2,284 |
| 2026 | \$ 2,284 |
| Total Thereafter | \$ 247,291 |
| | \$ 258,709 |

NOTE 6: 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.

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The Charter School pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

NOTE 6: RISK MANAGEMENT (CONTINUED)

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

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The table below is a summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school’s expendable trust fund for the current year.

| <u>Fiscal Year</u> | <u>Charter School Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------------|-------------------------------|--------------------------|-----------------------|
| 2020-2021 | \$ - | \$ - | \$ - | \$ - |
| 2019-2020 | 5,164 | 4,559 | 9,723 | 10 |
| 2018-2019 | 1,385 | 12,072 | 13,457 | 20 |

NOTE 7: CONTINGENT LIABILITIES

The Board’s attorney is unaware of any potential claims against the Charter School that would materially affect the financial condition of the Charter School.

NOTE 8: FUND BALANCE

General Fund

The General Fund surplus in the financial statements at June 30, 2021, was \$1,168,015.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 25, 2022, the date the financial statements were available to be issued.

NOTE 10: IMPACT OF COVID-19

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

UNITY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|------------------|------------------|-----------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Equalization Aid-Local | \$ 3,204,027 | \$ - | \$ 3,204,027 | \$ 3,204,027 | - |
| Total Local Sources | 3,204,027 | - | 3,204,027 | 3,204,027 | - |
| Categorical Aid: | | | | | |
| Equalization Aid-State | 370,696 | | 370,696 | 370,696 | - |
| Special Education | 168,074 | | 168,074 | 168,074 | - |
| Security Aid | 31,568 | | 31,568 | 31,568 | - |
| Total Categorical Aid | 570,338 | - | 570,338 | 570,338 | - |
| Revenues From Other Sources: | | | | | |
| On-Behalf TPAF Pension Contributions (Non-Budgeted) | | | | 415,460 | 415,460 |
| On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted) | | | | 130,199 | 130,199 |
| On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted) | | | | 680 | 680 |
| Reimbursed TPAF Social Security Contributions (Non-Budgeted) | | | | 111,135 | 111,135 |
| Miscellaneous Revenue | | | | 199,367 | 199,367 |
| Total Revenues From Other Sources | - | - | - | 856,841 | 856,841 |
| Total Revenues | 3,774,365 | - | 3,774,365 | 4,631,206 | 856,841 |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | 1,348,700 | 108,089 | 1,456,789 | 1,456,789 | - |
| Other Salaries for Instruction | 124,038 | (52,531) | 71,507 | 71,507 | - |
| Purchased Prof/Tech Services | 90,750 | 45,101 | 135,851 | 128,681 | 7,170 |
| General Supplies | 31,500 | 14,923 | 46,423 | 45,923 | 500 |
| Textbooks | 1,000 | (181) | 819 | 263 | 556 |
| Miscellaneous | 16,000 | | 16,000 | 14,151 | 1,849 |
| Total Instruction | 1,611,988 | 115,401 | 1,727,389 | 1,717,314 | 10,075 |
| Administration: | | | | | |
| Salaries - General Administration | 331,973 | (80,706) | 251,267 | 249,161 | 2,106 |
| Salaries - Technical | 62,168 | (22,407) | 39,761 | 39,761 | - |
| Salaries of Secretarial/Clerical Assistants | 138,990 | 2,185 | 141,175 | 141,175 | - |
| Total Benefits Cost | 600,885 | (33,697) | 567,188 | 393,670 | 173,518 |
| Purchases Prof/Tech Services | 80,250 | (2,185) | 78,065 | 66,886 | 11,179 |
| Other Purchased Services | 6,000 | (1,282) | 4,718 | 3,736 | 982 |
| Communications/Telephone | 16,100 | 2,832 | 18,932 | 17,747 | 1,185 |
| Insurance | 11,749 | (1,550) | 10,199 | 10,199 | - |
| Supplies and Materials | 20,700 | 23,090 | 43,790 | 41,048 | 2,742 |
| Miscellaneous Expenses | 30,205 | (683) | 29,522 | 25,751 | 3,771 |
| Total Administration | 1,299,020 | (114,403) | 1,184,617 | 949,373 | 235,244 |

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

UNITY CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-------------------|---------------------|-----------------------------|
| (Continued from Prior Page) | | | | | |
| Support Services: | | | | | |
| Salaries | \$ 75,460 | \$ 19,846 | \$ 95,306 | \$ 95,306 | - |
| Salaries - Improvement of Instruction | 281,948 | (2,200) | 279,748 | 227,046 | 52,702 |
| Purchased Prof/Tech Services | 60,900 | (15,961) | 44,939 | 35,197 | 9,742 |
| Cleaning, Repair, and Maintenance Services | 58,750 | (10,531) | 48,219 | 24,341 | 23,878 |
| Rental of Land and Buildings | 478,444 | 50,955 | 529,399 | 529,399 | - |
| Transportation-Other Than To/From School | 31,455 | 1,267 | 32,722 | 8,336 | 24,386 |
| Insurance for Property, Liability and Fidelity | 30,200 | (12,287) | 17,913 | 10,838 | 7,075 |
| Supplies and Materials | 24,900 | (2,195) | 22,705 | 15,072 | 7,633 |
| Energy Costs (Heat and Electricity) | 41,700 | (33,801) | 7,899 | 7,899 | - |
| Miscellaneous Expenses | 550 | 3,909 | 4,459 | | 4,459 |
| Total Support Services | 1,084,307 | (998) | 1,083,309 | 953,434 | 129,875 |
| Capital Outlay: | | | | | |
| Building Purchases Other Than Lease Purchases | | | | | |
| Total Capital Outlay | - | - | - | - | - |
| On-Behalf TPAF Pension Contributions | | | | | |
| (Non-Budgeted) | | | | 415,460 | (415,460) |
| On-Behalf TPAF Post-Retirement Medical Contributions | | | | | |
| (Non-Budgeted) | | | | 130,199 | (130,199) |
| Reimbursed TPAF Social Security | | | | | |
| Contributions (Non-Budgeted) | | | | 111,135 | (111,135) |
| On Behalf TPAF Long-Term Disability | | | | | |
| Contributions (Non-Budgeted) | | | | 680 | (680) |
| Total Expenditures | 3,995,315 | - | 3,995,315 | 4,277,595 | (151,401) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (220,950) | - | (220,950) | 353,611 | 574,561 |
| Other Financing Sources (Uses) | | | | | |
| Food Service | 550 | | 550 | | 550 |
| Total Other Financing Sources (Uses) | 550 | - | 550 | - | 550 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (221,500) | - | (221,500) | 353,611 | 575,111 |
| FUND BALANCE, JULY 1 | 814,404 | - | 814,404 | 814,404 | - |
| FUND BALANCE, JUNE 30 | \$ 592,904 | \$ - | \$ 592,904 | \$ 1,168,015 | \$ 575,111 |
| Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance | | | | | |
| | \$ 592,904 | \$ - | 592,904 | \$ 1,168,015 | \$ 575,111 |
| Total | \$ 592,904 | \$ - | \$ 592,904 | \$ 1,168,015 | \$ 575,111 |

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

UNITY CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2021

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|---------------------|-----------------|-----------------|--|
| REVENUES: | | | | | |
| Federal Sources | \$ 106,289 | \$ - | \$ 106,289 | \$ 111,566 | \$ 5,277 |
| Local Sources | | | - | 13,254 | 13,254 |
| Total Revenues | 106,289 | - | 106,289 | 124,820 | 18,531 |
| EXPENDITURES: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | 16,000 | | 16,000 | 16,000 | - |
| General Supplies | 17,096 | | 17,096 | 12,024 | 5,072 |
| Total Instruction | 33,096 | - | 33,096 | 28,024 | 5,072 |
| Support Services: | | | | | |
| Salaries of Supervisors of Instruction | 27,000 | | 27,000 | 27,000 | - |
| Personal Services - Employee Benefits | 10,800 | | 10,800 | 10,800 | - |
| Other Purchased Professional Services | 16,084 | | 16,084 | 26,433 | (10,349) |
| Other Purchased Professional Services | 4,743 | | 4,743 | 4,743 | - |
| Supplies and Materials | 14,566 | | 14,566 | 14,566 | - |
| Miscellaneous Expenditures | | | - | 9,760 | (9,760) |
| Total Support Services | 73,193 | - | 73,193 | 93,302 | (20,109) |
| Total Expenditures | 106,289 | - | 106,289 | 121,326 | (15,037) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ - | \$ 3,494 | \$ (3,494) |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

UNITY CHARTER SCHOOL
 Budgetary Comparison Schedule
 Budget-To-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2021

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

| | | General Fund | | Special Revenue Fund |
|---|--------------|-----------------|--------------|----------------------------|
| Sources/Inflows of Resources | | | | |
| Actual amounts (budgetary) "revenues" from the budgetary comparison schedules | [C-1] | \$ 4,631,206 | [C-2] | \$ 124,820 |
| Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized | | | | - |
| Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds. | [B-2] | \$ 4,631,206 | [B-2] | \$ 124,820 |
| Uses/Outflows of resources | | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] | \$ 4,277,595 | [C-2] | \$ 121,326 |
| Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes. | | | | - |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | [B-2] | \$ 4,277,595 | [B-2] | \$ 121,326 |

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

UNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | | | |
|---|-----------------------------|-------------|-------------|--------------|--------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Charter School's proportion of the net pension liability | 0.00619008% | 0.00171623% | 0.00117833% | 0.002181544% | 0.004161801% |
| Charter School's proportionate share of the net pension liability | \$ 1,183,048 | \$ 385,260 | \$ 274,297 | \$ 393,081 | \$ 678,681 |
| Charter School's covered payroll (plan measurement period) | \$ 1,080,422 | \$ 106,432 | \$ 133,471 | \$ 660,006 | \$ 366,685 |
| Charter School's proportionate share of the net pension liability as a percentage of it's covered payroll | 109% | 362% | 206% | 60% | 185% |
| Plan fiduciary net position as a percentage of the total pension liability | 47.93% | 45.37% | 51.55% | 51.55% | 53.60% |

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

UNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | | | |
|--|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| Contractually required contribution | \$ 46,641 | \$ 14,755 | \$ 10,916 | \$ 21,220 | 45,528 |
| Contributions in relation to the contractually required contribution | <u>(48,449)</u> | <u>(14,755)</u> | <u>(10,916)</u> | <u>(21,220)</u> | <u>(45,528)</u> |
| Contribution deficiency/(excess) | <u>\$ (1,808)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Charter School's covered payroll (calendar year) | \$ 1,080,422 | \$ 106,432 | \$ 133,471 | \$ 660,006 | \$ 366,685 |
| Contributions as a percentage of covered employee payroll | 4.32% | 13.86% | 8.18% | 3.22% | 12.42% |

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

UNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST FIVE FISCAL YEARS
UNAUDITED

| | Fiscal Year Ending June 30, | | | | |
|---|-----------------------------|--------------|--------------|--------------|---------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 |
| State's proportion of the net pension liability attributable of the Charter School | 0.01293490% | 0.01130112% | 0.01084543% | 0.01390911% | 0.0136409416% |
| State's proportionate share of the net pension liability attributable to the Charter School | \$ 6,537,215 | \$ 7,142,792 | \$ 7,312,382 | \$ 8,536,151 | \$ 8,982,396 |
| Charter School's covered payroll (plan measurement period) | \$ 4,209,720 | \$ 1,202,738 | \$ 1,337,635 | \$ 1,351,235 | \$ 1,514,068 |
| Charter School's proportionate share of the net pension liability as a percentage of it's covered payroll | 155.29% | 593.88% | 546.66% | 631.73% | 0.00% |
| Plan fiduciary net position as a p ercentage of the total pension liability | 28.71% | 22.33% | 25.41% | 25.41% | 22.33% |

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

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

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

| | Measurement Date Ending | | | | |
|--|-------------------------|---------------|---------------|---------------|---------------|
| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
| Total Non-Employer OPEB Liability- States's Proportionate Share of the Total OPEB Liability Associated with the Charter School | | | | | |
| OPEB Liability at Beginning of Measurement Period | | \$ 2,638,802 | \$ 2,555,894 | \$ 2,079,992 | \$ 2,295,933 |
| Service cost | | 274,182 | 228,433 | 210,205 | 305,485 |
| Interest on Total OPEB Liability | | 82,213 | 98,726 | 87,320 | 90,006 |
| Effect on Changes of Benefit Terms | | - | - | - | - |
| Difference between expected and actual experience | NOT AVAILABLE | - | (510,676) | (47,428) | 282,275 |
| Effect of Changes of Assumptions | | (382,283) | (238,689) | 34,233 | 651,142 |
| Contributions - Employee | | 2,180 | 1,922 | 2,089 | 1,881 |
| Gross Benefits Paid by the State | | (59,200) | (55,618) | (70,478) | (62,058) |
| Net Change in Total OPEB Liability | NOT AVAILABLE | (82,908) | (475,902) | 215,941 | 1,268,731 |
| OPEB Liability at Beginning of Measurement Period | | 2,638,802 | 2,555,894 | 2,079,992 | 2,295,933 |
| Total OPEB Liability at End of Measurement Period | 2,638,802 | 2,555,894 | 2,079,992 | 2,295,933 | 3,564,664 |

Notes to Schedule:*Changes in benefit terms:*

None

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

Changes in Assumptions:

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III

UNITY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2021

A. Benefit Changes

There were none.

B. Changes in Assumptions

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

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

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.60% as of June 30, 2019 to 5.40% as of June 30, 2020 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expandable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

UNITY
CHARTER SCHOOL
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2021

| | Title I | Title IV | Title II Part A | IDEA Part B | Corona Relief Fund | CARES ACT Grant | Digital Divide | Local Grants | Total |
|--|------------------|------------------|-----------------|------------------|--------------------|------------------|-----------------|------------------|-------------------|
| Revenues: | | | | | | | | | |
| Federal Sources | \$ 22,084 | \$ 10,000 | \$ 4,743 | \$ 44,721 | \$ 10,605 | \$ 14,566 | \$ 4,847 | \$ - | \$ 111,566 |
| Local Sources | | | | | | | | 13,254 | 13,254 |
| Total Revenues | \$ 22,084 | \$ 10,000 | \$ 4,743 | \$ 44,721 | \$ 10,605 | \$ 14,566 | \$ 4,847 | \$ 13,254 | \$ 124,820 |
| Expenditures: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Salaries of Teachers | \$ 16,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,000 |
| Purchased Prof/Tech Services | | 10,000 | | 6,921 | | | | | 10,000 |
| Textbooks | | | | | | | | | 6,921 |
| Total Instruction | 16,000 | 10,000 | - | 6,921 | - | - | - | - | 32,921 |
| Support Services: | | | | | | | | | |
| Other Salaries | | | | 27,000 | | | | | 27,000 |
| Personal Services/Employee Benefits | | | | 10,800 | | | | | 10,800 |
| Purchased Prof/Ed Services | 6,084 | | 4,743 | | 10,605 | | | | 16,689 |
| Other Purchased Services | | | | | | | | 9,760 | 4,743 |
| Student Activities | | | | | | 14,566 | 4,847 | | 9,760 |
| Supplies and Materials | | | | | | | | | 19,413 |
| Total Support Services | 6,084 | - | 4,743 | 37,800 | 10,605 | 14,566 | 4,847 | 9,760 | 88,405 |
| Total Expenditures | 22,084 | 10,000 | 4,743 | 44,721 | 10,605 | 14,566 | 4,847 | 9,760 | 121,326 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,494 | \$ 3,494 |

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

Food Services Fund – This fund provides for the operation of food services in all schools within the charter school.

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

**STATISTICAL SECTION
(UNAUDITED)**

Unity Charter School has been in operation for ten (10) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, statistical data for ten (10) years is available and has been presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

UNITY CHARTER SCHOOL
 Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets/ Invested in capital assets, net of related debt | \$ 102,803 | \$ 108,435 | \$ 141,391 | \$ 141,391 | \$ 157,868 | \$ 168,990 | \$ 175,132 | \$ 119,325 | \$ 103,262 | \$ 88,743 |
| Restricted | - | - | - | (78,575) | 45,000 | 40,752 | 46,626 | 40,266 | - | 4,887 |
| Unrestricted | 762,972 | 465,203 | 242,700 | (221,387) | (221,387) | (216,441) | (240,621) | (254,234) | 241,306 | 329,755 |
| Total Governmental Activities Net Assets/ Position | \$ 865,775 | \$ 573,638 | \$ 384,091 | \$ 62,816 | \$ (18,519) | \$ (6,699) | \$ (18,863) | \$ (94,643) | \$ 344,568 | \$ 423,385 |
| Business-Type Activities | | | | | | | | | | |
| Unrestricted | \$ (48,388) | \$ (55,626) | \$ (26,701) | \$ (16,380) | \$ 16,551 | \$ 27,708 | \$ 27,510 | \$ 24,676 | \$ 18,198 | \$ 5,557 |
| Total Business-Type Activities Net Assets/Position | \$ (48,388) | \$ (55,389) | \$ (26,462) | \$ (16,380) | \$ 16,551 | \$ 27,708 | \$ 27,510 | \$ 24,676 | \$ 18,198 | \$ 5,557 |
| Charter School-Wide | | | | | | | | | | |
| Net Investment in Capital Assets/ Invested in capital assets, net of related debt | \$ 102,803 | \$ 108,672 | \$ 141,630 | \$ 141,391 | \$ 157,868 | \$ 168,990 | \$ 175,132 | \$ 119,325 | \$ 103,262 | \$ 88,743 |
| Restricted | - | - | - | (94,955) | 45,000 | 40,752 | 46,626 | 40,266 | - | 4,887 |
| Unrestricted | 714,584 | 409,577 | 215,999 | (204,836) | (204,836) | (188,733) | (213,111) | (229,558) | 259,505 | 335,312 |
| Total Charter School Net Position | \$ 817,387 | \$ 518,249 | \$ 357,629 | \$ 46,436 | \$ (1,968) | \$ 21,009 | \$ 8,647 | \$ (69,967) | \$ 362,767 | \$ 428,942 |

Source: Annual Comprehensive Financial Report

UNITY CHARTER SCHOOL
 Changes in Net Position
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Instruction | \$ 2,344,935 | \$ 2,101,786 | \$ 2,027,110 | \$ 2,161,922 | \$ 2,446,726 | \$ 1,879,182 | \$ 2,624,767 | \$ 1,518,652 | \$ 1,480,970 | \$ 1,326,641 |
| Administration | 273,960 | 404,737 | 413,578 | 788,327 | - | - | (1) | - | (1) | - |
| Support Services | 1,836,544 | 1,863,888 | 1,701,681 | 1,438,763 | 2,017,249 | 1,696,949 | 1,942,088 | 1,399,705 | 1,231,429 | 1,065,960 |
| Capital Outlay | - | 27,437 | 30,172 | 37,058 | - | - | - | - | - | - |
| Unallocated | 8,763 | 16,478 | 16,478 | 16,478 | - | - | - | - | - | - |
| Total Governmental Activities Expenses | 4,464,202 | 4,414,326 | 4,189,019 | 4,442,548 | 4,463,975 | 3,576,131 | 4,566,855 | 2,918,356 | 2,712,398 | 2,392,601 |
| Business-Type Activities: | | | | | | | | | | |
| Food Service | 0 | - | 237 | 93,375 | 91,423 | 38,579 | 25,485 | 22,108 | 31,437 | 14,710 |
| After School | 153,435 | 94,339 | 46,954 | 59,525 | 64,785 | 63,018 | 57,013 | 35,822 | 33,441 | 34,513 |
| Total Business-Type Activities Expenses | 153,435 | 94,339 | 47,191 | 152,900 | 156,208 | 101,597 | 82,498 | 57,930 | 64,878 | 49,223 |
| Total Charter School Expenses | \$ 4,617,637 | \$ 4,508,665 | \$ 4,236,210 | \$ 4,595,448 | \$ 4,620,183 | \$ 3,677,728 | \$ 4,649,353 | \$ 2,976,286 | \$ 2,777,276 | \$ 2,441,824 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services | \$ 13,254 | \$ - | \$ - | \$ - | \$ 1,056,483 | \$ 839,833 | \$ 2,191,474 | \$ 638,300 | \$ 595,322 | \$ 556,706 |
| Operating Grants and Contributions | - | - | - | 193 | - | - | - | - | - | - |
| Capital Grants and Contributions | - | - | - | 193 | - | - | - | - | - | - |
| Total Governmental Activities Expenses | 13,254 | - | - | 193 | 1,056,483 | 839,833 | 2,191,474 | 638,300 | 595,322 | 556,706 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services | 2,277 | 8,329 | 28,286 | 40,527 | 145,050 | 101,795 | 85,332 | 64,408 | 77,519 | 54,780 |
| Operating Grants and Contributions | 158,396 | 57,085 | 68,010 | 79,442 | - | - | - | - | - | - |
| Total Business-Type Activities Expenses | 160,673 | 65,414 | 96,296 | 119,969 | 145,050 | 101,795 | 85,332 | 64,408 | 77,519 | 54,780 |
| Total Charter School Program Revenue | \$ 173,927 | \$ 65,414 | \$ 96,296 | \$ 120,162 | \$ 1,201,533 | \$ 941,628 | \$ 2,276,806 | \$ 702,708 | \$ 672,841 | \$ 611,486 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (4,450,948) | \$ (4,414,326) | \$ (4,189,019) | \$ (4,442,355) | \$ (3,407,492) | \$ (2,736,298) | \$ (2,375,381) | \$ (2,280,056) | \$ (2,117,076) | \$ (1,835,895) |
| Business-Type Activities | 7,238 | (28,925) | 49,105 | (32,931) | (11,158) | 198 | 2,834 | 6,478 | 12,641 | 5,557 |
| Total Charter School Net Expense | \$ (4,443,710) | \$ (4,443,251) | \$ (4,139,914) | \$ (4,475,286) | \$ (3,418,650) | \$ (2,736,100) | \$ (2,372,547) | \$ (2,273,578) | \$ (2,104,435) | \$ (1,830,338) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Purposes | \$ 1,339,378 | \$ 1,258,452 | \$ 4,392,633 | \$ 4,382,217 | \$ 3,370,368 | \$ 2,735,424 | \$ 2,446,841 | \$ 2,283,175 | \$ 2,070,346 | \$ 1,950,276 |
| Federal and State Aid Not Restricted | - | - | - | - | - | - | - | - | - | - |
| Investment Earnings | - | - | - | 1 | 2 | 2 | 4 | 3 | 13 | 9 |
| Miscellaneous Income | 3,403,394 | 3,361,899 | 101,183 | 141,472 | 25,305 | 13,037 | 4,316 | 4,869 | 11,256 | 74,551 |
| Special Item - Disposal of Assets | - | - | - | - | - | - | - | - | (43,355) | - |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| Total Governmental Activities | 4,742,772 | 4,620,351 | 4,493,816 | 4,523,689 | 3,395,674 | 2,748,463 | 2,451,161 | 2,288,047 | 2,038,260 | 2,024,836 |
| Business-Type Activities: | | | | | | | | | | |
| Investment Earnings | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| Total Business-Type Activities Expenses | - | - | - | - | - | - | - | - | - | - |
| Total Charter School Wide | \$ 4,756,026 | \$ 4,620,351 | \$ 4,493,816 | \$ 4,523,689 | \$ 3,395,674 | \$ 2,748,463 | \$ 2,451,161 | \$ 2,288,047 | \$ 2,038,260 | \$ 2,024,836 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ 291,824 | \$ 206,025 | \$ 304,797 | \$ 81,334 | \$ (11,818) | \$ 12,165 | \$ 75,780 | \$ 7,991 | \$ (78,816) | \$ 188,941 |
| Business-Type Activities | 7,238 | (28,925) | 49,105 | (32,931) | (11,158) | 198 | 2,834 | 6,478 | 12,641 | 5,557 |
| Total Charter School | \$ 299,062 | \$ 177,100 | \$ 353,902 | \$ 48,403 | \$ (22,976) | \$ 12,363 | \$ 78,614 | \$ 14,469 | \$ (66,175) | \$ 194,498 |

Source: Annual Comprehensive Financial Report

UNITY CHARTER SCHOOL
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General Fund | \$ - | \$ 385 | \$ - | \$ - | \$ 45,000 | \$ 40,752 | \$ 46,626 | \$ 40,266 | \$ - | \$ 4,887 |
| Restricted | 1,168,015 | 814,019 | 605,715 | 319,439 | 208,310 | 222,468 | 193,772 | 192,965 | 241,306 | 329,755 |
| Unassigned | \$ 1,168,015 | \$ 814,404 | \$ 605,715 | \$ 319,439 | \$ 253,310 | \$ 263,220 | \$ 240,398 | \$ 233,231 | \$ 241,306 | \$ 334,642 |
| Total General Fund | \$ 1,168,015 | \$ 814,404 | \$ 605,715 | \$ 319,439 | \$ 253,310 | \$ 263,220 | \$ 240,398 | \$ 233,231 | \$ 241,306 | \$ 334,642 |

Source: Annual Comprehensive Financial Report

UNITY CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------------|--------------|------------|-----------|------------|-----------|-----------|-------------|-------------|------------|
| Revenues: | | | | | | | | | | |
| Local Sources: | | | | | | | | | | |
| Interest Earnings | \$ 3,416,648 | \$ 3,356,021 | 3,282,740 | 526,869 | 3,370,368 | 2,735,424 | 2,446,841 | 2,283,175 | 2,070,346 | 1,950,276 |
| Miscellaneous | | | | | | | | | | |
| State Sources | 1,227,812 | 1,183,794 | 1,132,798 | 3,590,594 | 481,259 | 13,037 | 4,316 | 871 | 11,256 | 74,551 |
| Federal Sources | 111,566 | 74,658 | 75,902 | 75,082 | 54,940 | 37,756 | 34,768 | 607,528 | 562,566 | 529,022 |
| Total Revenues | 4,756,026 | 4,620,351 | 4,493,816 | 4,192,545 | 3,931,873 | 3,592,812 | 3,277,625 | 2,922,349 | 2,676,937 | 2,581,542 |
| Expenditures: | | | | | | | | | | |
| Instruction | 1,750,235 | 1,620,877 | 1,493,556 | 1,529,344 | 1,536,373 | 1,369,635 | 1,223,071 | 1,109,928 | 1,101,726 | 1,056,623 |
| Administration | 949,373 | 1,051,793 | 1,137,061 | 1,266,523 | - | - | - | - | - | - |
| Support Services | 1,699,313 | 1,711,615 | 1,546,751 | 1,294,254 | 2,400,053 | 2,190,156 | 1,975,775 | 1,796,764 | 1,601,466 | 1,325,938 |
| Capital Outlay | - | 27,437 | 30,172 | 37,058 | 5,357 | 10,198 | 71,611 | 27,729 | 67,082 | 31,981 |
| Total Expenditures | 4,398,921 | 4,411,662 | 4,207,540 | 4,127,179 | 3,941,783 | 3,569,989 | 3,270,457 | 2,934,421 | 2,770,274 | 2,414,542 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 357,105 | 208,689 | 286,276 | 65,366 | (9,910) | 22,823 | 7,168 | (12,072) | (93,337) | 167,000 |
| Other Financing Uses: | | | | | | | | | | |
| Transfers Out | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Uses | - | - | - | - | - | - | - | - | - | - |
| Net Change in Fund Balance | \$ 357,105 | \$ 208,689 | \$ 286,276 | \$ 65,366 | \$ (9,910) | \$ 22,823 | \$ 7,168 | \$ (12,072) | \$ (93,337) | \$ 167,000 |

Source: Annual Comprehensive Financial Report

UNITY CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

| Fiscal Year Ending June 30, | Interest | Prior Year Refunds | Miscellaneous Revenue | Total |
|-----------------------------------|----------|-----------------------|--------------------------|------------|
| 2021 | \$ - | \$ - | \$ 199,367 | \$ 199,367 |
| 2020 | - | - | 264,434 | 264,434 |
| 2019 | - | - | 98,807 | 98,807 |
| 2018 | 193 | - | 15 | 208 |
| 2017 | 1 | 7,442 | - | 7,443 |
| 2016 | 2 | 5,033 | 455 | 5,490 |
| 2015 | 4 | - | 14 | 18 |
| 2014 | 3 | 3,998 | - | 4,001 |
| 2013 | 13 | 1,274 | - | 1,287 |
| 2012 | 9 | 2,798 | - | 2,807 |

Source: Charter School records

OPERATING INFORMATION

UNITY CHARTER SCHOOL
 Operating Statistics
 Last Ten Fiscal Years

| Fiscal Year | Enrollment | Operating Expenditures | Cost Per Pupil | Percentage Change | Teaching Staff | Pupil / Teacher Ratio | Average Daily Enrollment (ADE) | Average Daily Attendance (ADA) | Percent Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|------------------------|----------------|-------------------|----------------|-----------------------|--------------------------------|--------------------------------|--|-------------------------------|
| 2021 | 245 | \$ 4,398,921 | \$ 17,955 | -2.53% | - | N/A | 236.9 | 231.3 | 0.64% | 97.64% |
| 2020 | 238 | 4,384,225 | 18,421 | 4.51% | - | N/A | 235.4 | 227.9 | -0.51% | 96.81% |
| 2019 | 237 | 4,177,368 | 17,626 | 2.99% | - | N/A | 236.6 | 231.0 | -1.36% | 97.64% |
| 2018 | 239 | 4,090,121 | 17,113 | -10.68% | - | N/A | 239.9 | 231.0 | 2.94% | 96.31% |
| 2017 | 233 | 4,463,975 | 19,159 | 17.33% | - | N/A | 233.0 | N/A | 6.39% | 0.00% |
| 2016 | 219 | 3,576,131 | 16,329 | -27.41% | - | N/A | 219.0 | N/A | 7.88% | 0.00% |
| 2015 | 203 | 4,566,855 | 22,497 | 0.00% | - | N/A | 203.0 | N/A | 0.00% | 0.00% |
| 2014 | N/A | 2,918,356 | - | 0.00% | - | N/A | N/A | N/A | 0.00% | 0.00% |
| 2013 | N/A | 2,712,398 | - | 0.00% | - | N/A | N/A | N/A | 0.00% | 0.00% |
| 2012 | N/A | 2,392,601 | - | 0.00% | - | N/A | N/A | N/A | 0.00% | 0.00% |

UNITY CHARTER SCHOOL
 School Building Information
 Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------------|--------|--------|------|------|------|------|------|------|------|------|
| Charter School Building | | | | | | | | | | |
| <u>Primary/Intermediate/Middle</u> | | | | | | | | | | |
| Square Feet | 16,000 | 27,349 | N/A |
| Capacity (students) | 240 | 240 | N/A |
| Total Enrollment | 245 | 238 | 237 | 239 | 233 | N/A | N/A | N/A | N/A | N/A |

Number of Schools at June 30, 2021
 Primary/Intermediate/Middle = 1
 High = 1

Source: Charter School Facilities Office

UNITY CHARTER SCHOOL
Insurance Schedule
June 30, 2021

| | Coverage | Deductible |
|--|------------------|------------|
| COMMERCIAL PACKAGE POLICY - NJ SCHOOLS INSURANCE GROUP (NJSIAIG) | | |
| <i>Property Section</i> | | |
| Blanket Building and Contents (fund limit) | \$ 500,000 | \$ 1,000 |
| Accounts Receivable | 250,000 | 1,000 |
| Automobile Physical Damage | In Blanket Limit | 1,000 |
| Electronic Data Processing Equipment | 310,000 | 1,000 |
| <i>Liability Section</i> | | |
| Comprehensive General Liability | \$ 16,000,000 | |
| Automobile Liability | 16,000,000 | |
| Employee Benefit Liability | 16,000,000 | 1,000 |
| <i>Crime</i> | | |
| Blanket Employee Dishonesty | \$ 50,000 | 500 |
| Theft/Disappearance/Destruction: | | |
| Inside | 50,000 | 500 |
| Outside | 50,000 | 500 |
| <i>School Board Legal Liability - NJSIG</i> | 16,000,000 | 5,000 |
| <i>Environmental Impairment Liability</i> | | |
| Limit of Liability | | |
| Incident | 1,000,000 | 10,000 |
| Fund Annual Aggregate | 25,000,000 | |
| <i>WORKERS COMPENSATION (NJSIG)</i> | | |
| (a) Statutory Benefits | Included | |
| (a) Employer's Liability | 5,000,000 | |
| Supplemental Coverage (optional) | Included | |
| <i>PUBLIC EMPLOYEE'S FAITHFUL PERFORMANCE BLANKET POSITION BOND</i> | | |
| Board Secretary - Rhonda Curry | \$ 131,000 | 1000 |
| Treasurer - Chris Lessard | \$ 131,000 | 1000 |

UNITY CHARTER SCHOOL
 New Jersey Performance Framework Financial Ratios
 Audited Performance Indicators
 Last Three Fiscal Years

| | 2019 Audit | 2020 Audit | 2021 Audit | Source |
|---|---------------|---------------|---------------|---|
| Cash | 253,545 | 168,167 | 678,362 | Audit: Exhibit A-1 |
| Current Assets (include cash) | 643,798 | 832,654 | 1,192,879 | Audit: Exhibit A-1 |
| Current Liabilities | 64,784 | 73,876 | 69,445 | Audit: Exhibit A-1 |
| Total Expenses | 4,285,636 | 4,508,665 | 4,617,637 | Audit: Exhibit A-2 |
| Change in Net Position | 294,476 | 177,100 | 299,062 | Audit: Exhibit A-2 |
| Final Average Daily Enrollment (exclude PK)* | 237 | 235 | 237 | DOE Final Enrollment Report March 30 Charter School Budget |
| March 30 Budgeted Enrollment (exclude PK) | 237 | 235 | 237 | |
| <i>Complete section only if auditee has mortgage/note/bond payable:</i> | | | | |
| Depreciation Expense | 16,478 | 16,478 | 8,763 | Auditor/Workpapers |
| Interest Expense | - | - | - | Auditor/Workpapers |
| Principal Payments | - | - | - | Auditor/Workpapers |
| Interest Payments | - | - | - | Auditor/Workpapers |

| | 2021 | | | 2020 | | | 2019 | | | 3 YR CUM | | | Calculation**** | | Target**** | |
|----------------------------------|------|------|---------|----------|---------|------|------|------|------|----------|------|------|-----------------|---|--|--|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 3 YR CUM | | | |
| Performance Indicators | | | | | | | | | | | | | | | | |
| Near Term Indicators | | | | | | | | | | | | | | | | |
| 1a. | | | 9.94 | 11.27 | 17.18 | | | | | | | | | Current Assets/Current Liabilities | > 1.1 or between 1.0-1.1 with positive trend | |
| 1b. | | | 22 | 14 | 54 | | | | | | | | | Cash/(Total Expenses/365) | 60 days or 30-60 days with positive trend | |
| 1c. | | | 100% | 100% | 100% | | | | | | | | 100% | Average Daily Enrollment/Budgeted Enrollment | >95% or >95% for 3 yr cum | |
| 1d.** | | | NO | NO | NO | | | | | | | | | Auditor | not in default | |
| Sustainability Indicators | | | | | | | | | | | | | | | | |
| 2a*** | | | 162,214 | (85,378) | 510,215 | | | | | | | | 587,051 | Net change in cash flow from prior years | 3 yr cum positive with most recent year positive | |
| 2b | | | N/A | N/A | N/A | | | | | | | | | N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments) | >1.10 | |

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

Meets Standard
 Does Not Meet Standard
 Falls Far Below Standard

SINGLE AUDIT SECTION

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Unity Charter School

Morris Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and each major fund Unity Charter School (Charter School), State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated February 25, 2022, which contains an emphasis of matter paragraph describing the adoption of a new accounting principle, consistency of financial statements, and prior period adjustment.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Handwritten signature in cursive script that reads "Barre & Company LLC".

BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants



Handwritten signature in cursive script that reads "Richard M. Barre".

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

Union, New Jersey
February 25, 2022

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Union, New Jersey 07083
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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY CIRCULAR
15-08 OMB**

The Honorable President and
Members of the Board of Trustees
Unity Charter School
Morris Township, New Jersey

Report on Compliance for Each Major State Program

We have audited the Unity Charter School’s (Charter School) compliance with the types of compliance requirements described in the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2021. The Charter School’s major state programs are identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of the Unity Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 state program and to test and report on internal control over compliance in accordance with New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

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

Purpose of this Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
February 25, 2022

UNITY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2021

| Federal Grantor/Pass-through Grantor/ Program Title | Federal Assistance Listing Number | Additional Award Identification | Federal FAIN Number | Grant or State Project Number | Program or Award Amount | Grant Period From To | Balance at June 30, 2020 | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Pass-Through To Subrecipients | Adjustments | Repayment Of Prior Years' Balances | Accounts Receivable | Balance at June 30, 2021 Unearned Revenue | Due to Grantor |
|--|--|---------------------------------------|---------------------------|-------------------------------------|-------------------------------|-------------------------|-----------------------------|------------------------------------|------------------|---------------------------|-------------------------------------|-------------|--|------------------------|---|-------------------|
| U.S. Department of Education | | | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | | | |
| No Child Left Behind: | | | | | | | | | | | | | | | | |
| 84-109 | N/A | | 810A190030 | NCLB - 21 | \$ 22,084 | 7/1/20 | \$ - | - | 4,743 | (22,084) | - | - | - | (22,084) | \$ - | - |
| 84-387 | 84-367A | | S452A190029 | NCLB - 21 | 4,743 | 7/1/20 | 630/21 | - | - | (4,743) | - | - | - | - | - | - |
| 84-186 | 84-186A | | S424A190031 | NCLB - 21 | 10,000 | 7/1/20 | 630/21 | - | 4,743 | (10,000) | - | - | - | (10,000) | - | - |
| | | | | | | | | | | (32,827) | - | - | - | (32,827) | - | - |
| Total No Child Left Behind | | | | | | | | | | | | | | | | |
| Special Education Cluster (IDEA): | | | | | | | | | | | | | | | | |
| 84-107 | | 84-027A | H027A190100 | IDEA - 21 | 44,721 | 7/1/20 | 630/21 | - | - | (44,721) | - | - | - | (44,721) | - | - |
| Total Individuals with Disabilities Cluster | | | | | | | | | | | | | | | | |
| Other Special Education Funds: | | | | | | | | | | | | | | | | |
| 84-425 | COVID-19, 84-425D | | S452D200027 | N/A | 4,847 | 9/1/20 | 831/21 | - | 4,847 | (4,847) | - | - | - | - | - | - |
| 84-425 | COVID-19, 84-425D | | S452D00027 | N/A | 14,566 | 3/1/20 | 831/22 | - | 12,167 | (14,566) | - | - | - | (2,399) | - | - |
| Total Other Special Revenue Funds | | | | | | | | | | | | | | | | |
| U.S. Department of Treasury | | | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | | | |
| 21-019 | | COVID-19 | | N/A | 10,665 | 8/1/20 | 10/1/20 | - | 10,175 | (10,665) | - | - | - | (430) | - | - |
| Total Department of Treasury Funds | | | | | | | | | | | | | | | | |
| Total Special Revenue Fund | | | | | | | | | | | | | | | | |
| Total U.S. Department of Education | | | | | | | | | | | | | | | | |
| U.S. Department of Agriculture | | | | | | | | | | | | | | | | |
| Passed-through State Department of Agriculture | | | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | | | | | |
| 10-555 | COVID-19 | | 211N304N1089 | N/A | 54,269 | 7/1/20 | 630/21 | - | 47,560 | (54,269) | - | - | - | (6,709) | - | - |
| 10-555 | COVID-19: National School Lunch Program | | 201N304N1089 | N/A | 18,307 | 7/1/19 | 630/20 | (1,270) | 1,270 | - | - | - | - | - | - | - |
| 10-558 | Child Care Food Program | | 211N304N1089 | N/A | 817 | 7/1/20 | 630/21 | - | 817 | (817) | - | - | - | (6,709) | - | - |
| Total Child Nutrition Cluster | | | | | | | | | | | | | | | | |
| Total Enterprise Fund | | | | | | | | | | | | | | | | |
| Total Federal Financial Awards | | | | | | | | | | | | | | | | |

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

UNITY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2021

| State Grantor/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period From To | Balance at June 30, 2020 | | Carryover/(Walkover) Amount | Cash Received | Budgetary Expenditures | Adjustments/Repayment of Prior Year's Balance | Balance at June 30, 2021 | | Budgetary Receivable | Cumulative Total Expenditures |
|--|-------------------------------|-------------------------|----------------------|---|----------------|-----------------------------|---------------|------------------------|---|--------------------------|----------------------------|----------------------|-------------------------------|
| | | | | Unexpended Revenues (Accounts Receivable) | Due to Grantor | | | | | (Accounts Receivable) | Revenue/ Interfund Payable | | |
| State Department of Education | | | | | | | | | | | | | |
| State Aid-Public | | | | | | | | | | | | | |
| Equalization Aid- State Share | 21-495-034-5120-078 | \$ 370,696 | 7/1/20 | 6/30/21 | \$ - | \$ - | \$ 370,696 | \$ (370,696) | \$ - | \$ - | \$ - | \$ - | \$ 370,696 |
| Special Education Categorical Aid | 21-495-034-5120-089 | 168,074 | 7/1/20 | 6/30/21 | | | 168,074 | (168,074) | | | | | 168,074 |
| Security Aid | 21-495-034-5120-084 | 31,988 | 7/1/20 | 6/30/21 | | | 31,988 | (31,988) | | | | | 31,988 |
| Total State Aid-Public | | | | | | | 570,758 | (570,758) | | | | | 570,758 |
| TPAF Post-Retirement Medical Contributions | | | | | | | | | | | | | |
| On-Behalf TPAF Pension Contributions | 21-495-034-5095-001 | 130,199 | 7/1/20 | 6/30/21 | | | 130,199 | (130,199) | | | | | 130,199 |
| TPAF Long Term Disability Insurance Premium | 21-495-034-5095-006 | 415,460 | 7/1/20 | 6/30/21 | | | 415,460 | (415,460) | | | | | 415,460 |
| Reimbursed TPAF - Social Security | 21-495-034-5095-003 | 680 | 7/1/20 | 6/30/21 | | | 680 | (680) | | | | | 680 |
| Total Reimbursed TPAF - Social Security | 20-495-034-5095-002 | 117,086 | 7/1/19 | 6/30/20 | (5,767) | | 100,000 | (111,135) | | (10,921) | | 10,921 | 111,135 |
| Total Reimbursed TPAF - Social Security | | | | | (5,767) | | 105,987 | (111,135) | | (10,921) | | 10,921 | 111,135 |
| Total General Fund | | | | | (5,767) | | 1,222,656 | (1,227,812) | | (10,921) | | 21,842 | 1,227,812 |
| State Department of Agriculture | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | |
| National School Lunch Program (State Share) | 21-100-010-3350-023 | 2,621 | 7/1/20 | 6/30/21 | (20) | | 2,143 | (2,621) | | (478) | | 478 | 2,621 |
| National School Lunch Program (State Share) | 20-100-010-3350-023 | 650 | 7/1/19 | 6/30/20 | (20) | | 2,163 | (2,621) | | (478) | | 478 | 2,621 |
| Total Enterprise Fund | | | | | (40) | | 4,306 | (5,242) | | (956) | | 956 | 5,242 |
| Total State Financial Assistance Subject to Major Program Determination for State Single Audit | | | | | (5,767) | | 1,224,821 | (1,230,433) | | (11,399) | | 22,320 | 1,230,433 |
| State Financial Assistance Not Subject to Major Program Determination (Cash Assistance) | | | | | | | | | | | | | |
| TPAF Post-Retirement Medical Contributions | 21-495-034-5095-001 | 130,199 | 7/1/20 | 6/30/21 | | | 130,199 | (130,199) | | | | | 130,199 |
| On-Behalf TPAF Pension Contributions | 21-495-034-5095-006 | 415,460 | 7/1/20 | 6/30/21 | | | 415,460 | (415,460) | | | | | 415,460 |
| TPAF Long Term Disability Insurance Premium | 21-495-034-5095-004 | 680 | 7/1/20 | 6/30/21 | | | 680 | (680) | | | | | 680 |
| Total General Funds (Non-Cash Assistance) | | | | | | | 546,339 | (546,339) | | | | | 546,339 |
| Total State Financial Assistance | | | | | (5,767) | | 678,482 | (684,094) | | (11,399) | | 22,320 | 1,776,772 |

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

UNITY CHARTER SCHOOL

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

UNITY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2021

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

| | Federal | State | Total |
|-------------------------------------|-------------------|---------------------|---------------------|
| General Fund | \$ - | \$ 1,227,812 | \$ 1,227,812 |
| Special Revenue Fund | 111,566 | - | 111,566 |
| Food Service Fund | 58,979 | 2,994 | 61,973 |
| Total Awards & Financial Assistance | <u>\$ 170,545</u> | <u>\$ 1,230,806</u> | <u>\$ 1,401,351</u> |

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Unity Charter School has no loan balances outstanding at June 30, 2021.

NOTE 6. OTHER INFORMATION

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

UNITY CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2021

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

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

| Program | Total |
|--|------------------|
| Title I, Part A: <i>Grants to Local Education Agencies</i> | \$ 22,084 |
| Title II, Part A: <i>Teacher and Principal Training and Recruiting</i> | 4,743 |
| Title IV, Part A: <i>Safe and Drug-Free Schools and Communities</i> | <u>10,000</u> |
| Total | <u>\$ 36,827</u> |

NOTE 9. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of the Schedules of Findings and Questioned Costs.

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

Section I – Summary of Auditor’s Results

Financial Statements

| | | |
|---|-----------|-----------------------|
| Type of auditors’ report issued on financial statements | | <u>Unmodified</u> |
| Internal control over financial reporting: | | |
| 1) Material weakness(es) identified? | _____ Yes | ___X___ No |
| 2) Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes | ___X___ None Reported |
| Noncompliance material to basic financial statements noted? | _____ Yes | ___X___ No |

Federal Awards

N/A

State Awards

| | | |
|---|-------------|-----------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | | \$750,000 |
| Auditee qualified as low-risk auditee? | ___X___ Yes | _____ No |
| Internal control over major programs: | | |
| 1) Material weakness(es) identified? | _____ Yes | ___X___ No |
| 2) Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes | ___X___ None Reported |
| Type of auditors’ report issued on compliance for major programs | | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08-OMB, as applicable? | _____ Yes | ___X___ No |

Identification of major state programs:

| GMIS Number(s) | Name of State Program |
|-----------------------|------------------------------|
| 21-495-034-5120-071 | STATE AID – PUBLIC |
| 21-495-034-5120-089 | Equalization Aid |
| 21-495-034-5120-084 | Special Education Aid |
| 21-495-034-5120-084 | Security Aid |
| 21-495-034-5120-084 | Non Public Aid |

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

Section II – Schedule of Financial Statement Findings

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

No Current Year Findings

***Section III – Schedule of Federal and State Award
Findings and Questioned Costs As Prepared by Management***

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

CURRENT YEAR FEDERAL AWARDS

No Current Year Findings

CURRENT YEAR STATE AWARDS

No Current Year Findings

UNITY CHARTER SCHOOL
Summary Schedule Prior Year Audit Findings and Questioned Costs as prepared by
Management
For the Fiscal Year Ended June 30, 2021

STATUS OF PRIOR-YEAR FINDINGS

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

No Prior Year Findings