

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
PHILIP'S ACADEMY CHARTER SCHOOL
OF NEW JERSEY
FOR THE FISCAL PERIOD ENDED JUNE 30, 2022**

PHILIPS ACADEMY CHARTER SCHOOL
JUNE 30, 2022
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March 8, 2023

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

Dear Commissioner:

The Annual Comprehensive Financial Report of the Philip's Academy Charter School for the fiscal period ended June 30, 2022, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

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

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

Philip's Academy Charter School commenced the 2021/2022 school year with 571 students. The school served 459 students from pre-kindergarten to the fifth grade and 112 students from the sixth to eighth grade.

2) **ENROLLMENT OUTLOOK:** Philip's Academy Charter School projected 623 students for the 2022/2023 school year. As of October 15, 2022, enrollment for the 2022/2023 school year is 635 students.

3) **MAJOR ACCOMPLISHMENTS**

During the 2021-2022 school year, Philip's Academy had a year filled with accomplishments to push our organization forward towards sustained success. The most notable one would be that our charter renewal was granted for the full 5 year term! Our focus on tailored instruction remained at the forefront of all our goals and planning. We were able to utilize federal funding to support student learning and accelerate loss of learning due to pandemic school closing.

Even Smaller Classes 15-21

Lower Absenteeism Rates

New Building located downtown (Hill Street)

Shuttle bus: primarily for students with siblings, and sports teams to and from Hill Street

Innovative schedule with the following included:

- Longer Class times
- PODS, where students work on their individual goals (academic and engagement)
- Leadership Groups
- Friday Specials
- Partnerships with outside organizations
- SEL/ LIM Math/ELA Intervention Daily
- Financial Literacy, Computer Science, Coding, and Winter Olympics

Nearly 3,000 covid tests administered thru mid December, nearly 60% of all students test at least once monthly. In school testing only resulted in 2.4% positive cases. Over 1,800 reusable cloth masks have been issued to students.

Philip's Academy's 2021/2022 graduates matriculated to the following competitive secondary schools:

High School Acceptances:

St Benedict's Prep	St. Benedict's Girls Prep
St Vincent Academy	Payne Tech
Roselle Catholic	Bard Early College
West Caldwell Tech	Union Catholic
St Dominic Academy	Seton Hall Prep
St. Peter's Prep	

These graduates will receive \$172,000 in financial aid.

Demand for Seats at Philip's Academy

Philip's Academy is in the top five first choice schools among Newark charter schools. There are currently over 252 students on our waiting list.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2022.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1.
- 7) **FINANCIAL INFORMATION AT FISCAL PERIOD-END:** As demonstrated by the various statements and schedules included in the financial section of the report, the school has met its responsibility for sound financial management. The following schedule presents a summary of the General, Special Revenue and Proprietary funds for the fiscal period ended June 30, 2022.

Revenue	Amount	Percent of Total
Local	\$ 1,017,550	10%
State	5,660,571	60%
State Aid	3,724,460	9%
Federal Aid	1,979,257	14%
Misc.	232,599	1%
Proprietary Fund	466,874	6%
Total	<u>\$13,081,311</u>	<u>100%</u>

The following schedule presents a summary of the General Fund, Special Revenue Fund and Enterprise Fund Expenditures for the fiscal period ended June 30, 2022.

Expenditures	Amount	Percent of Total
General Fund	\$8,954,532	81%
Special Revenue Fund	3,856,782	18%
Proprietary Fund	463,063	1%
Total	<u>\$13,274,377</u>	<u>100%</u>

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

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

10) **OTHER INFORMATION:**

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

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

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

Respectfully submitted,



Yasmeen Sampson
Principal



Migdalia Dale
School Business Administrator
Board Secretary

PHILIP'S ACADEMY CHARTER SCHOOL

**ROSTER OF TRUSTEES
JUNE 30, 2022**

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Tammie Reid, President, Voting	6/2022
K. Anthony Thomas, Vice President, Voting	6/2022
Elizabeth Abitanto, Voting	6/2022
Martin McDougall, Voting	6/2022
Joshlyn Adams, Voting	6/2023
Kaili Sanderson, Voting	6/2023
Yasmeen Sampson, Principal, Non-voting	
Migdalia Dale, School Business Administrator, Non-voting	

CONSULTANTS AND ADVISORS
June 30, 2022

AUDIT FIRM

Gerald D. Longo, CPA
62 Old Queens Blvd.
Manalapan, NJ 07726-3648

ATTORNEYS

Isabel Machado
Machado Law Group, LLC
136 Central Avenue, 2nd Fl
Clark, NJ 07066

OFFICIAL DEPOSITORY

Santander Bank
4261 Route 9 North
Howell, NJ 07731

FINANCIAL SECTION

GERALD D. LONGO
CERTIFIED PUBLIC ACCOUNTANT
62 OLD QUEENS BLVD.
MANALAPAN, NEW JERSEY 07726-3648

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Philip's Academy Charter School's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. My responsibilities under those standards and Specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Philip's Academy Charter School and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in the Notes to the financial statements, the Philip's Academy Charter School adopted the provisions of Governmental Accounting Standards Board Statement 87, Leases, effective July 1, 2021. My opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Philip's Academy Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Specifications, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Philip's Academy Charter School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Philip’s Academy Charter School’s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis; the schedules related to accounting and reporting for Pensions and Post-Retirement Benefits and the other required supplementary information and notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Philip’s Academy Charter School’s basic financial statements. The accompanying Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB’s Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

The combining fund financial statements and schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 8, 2023, on my consideration of the Philip's Academy Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Philip's Academy Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Philip's Academy Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
March 8, 2023

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

PHILIP'S ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

This section of Philip's Academy Charter School's annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal period that ended on June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-2022 fiscal period include the following:

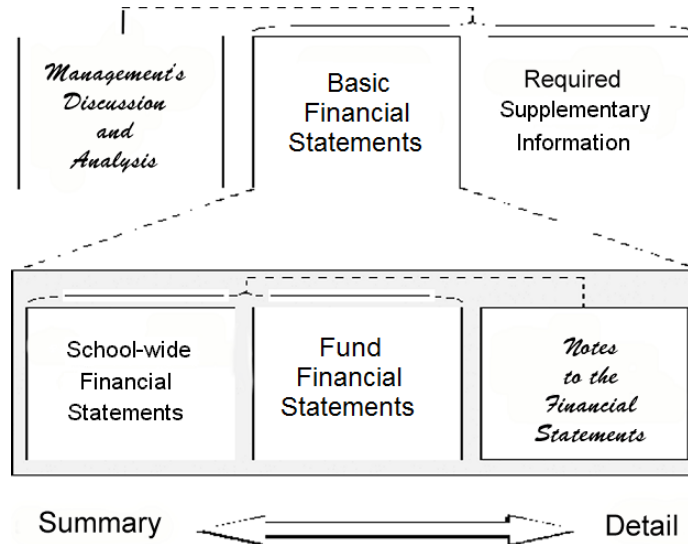
- Total Net Position (Deficit) at June 30, 2022 was (\$2,279,561) – School wide.
- The unassigned General Fund balance at June 30, 2022 is \$221,223.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**PHILIP'S ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

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



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

**PHILIP’S ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

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

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

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

PHILIP’S ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

School-wide Statements

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

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

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

- *Governmental activities*- Most of the Philip’s Academy Charter School’s basic services are included here, such as regular and special education, transportation, administration, and community education. Property taxes and state aid finance most of these activities.
- *Business-type activities*- The Philip’s Academy Charter School's Food Service Fund is included here.

Fund Financial Statements

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

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

- Some funds are required by State law.

**PHILIP’S ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

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

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

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

FINANCIAL ANALYSIS OF THE PHILIPS ACADEMY CHARTER SCHOOL AS A WHOLE

Net Position (Deficit). The Philip’s Academy Charter School’s Net Position (Deficit) includes a pension adjustment of \$(2,623,015) as of June 30, 2022. (See Table A-1).

Governmental	(\$2,311,965)
Proprietary	<u>32,404</u>
Total	<u><u>(\$2,279,561)</u></u>

The Statement of Net Position (Deficit) of (\$2,279,561) reflects net capital assets of \$18,496 net of assumed depreciation from inception of \$18,681.

**PHILIP'S ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

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

- Special Revenue - Revenues were \$3,855,222 and Expenditures were \$3,856,782
- General Fund Revenues were \$8,759,215.
- General Fund Expenditures were \$8,954,532.

**Table A-1
PHILIP'S ACADEMY CHARTER SCHOOL
Statement of Net Position (Deficit)
As of June 30, 2022**

	<u>Total</u>
Current and Other Assets	\$1,749,669
Deferred Pension Outflows	1,430,041
Right-to-use lease assets-net	3,235,441
Capital Assets, Net	18,496
Total Assets and Pension Outflows	<u>\$6,433,647</u>
Current Liabilities	\$ 1,490,969
Lease Liabilities	\$ 3,521,426
Other Liabilities - Noncurrent and Deferred Current Inflows	3,700,813
Total Liabilities and Deferred Pension Inflows	<u>8,713,208</u>
Net Position (Deficit)	
Invested In Capital Assets, Net	18,496
Restricted- Student Activity	5,073
Unrestricted (Deficit)	(2,303,130)
Total Net Position (Deficit)	<u><u>(\$2,279,561)</u></u>
Total Liabilities, Deferred Pension Inflows and Net Position (Deficit)	<u>\$6,433,647</u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of Net Position (Deficit) of (\$2,279,561) school wide as of June 30, 2022.

**PHILIP'S ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

**Table A-2
PHILIP'S ACADEMY CHARTER SCHOOL
Changes in Net Position School Wide
For the Fiscal Year Ended June 30, 2022**

Revenues	Total	Percent
Program revenues		
Charges for services		
Operating grants and contributions		
General revenues		
Local Share	\$ 1,017,550	8%
State Aid-Unrestricted	5,660,571	43%
Federal Aid	2,777,215	28%
Federal and State Aid-Restricted	2,849,680	15%
Other	316,767	2%
Proprietary Fund	466,874	4%
Total revenues	\$ 13,088,657	100%
Expenses		
Regular Instruction	\$ 2,891,752	22%
General Administrative	2,421,248	18%
School Administrative	2,080,335	16%
On-behalf TPAF Social Security / Pension / Medical	1,561,197	12%
Student Activity	8,906	
Capital Outlay	--	--
Special Revenue	3,847,876	29%
Proprietary Fund	463,063	3%
Total expenses	\$ 13,274,377	100%
Increase (Decrease) in Net Position- FYE 06/30/22	(185,720)	
Fund Balance June 30, 2022	\$ 258,700	
Amortization expense over principal on leases	\$ (285,985)	
Capital Assets - Net	18,496	
Net Pension Adjustment (Decrease)	(2,270,772)	
Net Position (Deficit) 06/30/2022	<u>\$ (2,279,561)</u>	

**PHILIP'S ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

**Table A-3 (See Exhibit A-2)
PHILIP'S ACADEMY CHARTER SCHOOL
Changes in Total and Net Cost of Services - Governmental
For the Fiscal Year Ended June 30, 2022**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental and Enterprise Fund Activities			
Instruction			
Regular	B-2	\$ 5,440,314	\$ 2,744,523
Support Services			
General Administrative Services	B-2	3,720,562	2,572,433
School Administrative Services	B-2	2,080,335	779,827
On-behalf TPAF Social Security	B-2	1,561,197	1,148,782
Student Activity	E-1	8,906	8,009
Proprietary Fund	G-2	463,063	73,530
Capital Outlay	B-2	-	-
Total Governmental and Enterprise Fund Activities		<u>\$ 13,274,377</u>	<u>\$ 7,327,104</u>

FINANCIAL ANALYSIS OF THE PHILIP'S ACADEMY CHARTER SCHOOL FUNDS

The financial performance of the Philip's Academy Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Philip's Academy Charter School completed the year, its funds reported a combined unassigned fund balance of \$221,223.

Revenues for the Philip's Academy Charter School's governmental funds including the Enterprise Fund were \$13,081,311 while total expenses were \$13,274,377.

GENERAL FUND

The General Fund includes the primary operations of the Philip's Academy Charter School in providing educational services to students from grade PreK through Grade 8.

PHILIP'S ACADEMY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)

The following schedule presents a summary of Revenues – School Wide.

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

	Year Ended 06/30/2022	Year Ended 06/30/2021	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 1,017,550	\$ 880,290	\$ 137,260
State Share	5,660,571	4,712,996	947,575
Misc Revenue	232,599	150,737	81,862
Total Local Revenue	\$ 6,910,720	\$ 5,744,023	\$ 1,166,697
Intergovernmental			
State Sources	\$ 1,979,257	\$ 2,102,405	\$ (123,148)
Federal Sources	3,724,460	400,727	3,323,733
Proprietary Fund	466,874	453,239	13,635
Total Intergovernmental Sources	\$ 6,170,591	\$ 2,956,371	\$ 3,214,220
Total Revenue - School Wide	\$ 13,081,311	\$ 8,700,394	\$ 4,380,917

The following schedule presents a summary of Expenditures – School Wide.

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

	Year Ended 06/30/2022	Year Ended 06/30/2021	Amount of Increase (Decrease)
Current:			
Regular Instruction	\$ 5,440,314	\$ 3,944,555	\$ 1,495,759
	-	-	-
General Administrative Services	3,720,562	2,993,950	\$ 726,612
School Administration	2,080,335	779,827	\$ 1,300,508
On-behalf TPAF Social Security / Pension / Medical	1,561,197	1,148,782	\$ 412,415
Student Activity	8,906	8,009	\$ 897
Capital outlay	-	-	-
Proprietary Fund	463,063	73,530	\$ 389,533
Total Expenditures - School Wide	\$ 13,274,377	\$ 8,948,653	\$ 4,325,724

**PHILIP’S ACADEMY CHARTER SCHOOL
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(Unaudited)**

UNRESERVED-UNASSIGNED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the unreserved-unassigned fund balance – School Wide.

**Table A-6
PHILIP'S ACADEMY CHARTER SCHOOL
Changes in Fund Balances
For the Fiscal Year Ended June 30**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unreserved-Unassigned Fund Balance	253,267	445,133	205,304	192,335	44,267	399,484
Expenditures	13,274,377	8,948,653	8,687,425	7,837,170	7,364,948	6,114,120
Percentage	1.9%	4.9%	2.3%	2.0%	0.6%	7.0%

The Philip’s Academy Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during the school year. The fund balance designated to support the subsequent years budget is \$253,627 for the 2022-23 school year.

FACTORS BEARING ON THE SCHOOL’S FUTURE

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

These and many other factors were considered by the Charter School’s administration during the process of developing the fiscal year 2022-23 budget. The primary factors were the Charter School’s projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2022-23.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Philip’s Academy Charter School’s finances and to demonstrate the Philip’s Academy Charter School’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Philip’s Academy Charter School, 342 Central Avenue, Newark, NJ 07103

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Philip's Academy Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2022.

SCHOOL-WIDE FINANCIAL STATEMENTS

PHILIP'S ACADEMY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 748,501	\$ (35,364)	\$ 713,137
Receivables	793,583	102,876	896,459
Security Deposit - Rental	135,000		135,000
Cash and Cash Equivalents - Restricted	5,073		5,073
Capital assets, net	18,496	-	18,496
Total Assets	<u>1,700,653</u>	<u>67,512</u>	<u>1,768,165</u>
Deferred outflows of resources			
Right-to-use lease assets-net	3,235,441		3,235,441
Pension deferred outflows	1,430,041		1,430,041
Total assets and deferred outflows of resources	<u>\$ 6,336,135</u>	<u>\$ 67,512</u>	<u>\$ 6,433,647</u>
LIABILITIES			
Accounts payable	\$ 1,192,872	\$ 35,108	\$ 1,227,980
Deferred revenue	262,989		262,989
Lease Liabilities	3,521,426		3,521,426
Net pension liability - non current	2,257,632		2,257,632
Total Liabilities	<u>7,234,919</u>	<u>35,108</u>	<u>7,270,027</u>
Deferred inflows of resources			
Pension deferred inflows	1,443,181	-	1,443,181
NET POSITION (DEFICIT)			
Invested in capital assets, Net	18,496	-	18,496
Restricted - Student Activity Reserve	5,073		5,073
Unrestricted (Deficit) (Note 13)	(2,335,534)	32,404	(2,303,130)
Total Net Position (Deficit)	<u>\$ (2,311,965)</u>	<u>\$ 32,404</u>	<u>\$ (2,279,561)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 6,366,135</u>	<u>\$ 67,512</u>	<u>\$ 6,433,647</u>
Fund Balance June 30, 2022 - B-1	\$226,296		
Right-to-use lease assets-net of accumulated depreciation	\$3,235,441		
Principal balance of lease liabilities	(\$3,521,426)		
Cost of capital assets net accumulated depreciation	18,496		
Net Position before pension adjustments	(41,193)		
Less pension adjustments net (Note 13)	(2,270,772)		
Total Net Position (Deficit) - June 30, 2022	<u>(\$2,311,965)</u>		

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

PHILIP'S ACADEMY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Exhibit A-2

Functions/Programs	Indirect Expenses Allocation	Program Revenues			Changes in Net Position		
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:							
Instruction:							
Regular	\$ (5,440,314)		\$ (2,548,562)		\$ (2,891,752)		\$ (2,891,752)
Support services:							
General administratrion	(3,720,562)		(1,299,314)		(2,421,248)		(2,421,248)
School administrative services/ operations plant serv.	(2,080,335)				(2,080,335)		(2,080,335)
On - behalf TPAF Social Security / Pension / Medical	(1,561,197)				(1,561,197)		(1,561,197)
Student Activity	(8,906)				(8,906)		(8,906)
Capital Outlay	-				-		-
Total governmental activities	<u>(12,811,314)</u>		<u>(3,847,876)</u>		<u>(8,963,438)</u>		<u>(8,963,438)</u>
Business-type activities:							
Food Service	(463,063)		(463,063)			(463,063)	(463,063)
Total business-type activities	<u>(463,063)</u>		<u>(463,063)</u>			<u>(463,063)</u>	<u>(463,063)</u>
Total primary government	<u>\$ (13,274,377)</u>		<u>\$ (463,063)</u>	<u>\$ (3,847,876)</u>		<u>\$ (8,963,438)</u>	<u>\$ (463,063)</u>
					<u>\$ (8,963,438)</u>	<u>\$ (463,063)</u>	<u>\$ (9,426,501)</u>
General Fund Revenues:							
Local Share					\$ 1,017,550	\$ -	\$ 1,017,550
State Share					5,660,571	8,034	5,668,605
State and Federal Aid					1,979,257	401,263	2,380,520
Miscellaneous Income					101,837	57,577	159,414
Student Activity					7,346	-	7,346
Increase in net Capital Outlay					(5,311)		(5,311)
Total General Fund Revenues, special items, extraordinary					<u>8,761,250</u>	<u>466,874</u>	<u>9,228,124</u>
Change in Net Position - Increase (Decrease)					(202,188)	3,811	(198,377)
Net Position - July 1, 2021					352,243	0	352,243
Amortization expense over principal payments on leases					(285,985)		(285,985)
Net Pension Adjustment					(2,176,035)	28,593	(2,147,442)
Net Position (Deficit) - June 30, 2022					<u>\$ (2,311,965)</u>	<u>\$ 32,404</u>	<u>\$ (2,279,561)</u>
					0		

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PHILIP'S ACADEMY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2022

	General Fund	Special Revenue Fund	Total Funds
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$832,207	(\$83,706)	\$748,501
Receivables	184,919	608,664	793,583
Security Deposit - Rental	135,000		135,000
Cash and Cash Equivalents - Restricted		5,073	5,073
Total Assets	<u>\$1,152,126</u>	<u>\$530,031</u>	<u>\$1,682,157</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$930,903	\$261,969	\$1,192,872
Deferred revenue	-	262,989	262,989
Total Liabilities	<u>930,903</u>	<u>524,958</u>	<u>\$1,455,861</u>
Fund Balances:			
Restricted Student Activity Reserve		5,073	5,073
Unassigned	221,223	-	221,223
Total Fund balances	<u>221,223</u>	<u>5,073</u>	<u>226,296</u>
Total Liabilities and Fund Balances	<u>\$1,152,126</u>	<u>\$530,031</u>	<u>\$1,682,157</u>

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

Fund Balance - Governmental June 30, 2022	\$	226,296
Right -to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,043,401 less the accumulated amortization (\$808,860) (Note 11)		3,235,541
Lease liabilities used in governmental activities are not financial resourced and therefore are not reported in the funds (Note 11)		<u>(3,521,426)</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is and the security.	37,177 <u>(18,681)</u>	<u>18,496</u>
Net Position (Deficit) of governmental activities before pension adjustments		(41,093)
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements. (See Note 14)		1,430,041
Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 14)		(1,443,181)
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 14)		<u>(2,257,632)</u>
Net Position (Deficit) of governmental activities - June 30, 2022	\$	<u>(2,311,865)</u>

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

PHILIP'S ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local Share	\$ 1,017,550		\$ 1,017,550
State Share	5,660,571	-	5,660,571
Student Activity		7,346	7,346
Miscellaneous	101,837	200,238	302,075
Total - Local Sources	<u>6,779,958</u>	<u>207,584</u>	<u>6,987,542</u>
State Sources	1,979,257	870,423	2,849,680
Federal Sources		2,777,215	2,777,215
Total Revenues	<u>\$ 8,759,215</u>	<u>3,855,222</u>	<u>\$ 12,614,437</u>
EXPENDITURES			
Current:			
Regular instruction	\$ 2,891,752	\$ 2,557,468	\$ 5,449,220
Support services- General Administrative	2,421,248	1,299,314	3,720,562
Support Services- School Admin/ operations plant serv	2,080,335		2,080,335
On-behalf TPAF Social Security / Pension / Medical	1,561,197		1,561,197
Capital outlay	-		-
Total Expenditures	<u>8,954,532</u>	<u>3,856,782</u>	<u>12,811,314</u>
Excess (Deficiency) of revenues over expenditures	<u>(195,317)</u>	<u>(1,560)</u>	<u>(196,877)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	-		-
Total other financing sources and uses	<u>-</u>		<u>-</u>
Net change in fund balances - (Decrease)	(195,317)	(1,560)	(196,877)
Fund balance - July 1, 2021	<u>416,540</u>	<u>6,633</u>	<u>423,173</u>
Fund balance - June 30, 2022	<u>\$ 221,223</u>	<u>\$ 5,073</u>	<u>\$ 226,296</u>

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

PHILIP'S ACADEMY 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, 2022

Total net change in fund balances Increase (Decrease) - governmental funds (from B-2) \$ (195,317)

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

Capital outlays are reported in governmental funds as expenditures.

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

Depreciation expense	\$	(5,311)
Capital outlays		(5,311)

\$ (5,311)

Other - Decrease Special Revenue Fund

(1,560)

Amortization expense over principal payments on leases

(285,985)

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

(2,176,035)

Change in net position of governmental activities (Decrease) - June 30, 2022

\$ (2,664,208)

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

PROPRIETARY FUNDS

Exhibit B-4

PHILIPS ACADEMY CHARTER SCHOOL
 Statement of Net Position
 Proprietary Funds
 As of June 30, 2022

**Business-type
 Activities
 Enterprise funds**

ASSETS

Current assets:

Cash and Cash Equivalents	\$	(35,364)
Accounts receivable		28,334
Other receivables		74,542
Total current assets		<u>67,512</u>

Noncurrent assets:

Total noncurrent assets		
Total assets	\$	<u>67,512</u>

LIABILITIES

Current liabilities:

Accounts payable	\$	35,108
Total current liabilities		<u>35,108</u>
Total liabilities		<u>35,108</u>

NET POSITION

Invested in capital assets		
Unrestricted		32,404
Total net position		<u>32,404</u>

Total Liabilities and Net Position	\$	<u>67,512</u>
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Exhibit B-5

PHILIPS ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year June 30, 2022

	Business Type Activities <u>Enterprise Fund</u>
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	
Self Pay Revenue	\$0
Emergent Grant	56,335
PBET Subsidy	1,242
Total Operating Revenues	<u>57,577</u>
OPERATING EXPENSES	
Salaries, wages and employee benefits	(52,292)
Supplies, Materials & Other	(357,956)
Parent Contribution Bad debt	(52,815)
Total Operating Expenses	<u>(463,063)</u>
Income (Loss) From Operations	<u>(405,486)</u>
Nonoperating Revenues	
State Sources	
State Sources	8,033
Federal Sources	
School Breakfast Program	59,870
National School Lunch Program	341,394
National Snack Program	0
Board Subsidy	0
Total Nonoperating Revenues	<u>409,297</u>
Increase (Decrease) in Net Position before transfers	3,811
Transfer subsidy to cover loss	0
Total Net Position- Beginning of Year	<u>28,593</u>
Total Net Position- End of Year	<u>\$32,404</u>

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

PHILIPS ACADEMY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	<u>Business-type Activities Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Other Grants	\$ 57,577
Payments to Employees salaries and benefits	(105,107)
Payments to suppliers	(322,848)
Net cash provided by (used for) operating activities	<u>(370,378)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Federal Sources	427,106
Board Subsidy Transferred in from General Fund	0
Net cash provided by (used for) non-capital financing activities	<u>427,106</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash provided by (used for) investing activities	<u> </u>
Net increase (decrease) in cash and cash equivalents	56,728
Cash and Cash Equivalents—beginning of year	(92,092)
Cash and Cash Equivalents—end of year	<u>\$ (35,364)</u>
Net Income	3,811
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Transfer In subsidy from General Fund	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash provided by	0
(Increase) decrease in accounts receivable, net	17,809
(Decrease) Increase in accounts payable, net	35,108
Net cash provided by (used for) operating activities	<u>\$ 56,728</u>

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

FIDUCIARY FUNDS

Exhibit B-7

**PHILIP'S ACADEMY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2022**

NOT APPLICABLE

Exhibit B-8

**PHILIP'S ACADEMY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

NOTES TO THE BASIC FINANICAL STATEMENTS

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

The Charter School's basic financial statements consists of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information. The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Statements

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

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

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings 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 the State and Federal Government, (other than major capital projects, Debt Service of the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Proprietary Funds

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

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. As of June 30, 2022, there was no Fiduciary Fund due to the adoption of GASB Statement No. 84, Fiduciary Activities.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Budgets/Budgetary Control

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

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were \$0 of encumbrances at June 30, 2022. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Cash, Cash Equivalents and Investments

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

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

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

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventories and Prepaid Expenses

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

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

H. Short-Term Interfund Receivables/Payables

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

I. Capital Assets

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

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

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

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Leasehold improvements	15
Furniture and Equipment	7
Right-of-use Assets	*

*Shorter of useful life or lease term.

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

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

K. Net Position/Fund Balance

School-Wide Statements

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

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

Fund Balance and Equity

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

L. Unearned/Deferred Revenue

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

M. Fund Equity

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

N. Use of Estimates

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

O. On-Behalf Payments

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Deferred Outflows/Inflows

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

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

Q. Compensated Absences

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

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

As of June 30, 2022, Charter School-wide compensated absences amounted to \$-0-.

R. Fair Value of Financial Instruments

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

S. Deficit Net Position

The Charter School has a deficit in unrestricted net position of \$2,335,534 in governmental activities, which is primarily a result of net position liability and the related deferred inflows and outflows. This deficit does not indicate that the Charter School is in financial difficulties and is a permitted practice under generally accepted accounting principles.

T. Adoption of New Accounting Standards

GASB 84: Fiduciary Activities

During fiscal year 2021, the Charter School adopted GASB Statement No. 84, Fiduciary Activities (GASB 84). GASB 84 enhances the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Specifically, GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. As part of the adoption, the Charter School no longer considers activities in the Unemployment Fund Account, Payroll Agency Fund and Student activities as fiduciary activities applicable under GASB 84. As a result, the Charter School no longer presents a Statement of Fiduciary Net Position, and records payroll deductions and withholdings payable, unemployment activities in the General Fund in the Governmental Fund financial statements. Student activities are recorded in the Special Revenue Fund in the Governmental Fund financial statements.

In Fiscal Year 2022 the Philip's Academy Charter School implemented the following GASB Standards:

GASB 87: Leases

During fiscal year 2022, the Charter School adopted GASB Statement No. 87, Leases (GASB 87), which requires the Charter School to recognize intangible right-to-use lease assets and lease liabilities for its lessee agreements. The adoption of this GASB did not impact the Charter School's beginning net position for the fiscal year ended June 30, 2022.

The Charter School accounts for any lease with a term greater than one year in accordance with GASB 87. The lease terms are defined as the noncancellable period of any lease, plus any options to extend under such leases, when management is reasonably certain those options will be exercised. Accordingly, the net present value of the estimated future minimum payments are reflected as a right-to-use lease asset and lease liability. The right-to-use lease assets will be recognized on a straight-line basis over the lesser of the life of the asset or the remaining lease period. The right-to-use lease assets related to the facility leases are being amortized over the term of each respective lease as follows:

School Premises	5 years
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3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

uncollateralized. As of June 30, 2022, the Charter School cash balances were insured for \$250,000 by the FDIC and the remaining balances was subject to the provisions of GUDPA.

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

As of June 30, 2022, the Charter School had no investments.

4. PENSION PLANS

Description of Plans - Substantially all of the employees of the School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

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

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

Public Employees' Retirement System (PERS) - The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

4. PENSION PLANS (continued)

county municipality, School, or public agency provided the employee is not a member of another state-administered retirement system.

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

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

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

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

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

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

4. PENSION PLANS (continued)

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

COLA Suspension

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

Contribution Requirements

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

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

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

Annual Pension Costs (APC)

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

The School's contribution to PERS for the year ended June 30, 2022 was \$223,184.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue for the year ended June 30, 2022 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries in the amount of \$237,211. Also the State paid \$1,323,986 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School. These amounts have been included in the school wide financial

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

4. PENSION PLANS (continued)

statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

5 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

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

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$11,459,261 as measured on June 30, 2021 and \$14,634,976 as measured on June 30, 2020.

For the year ended June 30, 2022, the Charter School recognized pension expense of \$269,641 and revenue of \$269,641 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2022 is based upon changes in the collective net pension liability with a measurement period of June 30, 2021 through June 30, 2020. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2020 and June 30, 2021.

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

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

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$9,458,881,999	\$6,230,825,389
Collective deferred inflows of resources	\$14,424,322,612	\$27,221,092,460
Collective net pension liability (Non-employer - State of New Jersey)	\$ 65,848,796,740	\$48,165,991,182
State's portion of the net pension liability that was associated with the Charter School	\$14,634,976	\$11,459,261
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.022225%	.023836%

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation (Price):	2.75%
Inflation (Wage):	3.25%
Salary Increases: 2011-2026	1.55 - 4.45% based on years of service
Salary Increases: Thereafter	2.75 - 5.65% based on years of service
Investment Rate of Return:	7%

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

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits. The long term expected of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make 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 in determining the total pension liability.

**PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022**

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Sensitivity of the of the Net Pension Liability to Changes in the Discount Rate

At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
\$56,988,413,045	\$48,165,991,182	\$40,755,711,188

Pension Plan Fiduciary Net Position

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

Public Employees’ Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2022, the Charter School reported a liability of \$2,257,632 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021.

The Charter School’s proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2021. At June 30, 2021, the Charter School’s proportion was .019057%.

For the year ended June 30, 2022, the Charter School recognized pension expense (benefit) of (\$65,864). At June 30, 2022, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,606	\$ 16,162
Changes of assumptions	11,758	803,732
Net difference between projected and actual earnings on pension plan investments	-0-	594,720
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	1,159,493	28,567
Charter School contributions subsequent to the measurement date.	223,184	-0-
Total	<u>\$1,430,041</u>	<u>\$1,443,181</u>

The Charter School reported \$223,184 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ended June 30, 2022, the plan measurement date was June 30, 2021) will be recognized as a reduction of the net pension liability measured as of June 30, 2022.

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

	<u>Year Ended June 30:</u>
2021	(\$532,692)
2022	(380,341)
2023	(259,328)
2024	(194,937)
2025	76
Total:	<u>(\$1,367,222)</u>

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Collective deferred outflows of resources	\$2,347,583,337	\$1,164,738,169
Collective deferred inflows of resources	\$7,849,949,467	\$7,422,916,600
Collective net pension liability (Non-State-Local Group)	\$16,435,616,426	\$11,972,782,878
Charter School's proportion of net pension liability	\$2,632,214	\$2,257,632
Charter School's proportion percentage	.016141%	.012238%

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Actuarial Assumptions

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

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

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

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

The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School's proportionate share of the net pension liability	\$2,596,277	\$2,257,632	\$1,918,987

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Pension Plan Fiduciary Net Position

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

Long-Term Expected Rate of Return

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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 100% 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.

6 POST RETIREMENT MEDICAL BENEFITS

Plan description and benefits provided

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefit for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPES 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 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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022**

6 POST RETIREMENT MEDICAL BENEFITS (continued)

Total Nonemployer OPEB Liability

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

Actuarial assumptions and other imputes The June 30, 2022 GASB 75 reporting is based on a measurement date of June 30, 2021. The total nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 - June 30, 2018, for TPAF and PERS, respectively. 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%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.45%
Rate Thereafter	2.75% to 4.45%
Discount rate (2021)	2.16%
Discount rate (2022)	2.21%
Healthcare cost trend rates (PPO Plans)	5.74%, increasing to 12.93% in fiscal year 2025 and decreases to 4.5% after eleven years
Healthcare cost trend rates (HMO Plans)	6.01%, increasing to 15.23.93% in fiscal year 2025 and decreases to 4.5% after eleven years
Healthcare cost trend rates (Prescription Drug Benefits)	6.75%, increasing to 4.5% long term trend rate after seven years
Healthcare cost trend rates (Medicare Part B reimbursement)	5.00%
Healthcare cost trend rates (Medicare Advantage)	5.65%

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

6 POST RETIREMENT MEDICAL BENEFITS (continued)

The discount rate for June 30, 2021 2.16%. 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.

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-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. 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-2021 for current disables retirees. Future disabled retirees was based on the Pub-2010 "Safety" (PFRS), "General" (PERS), and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Changes in the Total OPEB Liability reported by the State of New Jersey:

	Total OPEB Liability
The State's Total OPEB Liability Balance at June 30, 2020	\$67,809,962,608
Changes for the year:	
Service Cost	3,217,184,264
Interest on the Total OPEB Liability	1,556,661,679
Changes in Benefit Terms	(63,870,842)
Differences Between Expected and Actual Experience	(11,385,071,658)
Changes of Assumptions	59,202,105
Gross Benefit Payments	-
Contributions from Members	(1,186,417,186)
Net Changes	(7,802,311,638)
The State's Total OPEB Liability Balance at June 30, 2021	\$60,007,650,970
The State's Total OPEB Liability attributable to the Charter School	\$4,033,407

Benefit Changes: The decrease in liability from June 30, 2020 to June 30, 2021 is due to employers adopting Chapter 44 provisions.

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

6 POST RETIREMENT MEDICAL BENEFITS (continued)

Changes of assumptions and other inputs reflects a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021 and other changes.

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

	June 30, 2021		
	At 1% Decrease	At Discount Rate	At 1% Increase
	1.16%	2.16%	3.16%
Total OPEB Liability (School Retirees)	\$71,879,745,555	\$60,007,650,970	\$50,659,089,138

	June 30, 2020		
	At 1% Decrease	At Discount Rate	At 1% Increase
	1.21%	2.21%	3.21%
Total OPEB Liability (School Retirees)	\$81,748,410,002	\$67,809,962,608	\$56,911,439,160

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

	June 30, 2021		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$48,576,388,471	\$60,007,650,970	\$75,358,991,782

	June 30, 2020		
	At 1% Decrease	Health Care Cost Trend Rate	At 1% Increase
Total OPEB Liability (School Retirees)	\$54,738,488,540	\$67,809,962,608	\$83,375,182,975

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

For the year ended June 30, 2021, the Charter School recognized OPEB expense and related revenue of \$1,482,692 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

6. POST RETIREMENT MEDICAL BENEFITS (continued)

In accordance with GASBS No. 75, the Charter School's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$9,045,886,863	\$18,009,362,976
Changes of assumptions or other inputs	10,179,536,966	6,438,261,807
Total	\$10,179,536,966	\$24,447,624,783

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Total
Ending June 30,	
2022	(\$1,182,303,041)
2023	(\$1,182,303,041)
2024	(\$1,182,303,041)
2025	(\$1,182,303,041)
2026	(840,601,200)
Thereafter	347,612,410
	(\$5,222,200,954)

7. ECONOMIC DEPENDENCY

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

8. CONTINGENT LIABILITIES

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

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited by the various grantor agencies but the

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

8. CONTINGENT LIABILITIES (continued)

Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

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

9. RISK MANAGEMENT

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

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

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

10. RECEIVABLES

Receivables as of June 30, 2022 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$184,919</u>	<u>\$608,664</u>	<u>\$102,876</u>	<u>\$896,459</u>
Gross Receivables	<u>\$184,919</u>	<u>\$608,664</u>	<u>\$102,876</u>	<u>\$896,459</u>

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

11. CAPITAL ASSETS

A summary of Capital Assets is as follows:

Furniture and Equipment	\$36,677
Less: Accumulated Depreciation	<u>(18,181)</u>
Capital Assets – Net	<u><u>\$18,496</u></u>

Depreciation of \$5,311 was charged to an unallocated function.

	<u>Beginning Balance July 1, 2021</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance June 30, 2022</u>
Governmental Activities			
Right to use lease assets:			
Premises	\$4,044,301	---	\$4,044,301
Total	<u>\$4,044,301</u>	<u>\$0</u>	<u>\$4,044,301</u>
Less accumulated depreciation for:	<u>-</u>	<u>(808,860)</u>	<u>(808,860)</u>
Right to use lease assets, net	<u><u>\$4,044,301</u></u>	<u><u>(\$808,860)</u></u>	<u><u>\$3,235,441</u></u>

12. SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the financial statement date through March 8, 2023 which is the date the financial statements were available to be issued. Based upon this evaluation, the Charter School has determined that the following subsequent events needed to be disclosed:

During fiscal year 2022, COVID-19 continued to be recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Charter School's operations and financial position. As a result, the adverse impact COVID-19 will have on the Charter School's businesses, operating results, cash flows, and financial condition is uncertain. It is management's opinion that the adverse impact would not be material.

13. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

13. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The reconciliation is as follows:

Fund balance (per B-1) as of June 30, 2022	\$226,296
Cost of capital assets net accumulated depreciation	18,496
Right-to-Use assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,044,301 less the accumulated amortization.	3,235,541
Lease liabilities used in governmental activities are not financial resourced and therefore are not reported in the funds.	(3,521,426)
Pension deferred outflows	1,430,041
Pension deferred inflows	(1,443,181)
Deferred pension liability as of June 30, 2022	(2,257,632)
Net position (Deficit) (per A-1) as of June 30, 2022	<u>(\$2,270,772)</u>

14. LINE OF CREDIT

The Charter School has an open line of credit with Santander Bank, N.A. The purpose of this short-term obligation was for cash flow for operations. The total amount of the loan was \$375,000. The loan is collateralized by a first priority security interest under the UCC in all of the school's assets. The loan was repaid in full at June 30, 2022. Interest expense under the line of credit amounted to \$13,526.

The following represents short-term debt activity for the fiscal year ended June 30, 2022:

	<u>Balance</u> <u>07/01/21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>
Santander Bank, N.A.	<u>\$ -</u>	<u>\$375,000</u>	<u>(\$375,000)</u>	<u>\$ -</u>

15. Related Party, Building Transfer and Settlement with Philips Education Partners LLC

In November 2021, Philips Academy Charter School entered into a settlement agreement and mutual release concerning ownership of certain real property commonly known as 342-350, 341-353 and 359-365 Central Ave, Newark, New Jersey. In December of 2021, a total of approximately \$550,000 of rent previously paid, which was held in a Trust account was released to pay liabilities of Philips Education Partners LLC. In addition, \$37,500 was paid in December which represents rent for the month.

Commencing January 2022, a total of \$50,000 per month will be paid as rent through July 2023. PACS will cease paying rent as of July 31, 2023. For the period January 1 to June 30, 2022, a total of

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

15. Related Party, Building Transfer and Settlement with Philips Education Partners LLC (continued)

\$300,000 in rent was paid. Once these amounts are paid, Philips Education Partners LLC will transfer title to the above three parcels for \$10 each.

Future minimum payments under this agreement are as follows:

June 30, 2023	\$ 600,000
June 30, 2024	\$ 50,000
	<u>\$ 650,000</u>

16. RENTAL COMMITMENTS

The school has entered into several non-cancellable lease agreements.

- a) Lease agreement with PEP – Rent is \$37,500 through December 2021 and January 2022 through July 2023 rent is \$50,000 per month. The building will transfer to Philips Academy at end of lease.
- b) An agreement was entered into in June 2021 for 9-13 Hill Street in Newark and amended in September 2022. The lease is for 5 years. A security deposit of \$135,000 is required. Beside base rent there are many changes, pieces and floor from year to year, per the September 2022 amendment.

	FUTURE MINIMUM LEASE PAYMENTS YEARS ENDING JUNE 30					Total
	2023	2024	2025	2026	2027	
Islamic Society of Essex County 9-13 Hill Street	\$ 766,534	\$ 925,840	\$ 1,037,019	\$ 1,057,201	\$ -	\$ 3,786,594
Philips Educational Partners 342 Central Ave	600,000	50,000	-	-	-	650,000
Future Commitments	<u>\$ 1,366,534</u>	<u>\$ 975,840</u>	<u>\$ 1,037,019</u>	<u>\$ 1,057,201</u>	<u>\$ -</u>	<u>\$ 4,436,594</u>

The Charter School leases its premises under the terms of non-cancelable lease under the Charter School's current charter. Certain leases are automatically extended upon the charter renewal and can be extended through various dates through June 30, 2026. Interest expense on the leases was \$242,658 for the year ended June 30, 2022, which is reflected as lease interest expense in the accompanying budgetary comparison schedule – general fund (exhibit C-1). The net value of the right-to-use lease assets and lease liabilities was (\$285,985) as of June 30, 2022, which was calculated using a discount rate of 6% (the School's estimated incremental borrowing rate as of July 1, 2021). The value of the lease liabilities and right-of-use lease assets at July 1, 2021 was \$4,044,301. Amortization of the related right-to-use lease assets was \$808,860 for the year ended June 30, 2022.

PHILIP'S ACADEMY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

16. RENTAL COMMITMENTS (continued)

Future minimum payments due under these agreements and future amortization are as follows:

PHILIP'S ACADEMY CHARTER SCHOOL
Long Term Lease Schedule
June 30, 2022

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Amortization</u>
2023 -	\$3,521,425	\$555,835	\$3,235,441

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

PHILIPS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 1,047,966	\$ (30,416)	\$ 1,017,550	\$ 1,017,550	\$ -
State Share	6,031,964	(371,393)	5,660,571	5,660,571	-
Miscellaneous	-	200,669	200,669	101,837	98,832
Total - Local Sources	<u>7,079,930</u>	<u>(201,140)</u>	<u>6,878,790</u>	<u>6,779,958</u>	<u>98,832</u>
Nonpublic Aid	-	-	-	-	-
Special Education Aid	236,148	(24,305)	211,843	211,843	-
Security Aid	216,745	(10,528)	206,217	206,217	-
TPAF Medical (On-Behalf - Non-Budgeted)	-	-	-	250,541	(250,541)
TPAF LTD (On-Half - Non-Budgeted)	-	-	-	1,107	(1,107)
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	1,072,338	(1,072,338)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	237,211	(237,211)
Total State Sources	<u>452,893</u>	<u>(34,833)</u>	<u>418,060</u>	<u>1,979,257</u>	<u>(1,561,197)</u>
Total Revenues	<u>7,532,823</u>	<u>(235,973)</u>	<u>7,296,850</u>	<u>8,759,215</u>	<u>(1,462,365)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	1,982,293	(103,436)	1,878,857	1,858,253	\$ 20,604
Other Salaries	934,002	(34,232)	899,770	870,661	29,109
Prof/Tech Services	-	-	-	-	-
Other Purchased Services (400-500 series)	95,025	10,447	105,472	102,961	2,511
General Supplies	64,177	(16,316)	47,861	38,315	9,546
Textbooks	61,751	(14,240)	47,511	19,776	27,735
Other Objects	10,000	(7,221)	2,779	1,786	993
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,147,248</u>	<u>(164,998)</u>	<u>2,982,250</u>	<u>2,891,752</u>	<u>90,498</u>

PHILIPS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	957,694	25,022	982,716	955,108	27,608
Salaries of Secretarial and Clerical Assistants	139,180	-	139,180	130,392	8,788
Cost of Benefits	1,140,288	(71,383)	1,068,905	1,043,620	25,285
Consultants	87,500	21,500	109,000	92,606	16,394
Other Purchased Services (400-500 series)	94,775	6,176	100,951	93,394	7,557
Communications/Telephone	19,988	2,125	22,113	21,429	684
Supplies and Materials	61,000	(3,412)	57,588	54,087	3,501
Other Objects	28,783	4,269	33,052	30,612	2,440
	<u>2,529,208</u>	<u>(15,703)</u>	<u>2,513,505</u>	<u>2,421,248</u>	<u>92,257</u>
Support Services - School Admin/Operation Plant Services					
Salaries	788,968	96,542	885,510	875,576	9,934
Purchased Professional and Technical Services	114,308	(10,186)	104,122	101,511	2,611
Other Purchased Services	114,017	104,006	218,023	210,504	7,519
Rental of Land and Building- other than Lease Purchase Agreements	450,000	51,850	501,850	481,902	19,948
Insurance	37,169	-	37,169	33,616	3,553
General Supplies	13,000	2,188	15,188	14,960	228
Transportation- Trips	49,505	75,801	125,306	85,801	39,505
Energy (Energy and Electricity)	212,400	(40,262)	172,138	171,426	712
Other Objects	77,000	28,789	105,789	105,039	750
	<u>1,856,367</u>	<u>308,728</u>	<u>2,165,095</u>	<u>2,080,335</u>	<u>84,760</u>
Total Undist. Expend. - Other Oper. & Maint. Of Plant					
Food Service and After Care Program					
Other Purchased Services	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Food Services					
On-behalf TPAF Medical(non-budgeted)				250,541	(250,541)
On-behalf TPAF LTD				1,107	(1,107)
On-behalf TPAF Pension contributions (non-budgeted)				1,072,338	(1,072,338)
Reimbursed TPAF Social Security Contributions (non-budgeted)				237,211	(237,211)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,561,197</u>	<u>(1,561,197)</u>
TOTAL ON-BEHALF CONTRIBUTIONS					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,561,197</u>	<u>(1,561,197)</u>
TOTAL UNDISTRIBUTED EXPENDITURES					
	<u>4,385,575</u>	<u>293,025</u>	<u>4,678,600</u>	<u>6,062,780</u>	<u>(1,384,180)</u>
TOTAL GENERAL CURRENT EXPENSE					
	<u>7,532,823</u>	<u>128,027</u>	<u>7,660,850</u>	<u>8,954,532</u>	<u>(1,293,682)</u>

PHILIPS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	-	-	-	-	-
Interest Expense- Mortgages	-	-	-	-	-
Building Improvements	-	-	-	-	-
Lease paymernts	-	-	-	-	-
Total Equipment	-	-	-	-	-
TOTAL EXPENDITURES- GENERAL FUND	7,532,823	128,027	7,660,850	8,954,532	(1,293,682)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(364,000)	(364,000)	(195,317)	(559,317)
Other Financing Sources:					
Operating Transfer In:		364,000	364,000	-	364,000
Total Other Financing Sources:	-	364,000	364,000	-	364,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	(195,317)	(195,317)
Fund Balance, July 1, 2021	-	-	416,540	416,540	-
Fund Balance, June 30, 2022	\$ -	\$ -	\$ 416,540	\$ 221,223	\$ (195,317)

PHILIP'S ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2022

Exhibit C-2
Page 1

	Budget	Transfers	Budget	Actual	Variance Final to Actual
REVENUES:					
Student Activity	7,346		7,346	7,346	
Local Sources	200,238		200,238	200,238	
State Sources	870,423		870,423	870,423	
Federal Sources	2,777,215		2,777,215	2,777,215	
Total Revenues	3,855,222		3,855,222	3,855,222	
EXPENDITURES:					
Instruction					
Salaries of Teachers	843,452		843,452	843,452	
Salaries	185,491		185,491	185,491	
Other Salaries for Instruction	-		-	-	
Purchased Professional and Technical Services	464,911		464,911	464,911	
Food Service Subsidy	-		-	-	
Other Purchased Services (400-500 series)	84,372		84,372	84,372	
Textbooks	-		-	-	
General Supplies	622,407		622,407	622,407	
Student Activity	8,906		8,906	8,906	
Personal Services- Employee Benefits	338,929		338,929	338,929	
Instructional services	-		-	-	
Equipment- Non instructional	-		-	-	
Other	9,000		9,000	9,000	
Total Instruction	2,557,468	-	2,557,468	2,557,468	
Support Services					
Salaries of Supervisor of Instruction	284,110		284,110	284,110	
Salaries of Principals	7,854		7,854	7,854	
Salaries of Other Professional Staff	38,977		38,977	38,977	
Salaries of Secretaries & Clerical Assistants	8,050		8,050	8,050	
Other Salaries	75,920		75,920	75,920	
Family/parent Liason	48,690		48,690	48,690	
Purchased Professional - Educational Services	-		-	-	
Other Purchased Professional Services	783		783	783	
Facilitator/ Coach	-		-	-	
Supplies	9,111		9,111	9,111	
Field Trips	-		-	-	
Repairs and Maintenance	130,377		130,377	130,377	
Cleaning, Repairs, and Maintenance	13,259		13,259	13,259	
Rentals	682,183		682,183	682,183	
Travel					
Other purchased Services (400-500 series)	-		-	-	
Equipment Non-Instructional	-		-	-	
Total Support Services	1,299,314		1,299,314	1,299,314	

PHILIP'S ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	3,856,782		3,856,782	3,856,782	
Other Financing Sources (Uses)					
Transfer in from General Fund					
Transfer Out to Whole School Reform (General Fund)					
Total Other Financing Sources (Uses)					
Total Outflows					
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ (1,560)</u>			<u>\$ (1,560)</u>	<u>\$ (1,560)</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**PHILIP'S ACADEMY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2022**

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

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

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

Public Employees' Retirement System (PERS)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)	0.019057%	0.016141%	0.002107%	0.009386%	0.009386%	0.009773%	0.01768%	N/A
Charter School Proportionate share of the net pension liability (asset)	2,257,632	1,203,418	379,577	1,848,069	1,848,069	2,894,584	3,968,529	N/A
Charter School Covered employee payroll	\$1,288,114	\$1,288,114	\$1,111,558	\$734,133	\$734,133	\$576,008	\$519,495	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	175%	107%	293%	251%	251%	541%	764%	N/A
Plan fiduciary net position as a percentage of the total pension liability	57.1%	93.4%	34.1%	39.7%	39.7%	18%	131%	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(UNAUDITED)
Public Employees' Retirement System (PERS)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$269,641	\$176,577	\$20,491	\$35,687	\$51,002	\$89,481	\$151,990	N/A
Contributions in relation to the contractually required contribution	(269,641)	(176,577)	(20,491)	(35,687)	(51,002)	(89,481)	(151,990)	N/A
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
Charter School Covered employee payroll	1,288,144	1,288,144	1,111,558	734,113	734,133	576,008	519,495	N/A
Contributions as a percentage of covered employee payroll	21%	13.7%	2%	5%	7%	17%	30%	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

Teachers' Pension and Annuity Fund (TPAF)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Charter School Proportion of the net pension liability (asset)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charter School Proportionate share of the net pension liability (asset)**								
State's proportionate share of the net pension liability (asset) associated with the Charter School	11,459,261	14,634,976	12,021,118	12,216,674	10,973,879	9,369,397	0	0
Total	11,459,261	14,634,976	12,021,118	12,216,674	10,973,879	9,369,397	0	0
Charter School Covered employee payroll	2,671,894	2,671,894	2,472,265	2,120,930	2,120,930	2,075,618	N/A	N/A
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	35.52%	24.60%	26.95%	26.5%	25%	22%	N/A	N/A

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

**PHILIPS ACADEMY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Public Employees' Retirement System (PERS)

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

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

Teachers' Pension and Annuity Fund (TPAF)

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>The State of New Jersey's Total OPEB Liability</u>					
Service Cost	\$3,217,874,264	\$1,790,973,822	\$1,734,404,850	\$1,984,642,729	\$2,391,878,884
Interest	1,556,661,679	1,503,341,357	1,827,787,206	1,970,236,232	1,699,441,736
Change in Benefit Terms					
Difference Between Expected and Actual Experience	11,449,632,500	11,544,750,637	(7,323,140,818)	(5,002,065,740)	
Benefit Payment	59,202,105	(1,180,515,618)	(1,280,958,373)	(1,232,987,247)	(1,242,412,566)
Contributions from Members		35,781,384	37,971,171	42,614,005	45,748,749
Changes of Assumptions or other inputs	(1,186,417,186)	12,386,549,981	622,184,027	(5,291,448,855)	(7,086,599,129)
Net change in total OPEB liability	(\$7,802,311,638)	\$26,080,881,563	(\$4,381,751,937)	(\$7,529,008,876)	(\$4,191,942,326)
Total OPEB Liability - Beginning	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858	\$57,831,784,184
Total OPEB Liability - Ending	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	53,639,841,858
The State of New Jersey's total OPEB liability**	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's OPEB liability attributable to the Charter School	5,112,491	\$5,017,057	\$1,931,295	\$1,512,264	\$1,701,685
The Charter School's proportionate share of the total OPEB liability	0	0	0	0	0
Charter School's covered employee payroll	4,460,787	3,906,038	3,583,823	\$2,855,043	\$2,855,043
Total Charter School's OPEB liability as a percentage of its covered-employee	0.00%	0.00%	0.00%	0.00%	0.00%
Charter School's contribution	None	None	None	None	None
State's covered employee payroll	\$14,425,669,769	\$14,267,738,657	\$13,929,083,479	\$13,640,275,833	\$13,493,400,208
Total State's OPEB liability as a percentage of its covered-employee payroll	416.00%	475.00%	300.00%	338.05%	397.53%

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

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

SPECIAL REVENUE FUND

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

PHILIPS ACADEMY CHARTER SCHOOL
 Special Revenue Fund
 Combining Schedule of Revenues and Expenditures- Budgetary Basis

	TOTAL	IDEA PART B-Basic	IDEA PRE-K	IDEA PT B-Basic C/O	IDEA ARP	IDEA ARP	ESEA TITLE I	ESEA Title I C/O	ESEA Title IV C/O	ESSER II	ESSER LEARNING	ESSER MENTAL HLTH	ESSER III	SDA CAP MAINT	FEMA	EMERGENCY CONNECTIVITY GRANT	Start-UP CSP GRANT	Private Grants	Preschool Education Aid	Student Activity	
REVENUES																					
Intergovernmental																					
Federal	2,777,215	94,512	3,479	25,974	2,212	25,774	287,624	74,489	1,307	16,500	561,918	45,015	45,000	1,483,400		79,385	30,626				
State Sources	870,423													37,644					832,779		
Student Activity	7,346																			7,346	
Miscellaneous	200,238														92,733			107,505			
Total Revenues	3,855,222	94,512	3,479	25,974	2,212	25,774	287,624	74,489	1,307	16,500	561,918	45,015	45,000	1,483,400	92,733	79,385	30,626	107,505	832,779	7,346	
EXPENDITURES																					
Instruction																					
Teacher Salaries	843,452					17,775	127,451	74,489			99,893		41,802	222,365						259,677	
Salaries	185,491										43,520					0		0		141,971	
Other Instructional Salaries	-																				
Other Purchased Services	84,372						5,000		1,307	16,500				33,903						27,662	
Purchased Prof. and Tech.and Edu Services	464,911	94,512	3,479	25,974	2,212		91,988				223,243	1,877						21,626			
General Supplies	622,407						24,430				157,070	43,138		208,735		79,385		107,505	2,144		
Student Activity	8,906																			8,906	
Support Services	-																				
Textbooks	-																				
Personal Services - Employee Benefits	338,929					7,999	38,755				38,192		3,198	108,814						141,971	
Other	9,000																9,000				
Total Instruction	2,557,468	94,512	3,479	25,974	2,212	25,774	287,624	74,489	1,307	16,500	561,918	45,015	45,000	573,817		79,385	30,626	107,505	573,425	8,906	
Support Services																					
Salaries of Supervisors of Instruction	284,110													261,388						22,722	
Salaries of Principals and Asst Principals	7,854																			7,854	
Salaries of Professional Staff	38,977																			38,977	
Other Salaries	8,050																			8,050	
Facilitator/ Coach	75,920																			75,920	
Family/Parent Liason	48,690																			48,690	
Purchases Professional Sves	-																				
Other Purchased Services	783																			783	
Cleaning , Repairs, and Maintenance Services	13,259																			13,259	
Contracted Services	-																				
Supplies and Materials	9,111													9,111							
Travel	-																				
Equipment -Non- instructional	-																				
Repairs	130,377													37,644	92,733						
Transportation-Field Trips	-																				
Rentals	682,183													639,084						43,099	
Total Support Services	1,299,314													909,583	37,644	92,733				259,354	
TOTAL EXPENDITURES	3,856,782	94,512	3,479	25,974	2,212	25,774	287,624	74,489	1,307	16,500	561,918	45,015	45,000	1,483,400	37,644	92,733	79,385	30,626	107,505	832,779	8,906
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(\$1,560)						0	0	0	0	0	0	0	0	0	0	0	0	0	0	(\$1,560)

PHILIPS ACADEMY CHARTER SCHOOL
Budgetary Comparison Schedule
Preschool Education Aid
For the Fiscal Year Ended June 30, 2022

Exhibit E-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Available</u>
REVENUES:					
State Sources	852,388	(19,579)	832,809	832,779	30
Total Revenues	<u>852,388</u>	<u>(19,579)</u>	<u>832,809</u>	<u>832,779</u>	<u>30</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	263,550	(3,873)	259,677	259,677	-
Other Salaries for Instruction	160,900	(18,929)	141,971	141,971	-
Purchased Professional -Educational Services	11,000	16,662	27,662	27,662	-
Other Purchased Services					
General Supplies	8,020	(5,876)	2,144	2,144	-
Personal Services- Employee Benefits	160,592	(18,621)	141,971	141,971	-
Miscellaneous Expenses	-	-	-	-	-
Total Instruction	<u>604,062</u>	<u>(30,637)</u>	<u>573,425</u>	<u>573,425</u>	<u>-</u>
Support Services					
Salaries of Supervisor of Instruction	22,722	-	22,722	22,722	-
Salaries of Principal and Asst Principal	13,464	(5,610)	7,854	7,854	-
Salaries of Other Professional Staff	39,134	(157)	38,977	38,977	-
Other Salaries	13,790	(5,740)	8,050	8,050	-
Salaries Facilitator/ Coach	75,920	-	75,920	75,920	-
Supplies and Materials	-	-	-	-	-
Family/Parent Liason	48,691	(1)	48,690	48,690	-
Field Trips	8,000	(8,000)	-	-	-
Travel	4,800	(4,800)	-	-	-
Other Purchased Services -Education Services	783	-	783	783	-
Cleaning, Repair & Maitl Svc	21,022	(7,733)	13,289	13,259	30
Rentals	-	43,099	43,099	43,099	-
Other Objects	-	-	-	-	-
Equipment--Instructional	-	-	-	-	-
Equipment- Non-Instructional	-	-	-	-	-
Total Support Services	<u>248,326</u>	<u>11,058</u>	<u>259,384</u>	<u>259,354</u>	<u>30</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
Total Facilities Acquisition and Construction Services					
Transfer to Charter School					
Total Expenditures	<u>852,388</u>	<u>(19,579)</u>	<u>832,809</u>	<u>832,779</u>	<u>30</u>

Calculation of Budget and Carryover

Total revised 2018-2021 preschool education aid allocation	\$ 819,521
Add: actual carryover June 30, 2021	13,288
Add: budgeted transfer from the General Fund 2021-2022	-
Total preschool education aid funds available for 2021-2022 budget	<u>832,809</u>
Less: 2021-2022 budgeted preschool education aid, including prior year budgeted carryover	<u>(832,779)</u>
Available and unbudgeted preschool education aid funds as of June 30, 2021	30
Add: June 30, 2022 unexpended preschool education aid	30
2021-2022 actual carryover - preschool education aid	<u>\$ 30</u>
2021-2022 preschool education aid carryover budgeted in 2021-2022	<u>\$ 30</u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Exhibit G-1

PHILIPS ACADEMY CHARTER SCHOOL
Statement of Net Position
Proprietary Fund
As of June 30, 2022

	Business-Type Activities
	Enterprise Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	(\$35,364)
Intergovernmental Receivable	
Federal	27,788
State	546
Accounts Receivable	74,542
Total Current Assets	<u>67,512</u>
Total Assets	<u><u>\$67,512</u></u>
LIABILITIES	
Accounts Payable	35,108
Total Current Liabilities	<u>\$35,108</u>
Net Position	
Unrestricted	32,404
Invested in capital assets net of related debt	0
Total Net Position	<u>\$32,404</u>
Total Liabilities and Net Position	<u><u>\$67,512</u></u>

PHILIPS ACADEMY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year June 30, 2022

	Business Type Activities Enterprise Fund
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	
Self Pay Revenue	\$0
Emergent Grant	\$56,335
PBET Subsidy	1,242
Total Operating Revenues	57,577
 OPERATING EXPENSES	
Salaries, wages and employee benefits	(52,292)
Supplies, Materials & Other	(357,956)
Parent Contribution Bad debt	(52,815)
Total Operating Expenses	(463,063)
 Income (Loss) From Operations	 (405,486)
 Nonoperating Revenues	
State Sources	
State Sources	8,033
Federal Sources	
School Breakfast Program	59,870
National School Lunch Program	341,394
National Snack Program	0
Board Subsidy	0
Total Nonoperating Revenues	409,297
Increase (Decrease) in Net Position before transfers	3,811
Transfer subsidy to cover loss	0
Total Net Position- Beginning of Year	28,593
 Total Net Position- End of Year	 \$32,404

Exhibit G-3

PHILIPS ACADEMY CHARTER SCHOOL
Statements of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2022

	Business Type Activities
	Enterprise Fund
Cash flows from operating activities	
Cash Received from Customers	\$0
Cash Received Other Grants	\$57,577
Cash Payments to Employee's Salaries and Benefits	(105,107)
Cash Payments to Suppliers for Goods and Services	(\$322,848)
Net Cash (Used) by Operating Activities	(370,378)
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	0
Cash Received from State and Federal Subsidy Reimbursements	427,106
Net Cash Provided by Noncapital Financing Activities	427,106
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	56,728
Net (Decrease) in Cash and Cash Equivalents	(92,092)
Cash and Cash Equivalents, Beginning of Year	(\$35,364)
Cash and Cash Equivalents, End of Year	(\$35,364)
 Reconciliation of Operating (Loss) to Net Cash Used by Operating Activities	
Operating (Loss)	\$3,811
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities	
Transfer Subsidy from General Fund	0
Increase in Accounts Receivable	17,809
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	35,108
Total Adjustment	52,917
Net Cash Used by Operating Activities	\$56,728

**FIDUCIARY FUNDS
(NOT APPLICABLE)**

Exhibit H-1

**PHILIP'S ACADEMY CHARTER SCHOOL
Combining Statement of Fiduciary Fund Net Position
Fiduciary Funds
As of June 30, 2022**

NOT APPLICABLE

Exhibit H-2

**PHILIP'S ACADEMY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2022**

NOT APPLICABLE

Exhibit H-3

**PHILIP'S ACADEMY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit H-4

**PHILIP'S ACADEMY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

Exhibit H-5

**PHILIP'S ACADEMY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2022**

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

J-1 to J-5

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

Revenue Capacity

J-6 to J-9

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

Debt Capacity

J-10 to J-13

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

Demographic and Economic Information

J-14 and J-15

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

Operating Information

J-16 to J-20

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

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

FINANCIAL TRENDS

**PHILIP'S ACADEMY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRAUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	2022	2021	2020	2019	2018	2017
Governmental activities						
Invested in capital assets, net of related debt	\$ 18,496	\$ 23,807	\$ 29,118	\$ 34,699	\$ -	\$ -
Restricted						
Unrestricted	(2,049,549)	(2,206,475)	154,010	(1,600,445)	44,267	399,484
Total governmental activities net position	<u>\$ (2,031,053)</u>	<u>\$ (2,182,668)</u>	<u>\$ 183,128</u>	<u>\$ (1,565,746)</u>	<u>\$ 44,267</u>	<u>\$ 399,484</u>
Special Revenue						
Invested in capital assets, net of related debt						
Restricted Student Activity	5,073	6,633	13,041			
Unrestricted	-	-	-	-	-	-
Total business-type activities net position	<u>\$ 5,073</u>	<u>\$ 6,633</u>	<u>\$ 13,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted						
Unrestricted	32,404	28,593	-	-	-	-
Total business-type activities net position	<u>\$ 32,404</u>	<u>\$ 28,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School-wide						
Invested in capital assets, net of related debt	18,496	23,807	29,118	34,699	-	-
Restricted Student Activity	5,073	6,633	13,041	-	-	-
Unrestricted	(2,017,145)	(2,206,475)	154,010	(1,600,445)	44,267	399,484
Total school net position	<u>\$ (1,993,576)</u>	<u>\$ (2,176,035)</u>	<u>\$ 196,169</u>	<u>\$ (1,565,746)</u>	<u>\$ 44,267</u>	<u>\$ 399,484</u>

Source: School Financial Statements

**PHILIP'S ACADEMY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Expenses						
Governmental activities						
Instruction						
Regular	\$5,449,220	\$3,944,555	\$3,790,297	\$3,473,460	\$3,100,022	\$2,470,151
Support Services:						
General administration	3,711,656	2,998,959	1,934,239	1,876,513	1,753,338	1,346,241
School Administrative Services	2,080,335	779,827	1,614,082	1,175,797	1,317,523	1,466,062
On-behalf TPAF Social Security / Pension / Medical	1,561,197	1,148,782	895,568	772,416	657,034	499,616
Capital outlay	--	--	--	--	--	--
Student Activity	8,906	8,009				
Unallocated depreciation	5,311	5,311	5,311	2,478	--	--
Total governmental activities expenses	<u>12,816,625</u>	<u>8,885,443</u>	<u>8,239,497</u>	<u>7,300,664</u>	<u>6,827,917</u>	<u>5,782,070</u>
Business-type activities:						
Food service	463,063	73,530	453,239	538,984	537,031	332,050
Total business-type activities expense	<u>463,063</u>	<u>73,530</u>	<u>453,239</u>	<u>538,984</u>	<u>537,031</u>	<u>332,050</u>
Total school expenses	<u>\$13,279,688</u>	<u>\$8,958,973</u>	<u>\$8,692,736</u>	<u>\$7,839,648</u>	<u>\$7,364,948</u>	<u>\$6,114,120</u>
Program Revenues						
Governmental activities:						
Operating grants and contributions	\$3,847,876	\$1,626,558	\$1,233,981	\$1,114,877	\$1,038,442	\$249,171
Capital grants and contributions						
Total governmental activities program revenues	<u>3,847,876</u>	<u>1,626,558</u>	<u>1,233,981</u>	<u>1,114,877</u>	<u>1,038,442</u>	<u>249,171</u>
Business-type activities:						
Charges for services						
Food service	466,874	102,123	453,239	538,984	537,031	332,050
Total business type activities program revenues	<u>466,874</u>	<u>102,123</u>	<u>453,239</u>	<u>538,984</u>	<u>537,031</u>	<u>332,050</u>
Total school program revenues	<u>\$4,314,750</u>	<u>\$1,728,681</u>	<u>\$1,687,220</u>	<u>\$1,653,861</u>	<u>\$1,575,473</u>	<u>\$581,221</u>
Net (Expense)/Revenue						
Governmental activities	(\$8,968,749)	(\$7,258,885)	(\$7,005,516)	(\$6,185,787)	(\$5,789,475)	(\$5,532,899)
Business-type activities	3,811	28,593	0	0	0	0
Total school-wide net expense	<u>(\$8,964,938)</u>	<u>(\$7,230,292)</u>	<u>(\$7,005,516)</u>	<u>(\$6,185,787)</u>	<u>(\$5,789,475)</u>	<u>(\$5,532,899)</u>
Governmental activities:						
Local share	\$1,017,550	\$931,907	\$880,290	\$867,882	\$813,560	\$839,798
State Share	5,660,571	4,751,098	4,712,996	4,273,311	3,685,816	3,592,805
State and Federal Aid aid	1,979,257	1,740,305	1,290,360	1,178,491	934,609	721,829
Miscellaneous income	101,837	33,491	129,528	11,693	273	292,342
Increase in Net Capital Outlay		0	0	37,177	--	--
Student Activity	7,346	1,601				
Total governmental activities	<u>\$8,766,561</u>	<u>\$7,458,402</u>	<u>\$7,013,174</u>	<u>\$6,368,554</u>	<u>\$5,434,258</u>	<u>\$5,446,774</u>
Business-type activities:						
Total business-type activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total school-wide	<u>\$8,766,561</u>	<u>\$7,458,402</u>	<u>\$7,013,174</u>	<u>\$6,368,554</u>	<u>\$5,434,258</u>	<u>\$5,446,774</u>
Change in Net Position						
Governmental activities	(\$202,188)	\$199,517	\$7,658	\$182,767	(\$355,217)	(\$86,125)
Business-type activities	3,811	28,593	0	0	0	0
Total school	<u>(\$198,377)</u>	<u>\$228,110</u>	<u>\$7,658</u>	<u>\$182,767</u>	<u>(\$355,217)</u>	<u>(\$86,125)</u>

Source: School Financial Statements

**PHILIP'S ACADEMY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Fund						
Reserved		\$ 13,041	\$ -	\$ -	\$ -	\$ -
Unassigned	221,223	416,540	205,304	192,335	44,267	399,484
Total General Fund	<u>\$ 221,223</u>	<u>\$ 416,540</u>	<u>\$ 218,345</u>	<u>\$ 192,335</u>	<u>\$ 44,267</u>	<u>\$ 399,484</u>
All Other Governmental Funds						
Reserved - Student Activity	\$ 5,073	\$ 6,633				
Unreserved						
Total all other governmental funds	<u>\$ 5,073</u>	<u>\$ 6,633</u>				

Source: School Financial Statements

**PHILIP'S ACADEMY CHARTER SCHOOL
GOVERNMENTAL REVENUES AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues						
Local tax Levy	\$1,017,550	\$931,907	\$880,290	\$867,882	\$813,560	\$839,798
Other local revenue	232,599	61,312	150,737	25,132	273	292,342
State sources	7,639,828	7,292,233	6,815,401	6,189,446	5,344,357	4,314,634
Federal sources	3,724,460	794,499	400,727	363,794	314,510	249,171
Enterprise Fund	466,874	102,123	453,239	538,984	537,031	332,050
	<u>13,081,311</u>	<u>9,182,074</u>	<u>8,700,394</u>	<u>7,985,238</u>	<u>7,009,731</u>	<u>6,027,995</u>
Expenditures						
Instruction						
Regular Instruction	2,891,752	2,744,523	2,869,252	2,566,415	2,335,799	2,220,980
Support Services:						
General administration	2,421,248	2,572,433	1,621,303	1,668,681	1,479,119	1,346,241
School administrative services/Plant	2,080,335	779,827	1,614,082	1,175,797	1,317,523	1,466,062
TPAF Social Security / Pension / Medical	1,561,197	1,148,782	895,568	772,416	657,034	499,616
Food Service	463,063	73,530	453,239	538,984	537,031	332,050
Student Activity	8,906	8,009				
Special Revenue	3,847,876	1,621,549	1,233,981	1,114,877	1,038,442	249,171
Total expenditures	<u>13,274,377</u>	<u>8,948,653</u>	<u>8,687,425</u>	<u>7,837,170</u>	<u>7,364,948</u>	<u>6,114,120</u>
Excess (Deficiency) of revenues over (under) expenditures						
Other Financing sources (uses)						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>(193,066)</u>	<u>233,421</u>	<u>12,969</u>	<u>148,068</u>	<u>(355,217)</u>	<u>(86,125)</u>

Source: School Financial Statements

REVENUE CAPACITY

PHILIP'S ACADEMY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Fiscal Years Ended June 30
(UNAUDITED)

	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2017				292,342			292,342
2018						0	0
2019						11,693	11,693
2020						129,528	129,528
2021		33,491				39,212	72,703
2022						101,837	101,837

Source: School records

Exhibit J-6

**PHILIP'S ACADEMY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

Exhibit J-7

**PHILIP'S ACADEMY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

Exhibit J-8

**PHILIP'S ACADEMY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**PHILIP'S ACADEMY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

Exhibit J-10

**PHILIP'S ACADEMY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

Exhibit J-11

**PHILIP'S ACADEMY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

Exhibit J-12

**PHILIP'S ACADEMY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**PHILIP'S ACADEMY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

Exhibit J-14

**PHILIP'S ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

Exhibit J-15

**PHILIP'S ACADEMY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

**PHILIPS ACADEMY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Year Ended June 30**

<u>Function/Program</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Instruction						
Regular	60	54	58	45	44	31
Special education	3	4	3	5	5	3
Other special education	5	4	3	2	2	4
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	17	13	12	20	15	14
General administration	5	4	4		4	2
School administrative services	2	2	2	3	3	3
Other administrative services						1
Central services						
Administrative Information Technology	2	1	1			
Plant operations and maintenance	1	1				
Pupil transportation						
Other support services						
Special Schools						
Food Service	2	2	10	11	15	12
Child Care						
Total	<u>97</u>	<u>85</u>	<u>93</u>	<u>86</u>	<u>88</u>	<u>70</u>

Source: School Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary and Middle School	Senior High School				
2017	371.7	6,114,120	16,449	17.396%	38	38	N/A	372.0	357.32	(0.0261)	96.05%
2018	432.6	7,364,948	17,025	3.382%	44	38	N/A	431.0	417.24	0.1436	96.81%
2019	486	6,970,930	14,343	-18.694%	44	38	N/A	483.8	455.48	0.0840	94.15%
2020	517	7,791,857	15,071	4.829%	58	50	N/A	515.5	492.41	0.0750	95.52%
2021	534	8,896,878	16,661	9.541%	64	56	N/A	533.9	496.49	0.0082	92.99%
2022	576	11,713,180	20,335	18.070%	68	60	N/A	576.3	548.93	0.0955	92.42%

Sources: School records

**PHILIPS ACADEMY CHARTER SCHOOL
School Building Information
For the Fiscal Year Ended June 30**

	2022	2021	2020	2019	2018	2017
<u>School Building</u>						
Main Campus						
Square Feet	56,877	56,877	70,000	70,000	70,000	70,000
Capacity (students)	408	408	408	408	408	408
Enrollment	421	534	517	478	433	372
Second Campus						
Square Feet	34,320					
Capacity (students)						
Enrollment	155					
Number of Schools at June 30						
Elementary	2	1	1	1	1	1

Source: School Office

Exhibit J-19

**PHILIP'S ACADEMY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2022
(UNAUDITED)**

NOT APPLICABLE

PHILIP'S ACADEMY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2022

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy		
Property	\$0	\$0
Blanket Building & Contents	\$500,000	\$1,000
Extra Expense	50,000,000	1,000
Valuable Papers	10,000,000	1,000
Real and Personal Property	500,000,000	1,000
General Liability		
Bodily Injury & Property Damage	11,000,000	-
Employee Benefits Liability	11,000,000	1,000
Automobile		
Combined Single Limit	11,000,000	
Crime Coverage		
Faithful Performance	100,000	500
Forgery & Alteration	500,000	1,000
Money & Securities	50,000	500
Money Orders & Counterfeit	50,000	500
Computer Fraud	100,000	1,000
Umbrella		
Coverage	10,000,000	
Environmental		
Coverage	1,000,000	50,000
Aggregate	11,000,000	
Errors & Omissions School Board		
Limit of Liability	11,000,000	15,000
Workers' Compensation		
Bodily Injury by Accident	3,000,000	-
Bodily Injury by Disease - per employee	3,000,000	-
Bodily Injury by Disease - aggregate limit	3,000,000	-
Bond		
Board Secretary	150,000	-
Supplemental Workers' Compensation		
Waiting Period	7 days	
Student Accident		
Policy Aggregate - Mandatory	25,000	-
Policy Aggregate - CAT	7,500,000	25,000
Cyber Liability		
Each Incident	500,000	-
Policy Aggregate	10,000,000	-
NJUEP Excess Liability		
Policy Aggregate	10,000,000	-
Policy Aggregate	10,000,000	-
Policy Aggregate	10,000,000	-

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**PHILIP'S ACADEMY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)**

**Charter School Performance Framework Financial Indicators
Near Term Indicators**

	2022	2021	2020	2019	2018	2017
Cash	713,137	762,838	571,962	131,934	54,271	479,695
Current Assets	1,749,669	1,599,762	1,086,302	694,910	946,951	1,067,240
Capital Assets-Net	18,496	23,807	29,118	34,699	0	0
Total Assets	1,768,165	1,623,569	1,086,302	729,609	946,951	1,067,240
Current Liabilities	1,490,969	1,147,996	880,998	502,575	902,684	667,756
Long Term Liabilities	0	0	0	0	0	0
Total Liabilities	1,490,969	1,147,996	880,998	502,575	902,684	667,756
Net Position	277,196	475,573	205,304	227,034	44,267	399,484
Total Revenue	13,081,311	9,182,074	8,695,073	7,985,238	7,009,731	6,027,995
Total Expenses	(13,274,377)	(8,953,662)	(8,687,425)	(7,837,170)	(7,364,948)	(6,114,120)
Change in Net Position	(193,066)	228,412	7,648	148,068	(355,217)	(86,125)
Depreciation	5,311	5,311	5,311	2,748	0	0
Principal Payments	0	0	0	0	0	0
Interest payments	0	0	0	0	0	0
Final average daily enrollment	576	534	516	486	417	376
March 30th budgeted Enrollment	576	534	516	486	417	376
Near term indicators	2022	2021	2020	2019	2018	2017
CURRENT RATIO	1.1%	1.4%	1.2%	1.4%	1.1%	1.59
Unrestricted days cash	19.61%	31.10%	24.03%	6.11%	2.83%	28.63
Enrollment variance	0%	0%	0%	0%	0%	0%
Default	N/A	N/A	N/A	N/A	N/A	N/A
Total margin	-1.0%	2.4%	0.0%	1.8%	50.0%	-1.4%
Debt to Asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash Flow	(49,701)	190,876	440,048	77,663	(425,424)	(71,632)
Debt Service Coverage ratio	N/A	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

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

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Philip's Academy Charter School ("the Charter School"), in the County of Union, State of New Jersey, as of and for the fiscal year ending June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated March 8, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
March 8, 2023

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EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
NJ OMB 15-08**

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

I have audited Philip's Academy Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Philip's Academy Charter School's major Federal and State programs for the year ended June 30, 2022. Philip's Academy Charter School's major Federal and State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Philip's Academy Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and NJ OMB Circular 15-08. My responsibilities under those standards, the Uniform Guidance and NJ OMB Circular 15-08, are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Philip's Academy Charter School and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on

compliance for each major Federal and State programs. My audit does not provide a legal determination of Philip's Academy Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Philip's Academy Charter School's Federal and State programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Philip's Academy Charter School's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Philip's Academy Charter School's compliance with the requirements of each major Federal and State programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Philip's Academy Charter School's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Philip's Academy Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of Philip's Academy Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and NJ OMB Circular 15-08.

Report on Internal Control over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
March 8, 2023

PHILIPS ACADEMY CHARTER SCHOOL
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2022

Federal/Grantor Program Title	Federal Assistance Listing Number	Federal Award Identification Number	Grant Period	Award Amount	Balance July 1, 2021	Prior Carry-over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjust	Deferred Revenue/ (Accounts Receivable) June 30, 2022	Due to State June 30, 2022
Enterprise Fund:												
U.S. Department of Agriculture												
Pass-Through Programs:												
Passed-Through New Jersey State Department of Agriculture												
Pandemic EBT Admin costs	10.649	202121S900941	07/01/20-06/30/21	614			\$614	\$614				
Pandemic EBT Admin costs	10.649	20222S900941	07/01/21-06/30/22	628			628	628				
EM Schools	10.555	211N304N1099	07/01/21-06/30/22	56,335			56,335	56,335				
National School Breakfast	10.553	211N304N1099	07/01/20-06/30/21	38,519	(4,434)		4,434	-				
National School Lunch	10.555	211N304N1099	07/01/20-06/30/21	60,187	(26,323)		26,323	-				
National School Breakfast	10.553	221N304N1099	07/01/21-06/30/22	59,870	-		55,793	59,870			(4,077)	
National School Lunch	10.555	221N304N1099	07/01/21-06/30/22	341,394	-		317,683	341,394			(23,711)	
Total Enterprise Fund/Total US Dept. of Agriculture Pass Through Programs					(30,757)	-	\$461,810	\$458,841			(27,788)	
Federal Emergency Domestic Assistance												
Special Revenue Fund:												
U.S. Department of Education												
Pass-Through Programs: Through New Jersey State Department of Education												
Title I Part A	84.010	S010A200030	07/01/20-09/30/21	241,511	(81,720)		156,209	74,489			-	
Title 1 Part A	84.010	S010A210030	07/01/21-09/30/22	330,796	-		158,427	287,624			(129,197)	
Title 1 Resillocated	84.010A	S010A200030	07/01/20-09/30/21	3,717	(3,717)		3,717	-			-	
Title IV, Part A	84.424	S424A210031	07/01/20-09/30/21	1,307	-		1,307	1,307			-	
Title IV, Part A	84.424	S424A200031	07/01/21-09/30/22	16,500	-		16,500	16,500			-	
Total ESEA					(85,437)	-	336,160	379,920			(129,197)	-
Special Education Cluster												
IDEA Part B	84.027A	H027A210100	07/01/20-09/30/21	106,379	(20,634)		46,608	25,974			-	
IDEA Pre-School	84.173A	H173A210114	07/01/21-09/30/22	3,479	-		-	3,479			(3,479)	
IDEA Part B	84.027A	H027A210100	07/01/21-09/30/22	94,512	-		94,512	94,512			-	
ARP IDEA Pre-School	84.173X	H173X210114	07/01/21-09/30/22	2,212	-		-	2,212			(2,212)	
ARP IDEA Part B	84.027X	H027X210100	07/01/21-09/30/22	26,076	-		23,197	25,774			(2,577)	
Total Special Education Cluster					(20,634)	-	164,317	151,951			(8,268)	-
Charter School Program Grant	84.282E			-			-	30,626			(30,626)	
Education Stabilization Fund Cluster												
Cares Act	84.425D	S425D200027	03/13/20-09/30/22	197,577	(42,202)		42,202	-			-	
CRRSA ESSER 11	84.425D	S425D210027	03/13/20-09/30/23	896,278	(204,414)		724,001	561,918			(42,331)	
CRRSA Learning Acceleration	84.425D	S425D210027	03/13/20-09/30/23	57,518	-		45,015	45,015			-	
CRRSA Mental Health	84.425D	S425D210027	03/13/20-09/30/23	45,000	-		44,637	45,000			(363)	
ARP ESSER	84.425U	S425U210027	03/13/20-09/30/24	2,201,128	-		1,376,594	1,483,400			(106,806)	
Total Education Stabilization Fund Cluster					(246,616)	-	2,232,449	2,135,333			(149,500)	-
Total NJ Dept. of Education, Pass Through Programs					(352,687)	-	2,732,926	2,697,830			(317,591)	-
Federal Communication Commission (FCC)												
Emergency Connectivity Fund Program	32.009	ECF202107045	07/01/21-06/30/22	79,385	-		3,800	79,385			(75,585)	
Total Special Revenue Fund					(352,687)	-	2,736,726	2,777,215			(393,176)	-
Total Expenditures of Federal Awards					\$ (383,444)	\$ -	\$ 3,198,536	\$ 3,236,056			\$ (420,964)	\$ -

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

PHILIPS ACADEMY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2022

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance June 30, 2021</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjustments</u>	<u>(Accts Rec) June 30, 2022</u>
NJ DEPT. OF EDUCATION									
GENERAL FUND									
Equalization Aid - Local	22-495-034-5120-078	7/1/21-06/30/22	\$ 1,017,550	\$ -	\$ 1,017,550	\$ 1,017,550			\$ -
Equalization Aid - State	22-495-034-5120-078	7/1/21-06/30/22	5,660,571	-	5,660,571	5,660,571			-
Special Education Aid	22-495-034-5120-089	7/1/21-06/30/22	211,843	-	211,843	211,843			-
Security Aid	22-495-034-5120-084	7/1/21-06/30/22	206,217	-	206,217	206,217			-
Reimbursed Social Security Tax	22-495-034-5094-003	7/1/21-06/30/22	237,211	-	237,211	237,211			-
On-Behalf-Teachers' Pension and Annuity Fund LT Disability	22-495-034-5094-004	7/1/21-06/30/22	1,107	-	1,107	1,107			-
On-Behalf-Teachers' Pension and Annuity Pension	22-495-034-5094-002	7/1/21-06/30/22	1,072,338	-	1,072,338	1,072,338			-
On-Behalf-Teachers' Pension Medical	22-495-034-5094-001	7/1/21-06/30/22	250,541	-	250,541	250,541			-
Total General Fund / Total State Department of Education				-	8,657,378	8,657,378			-
SPECIAL REVENUE FUND									
School Development Authority - Emergent Needs and Capital Maint	22-495-034-5120-71	7/1/21-06/30/22	37,644	-	37,644	37,644			-
NJ State Department of Education - Preschool Aid	22-495-034-5120-086	7/1/21-06/30/22	832,779	(55,923)	786,611	832,779			(102,091)
Total Special Revenue Fund				(55,923)	824,255	870,423			(102,091)
NJ STATE DEPT OF AGRICULTURE - DIRECT PROGRAMS									
ENTERPRISE FUND									
State School Lunch Program	21-100-010-3350-023	7/1/20-06/30/21		(500)	500	-			-
State School Lunch Program	22-100-010-3350-023	7/1/21-06/30/22	8,033	-	7,487	8,033			(546)
Total Enterprise Fund				(500)	7,987	8,033			(546)
Total State Financial Assistance				\$ (56,423)	\$ 9,489,620	\$ 9,535,834			\$ (102,637)
On-Behalf-Teachers' Pension and Annuity Fund LT Disability	22-495-034-5094-004	7/1/21-06/30/22			(1,107)	(1,107)			
On-Behalf-Teachers' Pension and Annuity Pension	22-495-034-5094-002	7/1/21-06/30/22			(1,072,338)	(1,072,338)			
On-Behalf-Teachers' Pension Medical	22-495-034-5094-001	7/1/21-06/30/22			(250,541)	(250,541)			
Less Amounts Not Subject to Single Audit On Behalf payments					(1,323,986)	(1,323,986)			-
Total State Financial Assistance Subject to State Single Audit				\$ (56,423)	\$ 8,165,634	\$ 8,211,848			\$ (102,637)

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

PHILIP'S ACADEMY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Federal	State	Total
General Fund	\$ 0	\$ 8,657,378	\$ 8,657,378
Special Revenue Fund	2,777,215	870,423	3,647,638
Enterprise Fund	458,841	8,033	466,874
Total Awards and Financial Assistance	<u>\$ 3,236,056</u>	<u>\$ 9,535,834</u>	<u>\$ 12,771,890</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The TPAF Social Security Contributions of \$237,211 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, 2022.

The amount reported as TPAF Pension System Contributions in the amount of \$1,072,338 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$250,541 and long term disability contributions of \$1,107 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2022.

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

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

NOTE 7. DE MINIMIS INDIRECT COST RATE

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

**PHILIP'S ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor's report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.156(A)?		X
Identification of major programs:		
<u>CDFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.425	Educational Stabilization Fund Cluster	
Dollar threshold used to distinguish between type A and type B programs		\$750,000
Auditee qualified as low risk auditee:		X

**PHILIP’S ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$750,000	
Auditee qualified as low risk auditee:	X	
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?		X
Identification of major programs:		
<u>CDFA Number(s)</u>		<u>Name of State Program or Cluster</u>
22-495-034-5120-078		Equalization Aid
22-495-034-5120-089		Special Education Aid
22-495-034-5120-084		Security Aid
22-495-034-5120-086		Preschool Aid

**PHILIP'S ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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

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

**PHILIP'S ACADEMY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

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