



***Paterson Arts and Science
Charter School***

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

PREPARED BY

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

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January 31, 2023

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Annual Comprehensive Financial Report (ACFR) of Paterson Arts and Science Charter School (the “Charter School” or “PASCS”) for the fiscal year ended June 30, 2022.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Paterson Arts and Science Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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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.

Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) Reporting Entity and Its Services

Paterson Arts and Science Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

The Charter School is open to all Paterson students on a space available basis and does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, proficiency in the English language, or any other basis that would be illegal if used by a charter school.

By the end of 2021-2022 school year, the Charter School had a student enrollment of 955 students. The following details the changes in student enrollment of the school over the last nine years:

1) **Reporting Entity and Its Services** - *continued*

<u>Fiscal Year</u>	<u>Average Student Daily Enrollment</u>	<u>Percentage Change</u>
2021-2022	955	2.47%
2020-2021	932	10.43%
2019-2020	844	7.93%
2018-2019	782	14.49%
2017-2018	683	26.48%
2016-2017	540	13.68%
2015-2016	475	14.46%
2014-2015	415	25.76%
2013-2014	330	8.02%

2) **Economic Condition and Outlook**

The Charter School is located in the City of Paterson in the County of Passaic, within the State of New Jersey. Paterson’s population stands at 146,199 (2010 census) and is 32% African American; 58% Hispanic/Latino and 10% other races. Paterson is known as the “Silk City” for its dominant role in silk production during the latter half of the 19th century. The city is served by the New Jersey Transit Main Line commuter rail service, with the station located in Downtown Paterson. Bus service to locations in Passaic, Bergen, Essex and Hudson counties is provided by New Jersey Transit, making the city a regional transit hub.

The Paterson Public Schools serve students in kindergarten through twelfth grade. Paterson at present has six operating charter schools, one of which is Paterson Arts and Science Charter School. The district is one of former 31 Abbott districts statewide, which are now referred to as "SDA Districts" based on the requirement for the state to provide additional funding for Early Childhood Education for all 3 to 5-year olds in those districts. The school system has over 30,000 students who speak over 50 different languages. The school system currently has 52 schools with over 6,000 employees.

Paterson boasts numerous locations on the National Register of Historic Places, including museums, schools, public buildings, and churches. Paterson’s rich history is best represented through the designation by President Obama in 2009 of the area surrounding the majestic Great Falls as a new national park, the Paterson Great Falls National Historical Park. The Parks provide the students of the Charter School with an invaluable educational resource.

2) **Economic Condition and Outlook** - *continued*

In 2021-2022 the City of Paterson continued to experience financial hardships common to urban municipalities in New Jersey including high unemployment, violence and high rates of poverty. However, the new national park holds great promise to serve as a catalyst for significant economic development and tourism, enabling Paterson to dramatically improve both its financial condition and the opportunities it is able to offer its residents and visitors alike.

The Charter School has completed its 9th year of implementation. During the 2021-2022 School-Year, the school serviced the following number of students per grade:

<u>Grades</u>	<u>Students</u>
Kindergarten	72
Grade 1	74
Grade 2	74
Grade 3	78
Grade 4	75
Grade 5	74
Grade 6	74
Grade 7	73
Grade 8	71
Grade 9	73
Grade 10	72
Grade 11	73
Grade 12	72
	<u>955</u>

Growth

During the year ended June 30, 2022, the Charter School enrolled 955 students in kindergarten through twelfth grade. The Charter School offers a safe learning environment for students, causing them to look forward to coming to school each day to learn. Staff continue to build relationships with students and parents consistent with the Charter School's ongoing theme of community. In turn, parents believe in the Charter School and trust that the staff are committed to developing their children to be productive citizens in the 21st century.

It is the goal of the Board of Trustees and staff to move the Charter School to an even higher level, understanding that this move will be a continuous process. They are confident that the Charter School will soon be recognized by the state as a star school.

3) **Major Initiatives**

Paterson Arts and Science Charter School aims to provide the ideal environment for the intellectual and social development of its students, utilizing the combined effort of students, educators, families, and the community as a whole by providing boundless academic and co-curricular opportunities for individual skills and talents to develop. From the inception of the school, students have been provided a multitude of opportunities extended to them that have guided them on a path to success. Our mission and vision considers the educational goals that the New Jersey Department of Education has established for *all* students.

Our mission and vision is in direct alignment with the Science, Technology, Engineering, Arts, and Math (STEAM) philosophy. STEAM is an interdisciplinary educational philosophy that is strongly grounded in, and supported by, educational research. Through challenging, project-based learning experiences, core competencies are learned and evidenced by students. STEAM challenges our students to not only learn the content standards, but also to apply this new knowledge of 21st century skills and discoveries to tackle evolving real world challenges. The tenets of the Paterson ASCS mission statement focus on high academic achievement, to be supported by digital literacy and a variety of co-curricular activities, provided in healthy environment that encourages mutual respect and social responsibility, supported by the efforts of students, teachers, families, and the school community/community at large. Within the academic framework, the following explains key design elements and evidence of innovative practices:

1. ***Academic Achievement*** - concentration is placed on providing a multidimensional curriculum, research-based "best practices" instructional strategies, and student/program assessments. Literacy objectives within the CCSS must be met to better prepare students for PARCC assessments, college acceptance, and workforce readiness. Summary writing, analysis of rich and varied literature and non-fiction text, critical research skills, and opinions supported by text-based evidence are the cornerstone elements of the CCSS. In mathematics, lessons are aligned to the CCSS and the content prioritized and supported with online programs for student instruction and assignments. Teachers and students have access to rich, CCSS-aligned, engaging content, and embedded assessments with instant data.

2. ***Digital Learning Environment*** - concentration is placed on classroom organization, integration of technology, teacher development, and effective instructional programs. This allows the district to provide the most relevant, research-based educational experience to our students. The design of the program currently embraces technological literacy and integration, and in the absence of these resources, curricula cannot be delivered as designed. The rigors of the *New Jersey Student Learning Standards* coupled with the next generation digital assessments require us to adjust both the method and mode of instruction to prepare our students for college and careers. The design of the program currently embraces technological literacy and integration; in the absence of technological resources, curricula cannot be delivered as designed. Student assessment data is used to evidence student growth as a result, in part, of digital instruction.

3. ***Co-curricular Programs*** - concentration is placed on academic and non-academic programs that are designed to meet the needs of the *whole child* (academically, socially and emotionally). Paterson Arts and Science Charter School has a vibrant arts education model, which includes multiple performances including full-length theatrical productions, concerts, cultural dances and festivals. The school is often the host location for a variety of educational presentations, educational guest speakers, science fairs and Olympiads, and math competitions. Additionally, the district participates with its sister schools, Bergen ASCS, Passaic ASCS, and Hudson ASCS in an annual summer learning institute, whereby all instructional staff come together in the form of a professional learning community in order to explore best practices in education.

4. ***Community Involvement*** - concentration is placed on parent programs, community outreach, and fostering school, family and community collaboration/involvement. The students of Paterson ASCS are afforded the benefits of partnerships currently established with local universities, businesses, and community leaders. Paterson ASCS recognizes a school as an anchor in a community; we believe the school is the anchor that this community needs. All children deserve the opportunity to be educated in a rich, nurturing environment that promotes inquiry-based learning and innovation in an equitable, culturally-sensitive atmosphere.

Paterson ASCS believes that family involvement is an integral component of our school culture. Our objective is to continue fostering close and positive relationships along with constant communication between school, family, and community. Our Parent-Teacher Organization (PTO) is a committee that maintains a strong presence at the school, and is vital to enriching the experience of students. The PTO makes the purchase of sports equipment, musical instruments, yearbooks, and classroom materials a reality for our Charter School. Additionally, the PTO organizes fundraisers to defray the cost of field trips for the students.

In the 2021-2022 academic year, Paterson ASCS reached out to both the parents and the community with myriad programs and activities to enhance the experience of the students and school community as a whole. A selection of these activities is provided below. Paterson ASCS believes that family involvement is an integral component of our school culture. Our objective is to continue fostering close and positive relationships and constant communication between school, family and community. PTO members 2020-2021 school year in order to ensure a successful joining of parent/family community with the school.

- BACK-TO-SCHOOL NIGHT
- Patriots Day-9/11 Memorial
- HISPANIC HERITAGE MONTH CELEBRATION
- Week of Respect
- Fire Truck/Firehouse Visit
- GRANDPARENT'S NIGHT
- Violence Awareness
- HALLOWEEN PARADE
- Veteran's Day

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- PARENT/TEACHER CONFERENCES
- PATERSON ASCS AWARDS CEREMONIES
- HERITAGE MONTH
- THANKSGIVING DINNER/FOOD DRIVE
- VIRTUAL CONCERTS
- SCHOOL CHOICE WEEK
- BLACK HISTORY MONTH CELEBRATION
- Read Across America
- Valentine’s Day Celebration
- 100th Day of School
- St. Patrick’s Day Zoom
- Women’s History Month
- School Wide Spirit Day Virtual Zoom Dance Party
- Virtual ART Gallery & SPRING Talent Show
- CINCO DE MAYO CELEBRATION
- National Honor Society Virtual Induction Ceremony
- Virtual End of Year Activities
- Polar Express Party
- Parent Conferences
- Kindergarten Graduation
- 8th Grade GRADUATION
- Senior Prom
- Sophomore Zoom Party
- College Essay Writing Workshop
- Senior Awards Dinner
- Inaugural Commencement Ceremony
- Chuck E Cheese Fundraiser
- BINGO NIGHT
- SNACKIn in the USA FUNDRAISER
- BOOK FAIR
- VALENTINE’S DAY Candy Grams SALE
- CONCESSION STANDS
- Hershey Candy Fundraiser
- Bake Sales
- Movie Night

PARTNERSHIP PROGRAMS

Paterson ASCS has partnered with the organizations and institutions of higher learning listed below in order to improve teaching and learning across school campuses.

Rutgers University

In collaboration with Rutgers University, Paterson ASCS High participated in the School Systems Improvement Project. This grant enabled school administrators and the school's Master Mentor Teacher to utilize an evaluation instrument that is highly specific and quantitative. Teachers received 3 formal CSS-O reports throughout the year. School administrators and teachers each completed 3 CSS-T and CSS-O forms, respectively. Each took approximately 30 minutes in length.

Grand Canyon University

Through our partnership with Grand Canyon University, school administrators completed online courses in order to obtain supervisory certification. Tuition costs were reduced due to this partnership. 2 school administrators utilized this partnership in order to further their education.

Ramapo College

Paterson ASCS coordinated and oversaw the Clinical Experience for the teachers from the Teacher Education program that will be placed on Paterson ASCS campuses. Through our partnership, students of Ramapo College participated in Student Teaching Internships, practicum, and observations at Paterson ASCS.

Fairleigh Dickinson University

Founded in 1984, the Middle College program is now affiliated with more than 100 high schools throughout New Jersey, including Paterson ASCS. The university's Faculty Advisory Committee reviews submitted curricula and high school staff members for inclusion in the program. FDU's Middle College program gives college-bound juniors and seniors the opportunity to experience university-style learning before they graduate high school. Qualifying students are high school juniors and seniors in advanced and honors sections in subjects such as literature, science, art, mathematics and other courses.

Fair Lawn Chamber of Commerce

Acted as a resource for governmental assistance especially for those impacted by COVID-19. We are a member of the Chamber and as such we do receive their newsletters, we attend chamber meetings and one of our staff members sits as a board member.

SUEZ North America

Extended volunteers to our schools as speakers at our STEM events and other educational programs. Suez staff participates in our events as speakers. They also invite our students to come to their facility while they teach them everything about how water reservoirs work.

Bergen Volunteer Center

Collaborate on volunteer opportunities for staff and students. Provided us with resources on volunteer opportunities/ internships for our students and staff.

Bergen PAC

Brought Opioid Abuse Prevention Program, Chasing the Dragon: The Life of an Opiate Addict. In collaboration with the FBI Newark Citizens Academy Alumni Association, Hackensack Meridian Health, and the Lakeland Bank Foundation, they presented this assembly program that is designed to educate students on the rising issue of Opioids. Speakers and volunteers from Bergen PAC come to our school and/or do virtual presentations on this program. Students in middle schools participate.

Community Food Bank of New Jersey -SNAP ED

Provided “Cooking Matters for Teens (CMT)” which is an evidence-based curriculum that teaches healthy eating skills and builds confidence in shopping and eating healthier on a low budget. It is a series of classes geared for teenagers, ages 11 to 18 years (grades 6-12) focusing on food safety and food preparation education. One course includes 6, 2- hour classes or 12, 1- hour classes split into 2 components, Nutrition Education and Cooking. Speakers and volunteers from CFBNJ teach our middle school students nutrition and healthy foods that they can make on their own.

Bergen County Workforce Development Board

Provided assistance in recruiting transitioning workers who would like to go into teaching. Held an information session where our staff delivered a presentation about the different pathways to a teaching career. The workforce development team disseminated the information to all their contacts.

SPAN Advocacy

Provided the “Parents as Champions for Healthy Schools” 10-hour free training program designed to educate parents about the importance of student health for academic achievement and life success, provide knowledge and skills needed to advocate for healthy schools, and help parents develop an action plan for a project to promote a healthy school environment. This program engaged our parents in meaningful advocacy. As part of the training, parents and the school will receive a grant that will help their school promote a healthy school environment.

New Jersey Public Charter Schools Association

As a member, we receive resources and information on tools and best practices in building a quality public charter school. It also trains and engages our parents to take an active role in their children’s education. As a member, our parents have attended 4 training sessions on how to take an active role in their children’s education. Staff also participate in some capacity building events they offer.

4) Internal Accounting Controls

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

As a recipient of federal awards and state financial assistance, the Charter School also is responsible for ensuring that adequate system of internal controls is in place to ensure compliance with applicable laws and regulations related to those programs. This system of internal control is also subject to periodic evaluation by the Charter School’s management. As part of the Charter School’s single audit described earlier, tests are made to determine the adequacy of the system of internal controls, including that portion related to federal awards and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5) **Budgetary Controls**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year.

During the 2021-2022 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

6) **Accounting System and Report**

The Charter School’s accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school. The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in “Notes to the Financial Statements”, Note 1.

7) **Financial Statement Information at Fiscal Year-End**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2022 fiscal year:

Summary of the General Fund and Special Revenue Fund

Revenue	2022	2021	Increase/ (decrease)	% Change
Local sources	\$ 1,934,335	\$ 1,684,746	\$ 249,589	14.81%
State sources	15,461,640	13,164,509	2,297,131	17.45%
Federal sources	2,947,633	1,956,032	991,601	50.69%
Special item PPP Loan forgiven	-	1,727,770	(1,727,770)	-100.00%
	<u>\$ 20,343,608</u>	<u>\$ 18,533,057</u>	<u>\$ 1,810,551</u>	<u>9.77%</u>

The Charter School experienced an increase in revenue of about 9.77% which was due to the significant COVID-19 related funding.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the fiscal year ended June 30, 2022:

Summary of the General Fund, Special Revenue Fund,				
Expenditures	2022	2021	Increase/ (decrease)	% Change
Instruction	\$ 6,409,742	\$ 5,188,589	\$ 1,221,153	23.54%
Administrative	6,101,714	5,287,351	814,363	15.40%
Support	5,486,673	3,721,753	1,764,920	47.42%
Capital outlay	382,125	122,089	260,036	212.99%
	<u>\$ 18,380,254</u>	<u>\$ 14,319,782</u>	<u>\$ 4,060,472</u>	<u>28.36%</u>

The Charter School’s expenditures increased by about 28.36% over last year’s – a significant increase due to COVID-19 related spending.

8) Cash Management

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

9) Risk Management

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation.

10) Other Information

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”.

The auditor’s report on the basic financial statements is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

The 2021-2022 school-year was very challenging due to the COVID-19 pandemic. However, the Charter School continues to enjoy a fairly reasonable financial position through careful stewardship of its resources. We hope that the next school year will have less of the COVID-19 challenges in all areas of the School’s operations.

11) Acknowledgments

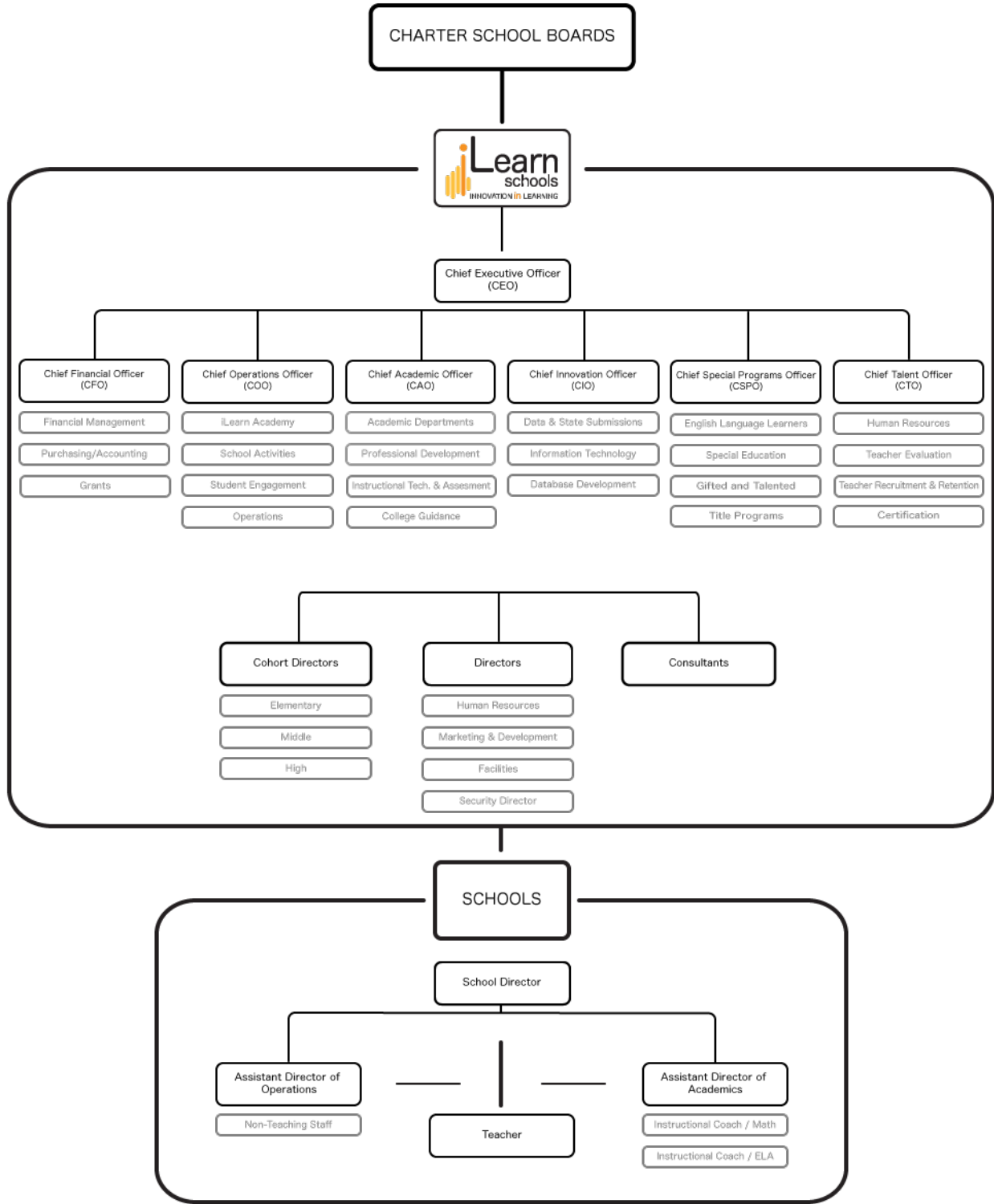
A note of appreciation is extended to the Finance Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to Paterson Arts and Science Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of Paterson Arts and Science Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectively submitted



Mustafa Coban
School Business Administrator/Board Secretary



PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Roster of Trustees and Officers

June 30, 2022

Members of Board of Trustees

<u>Name</u>	<u>Position</u>
Nilda Pardo	Board President
Jennifer Yashiro	Vice President
Juan Infante	Member
Zvonko Veskov	Member
Karen Sano	Member

Executive Board

Nihat Guvercin	Chief School Administrator
Mustafa Coban	School Business Administrator/Board Secretary
Christopher Lessard	Treasurer of School Monies

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Consultants and Advisor

Independent Auditors

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Certified Public Accountant/Consultant
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Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Paterson Arts and Science Charter School
Paterson, New Jersey
County of Passaic

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Paterson Arts and Science Charter School, in the County of Passaic, State of New Jersey (the "Charter School") as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Charter School as of June 30, 2022, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 the audit requirements prescribed by the *Office of School Finance, Department of Education, State of New Jersey*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

During the fiscal year ended June 30, 2022, the Charter School adopted Governmental Accounting Standards Board (GASB) Statement No 87, *Leases*, which modifies the accounting treatment of leases. Our opinion is 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 misstatements, 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 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

Our 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 our opinion. 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 (GAAS), *Government Auditing Standards* and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, 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 audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, we:

- Exercise professional judgement 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 Charter School, Inc.'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other postemployment benefits 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards 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 (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Charter School. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, financial schedules and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Charter School's internal control over financial reporting and compliance.

Olugbenga Olabintan, CPA

January 31, 2023
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Required Supplementary Information

Part I

Management's Discussion and Analysis

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

Introduction

This section of Paterson Arts and Science Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- Net position of governmental activities ended the fiscal year with \$5,420,874. Net position of business-type activities, which represent food service operations ended the fiscal year with \$274,259.
- General revenues accounted for \$17,377,264 in revenue or 82 percent of total revenues of \$21,281,712. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$3,904,448 or 18 percent of total revenues.
- The Charter School had \$19,879,273 in expenses related to governmental activities; \$2,969,662 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$17,377,264 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2022, of \$8,706,899.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand Paterson Arts and Science Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For Paterson Arts and Science Charter School, the General Fund is the most significant fund.

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Position and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2022?" The statements of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

Statement of Net Position and Statement of Activities-continued

These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care programs enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, assets exceeded liabilities by \$5,695,133 at the close of 2022. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Acvtivities		Total	
	2022	2021	2022	2021	2022	2021
Assets and deferred outflows of resources						
Current assets	\$ 22,718,806	\$ 7,106,933	\$ 328,206	\$ 572,578	\$ 23,047,012	\$ 7,679,511
Capital assets, net	470,979	287,588	-	-	470,979	287,588
Deferred outflows of resources	1,856,389	1,601,727	-	-	1,856,389	1,601,727
Total assets and deferred outflows of resources	<u>25,046,174</u>	<u>8,996,248</u>	<u>328,206</u>	<u>572,578</u>	<u>25,374,380</u>	<u>9,568,826</u>
Liabilities and deferred outflows of resources:						
Current liabilities	15,555,069	349,789	53,947	-	15,609,016	349,789
Long term liabilities	2,502,307	2,596,765	-	-	2,502,307	2,596,765
Deferred outflows of resources	1,567,924	1,096,473	-	-	1,567,924	1,096,473
Total liabilities and deferred inflows of resources	<u>19,625,300</u>	<u>4,043,027</u>	<u>53,947</u>	<u>-</u>	<u>19,679,247</u>	<u>4,043,027</u>
Net position						
Invested in						
Capital assets (net of related debt)	(1,085,782)	279,744	15,189	29,841	(1,070,593)	309,585
Restricted	75,000	75,000	-	-	75,000	75,000
Other purposes	13,599	16,917	-	-	13,599	16,917
Unrestricted	6,418,057	4,581,560	259,070	542,737	6,677,127	5,124,297
Total net position	<u>\$ 5,420,874</u>	<u>\$ 4,953,221</u>	<u>\$ 274,259</u>	<u>\$ 572,578</u>	<u>\$ 5,695,133</u>	<u>\$ 5,525,799</u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School increased by 169,334 during the current fiscal year ended June 30, 2022. The majority of the increase is attributable to a surplus of \$467,653 in the Governmental Activities. Operating grants and contributions increased by 108 percent.

The table that follows reflects the change in net position for fiscal year 2022.

	Governmental Activities		Business Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charge for services	\$0	\$237	\$13,354	\$1,161	\$13,354	\$1,398
Operating grants and contributions	2,969,662	460,512	921,432	1,410,711	3,891,094	1,871,223
Total program revenues	<u>2,969,662</u>	<u>460,749</u>	<u>934,786</u>	<u>1,411,872</u>	<u>3,904,448</u>	<u>1,872,621</u>
General revenues:						
Local aid	1,836,759	1,727,770	-	-	1,836,759	1,727,770
Federal and state aid	15,460,944	17,328,558	-	-	15,460,944	17,328,558
Miscellaneous	79,561	95,982	-	-	79,561	95,982
Transfers	-	-	-	-	-	-
Total general revenues	<u>17,377,264</u>	<u>19,152,310</u>	<u>-</u>	<u>-</u>	<u>17,377,264</u>	<u>19,152,310</u>
Total revenues	<u>20,346,926</u>	<u>19,613,059</u>	<u>934,786</u>	<u>1,411,872</u>	<u>21,281,712</u>	<u>21,024,931</u>
Expenses:						
Instructions	6,409,742	6,217,154	-	-	6,409,742	6,217,154
Administrative & support services	13,280,624	9,557,066	-	-	13,280,624	9,557,066
Unallocated depreciation/ capital outlay	188,907	46,750	-	-	188,907	46,750
Food service	-	-	1,232,675	953,169	1,232,675	953,169
After school programs	-	-	430	-	430	-
Total expenses	<u>19,879,273</u>	<u>15,820,970</u>	<u>1,233,105</u>	<u>953,169</u>	<u>21,112,378</u>	<u>16,774,139</u>
Change in net position	<u>\$ 467,653</u>	<u>\$ 3,792,089</u>	<u>\$ (298,319)</u>	<u>\$ 458,703</u>	<u>\$ 169,334</u>	<u>\$ 4,250,792</u>

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2022.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

Governmental Activities - *continued*

	Total Cost of Services	Net Cost of Services
Instruction	\$ 6,409,742	\$ 5,213,881
Administrative & support services	13,280,624	11,651,347
Unallocated depreciation	188,907	44,383
Total Expenses	\$ 19,879,273	\$ 16,909,611

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation and the Summer Enrichment/After-School programs. These programs had revenues of \$934,786 (including a board contribution of \$-0-) and operating expenses of \$1,233,105 for fiscal year 2022. The Charter School intended to have food services be self-operating without assistance from the General Fund.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$20,343,608 and expenditures of \$18,380,254. The positive change in fund balance for the year was \$1,963,354. The cumulative surplus fund balance from the prior years was \$6,757,144.

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

During the course of fiscal 2022, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$15,126,267, which included a local tax levy of \$1,836,759. Expenditures and other financing uses were budgeted at \$14,512,112. The Charter School anticipated budgeted fund balance of \$614,155 in its 2021-2022 budget year.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

The State of New Jersey reimbursed the Charter School \$336,451 during the year ended June 30, 2022 for the employer's share of social security contributions for TPAF members. Also, the State paid \$1,895,502 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the Charter School. The unbudgeted amounts were included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2022, the Charter School had \$486,168 invested in capital assets in its governmental activities.

The Charter School's 2022-2023 budget anticipates approximately \$200,000 spending on capital projects.

Long-term debt

The Charter School had \$2,502,307 at June 30, 2022 in net pension liability regarding the Public Employees Retirement System. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2022-2023. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2022
(Unaudited)

COVID-19 and Paycheck Protection Program Loan

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 21, 2020, New Jersey State Governor Phil Murphy ordered the closure of the physical location of every “non-life sustaining” and “non-essential” business for what may be an extended period of time. The Charter School had to close its physical locations. Future potential impacts may include continued disruptions or restrictions on its employees’ ability to work and impairment of its ability to obtain grants and contributions. Though the impact on the Charter School’s operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund and other state aid and the local tax levy. There have been additional operating expenses (related to COVID-19) in the General Fund not planned for or expected at the time of the adoption of the Charter School’s fiscal year 2022-2023 budget.

Contacting the Charter School’s Financial Management

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Business Office, 33-00 Broadway, Suite 301
Fair Lawn, New Jersey 07410
Tel: (201) 773-9140* Fax: (201) 773-9141

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2022.

Statement of Net Position

June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,627,492	\$ 466,213	\$ 8,093,705
Restricted cash - escrow	75,000	-	75,000
Accounts receivable	999,012	84,296	1,083,308
Other current assets	150,000	8,784	158,784
Interfund receivables	-	(246,276)	(246,276)
Capital assets (net of accumulated depreciation of \$632,380)	470,979	15,189	486,168
Right-to-use lease asset, net of accumulated amortization of \$5,871,719)	13,867,302	-	13,867,302
Total assets	<u>23,189,785</u>	<u>328,206</u>	<u>23,517,991</u>
Deferred outflows of resources			
Pension deferred outflows	1,856,389	-	1,856,389
Total assets and deferred outflows of resources	<u>\$ 25,046,174</u>	<u>\$ 328,206</u>	<u>\$ 25,374,380</u>
Liabilities			
Accounts payable	\$ 179,131	\$ 53,947	\$ 233,078
Intergovernmental payables - state and federal	103,005	-	103,005
Deferred revenue	72,372	-	72,372
Interfund payables	(246,276)	-	(246,276)
Payroll deductions and withholdings	22,774	-	22,774
Net pension liability	2,502,307	-	2,502,307
Lease liabilities	15,424,063	-	15,424,063
Total liabilities	<u>18,057,376</u>	<u>53,947</u>	<u>18,111,323</u>
Deferred inflows of resources			
Pension deferred inflows	1,567,924	-	1,567,924
Total liabilities and deferred inflows of resources	<u>19,625,300</u>	<u>53,947</u>	<u>19,679,247</u>
Net position			
Invested in capital assets	(1,085,782)	15,189	(1,070,593)
Restricted - escrow account	75,000	-	75,000
Restricted - student activity	13,599	-	13,599
Unrestricted, undesignated	6,418,057	259,070	6,677,127
Total net position	<u>5,420,874</u>	<u>274,259</u>	<u>5,695,133</u>
Total liabilities, deferred inflows & net position	<u>\$ 25,046,174</u>	<u>\$ 328,206</u>	<u>\$ 25,374,380</u>

See independent auditor's report and accompanying notes to basic financial statements.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 6,409,742	\$ -	\$ 1,195,861	\$ (5,213,881)	\$ -	\$ (5,213,881)
Administrative & support services:						
General administration	7,793,951	-	-	(7,793,951)	-	(7,793,951)
Support services	5,486,673	-	1,629,277	(3,857,396)	-	(3,857,396)
Capital outlay	-	-	144,524	144,524	-	144,524
Unallocated depreciation	188,907	-	-	(188,907)	-	(188,907)
Total governmental activities	<u>19,879,273</u>	<u>-</u>	<u>2,969,662</u>	<u>(16,909,611)</u>	<u>-</u>	<u>(16,909,611)</u>
Business-type activities:						
Food service	1,232,675	1,129	921,432	-	(310,114)	(310,114)
After care program	430	12,225	-	-	11,795	11,795
Total business-type activities	<u>1,233,105</u>	<u>13,354</u>	<u>921,432</u>	<u>-</u>	<u>(298,319)</u>	<u>(298,319)</u>
Total primary government	<u>\$ 21,112,378</u>	<u>\$ 13,354</u>	<u>\$ 3,891,094</u>	<u>(16,909,611)</u>	<u>(298,319)</u>	<u>(17,207,930)</u>
General revenues, transfers and special items:						
Local sources				1,836,759	-	1,836,759
State sources				15,438,772	-	15,438,772
Federal sources				22,172	-	22,172
Miscellaneous				79,561	-	79,561
Transfers				-	-	-
Total general revenues, transfers and special items				<u>17,377,264</u>	<u>-</u>	<u>17,377,264</u>
Change in net position				<u>467,653</u>	<u>(298,319)</u>	<u>169,334</u>
Net position - beginning of year				<u>4,953,221</u>	<u>572,578</u>	<u>5,525,799</u>
Net position - ending				<u>\$ 5,420,874</u>	<u>\$ 274,259</u>	<u>\$ 5,695,133</u>

See independent auditor's report and accompanying notes to basic financial statements.

Funds Financial Statements

Governmental Funds

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Governmental Funds

B-1

Balance Sheet

June 30, 2022

	General Fund	Special Revenue Fund	Totals Governmental Funds
Assets			
Cash and cash equivalents	\$ 7,610,030	\$ 17,462	\$ 7,627,492
Restricted cash in escrow	75,000		75,000
Accounts receivable:	-	-	-
State	15,664	22,868	38,532
Federal	-	881,800	881,800
Other	78,680	-	78,680
Other current assets	150,000	-	150,000
Interfund receivable	961,140	-	961,140
Total assets	\$ 8,890,514	\$ 922,130	\$ 9,812,644
Liabilities and Fund Balances			
Interfund payables	\$ -	\$ 714,864	\$ 714,864
Accounts payables	57,836	121,295	179,131
Intergovernmental payables - federal	-	-	-
Intergovernmental payables - state	-	-	-
Intergovernmental payables - other	103,005	-	103,005
Payroll deductions and withholdings	22,774	-	22,774
Deferred revenue	-	72,372	72,372
Total liabilities	183,615	908,531	1,092,146
Fund balances:			
Restricted - student activity	-	13,599	13,599
Undesignated	8,706,899	-	8,706,899
Total fund balances	8,706,899	13,599	8,720,498
Total liabilities and fund balances	\$ 8,890,514	\$ 922,130	
<p>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>			
Cost of capital assets	\$ 1,010,305		
Accumulated depreciation	(539,326)		
Cost of capital assets, net of accumulated depreciation	\$ 470,979		470,979
<p>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 7)</p>			
			1,856,389
<p>Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)</p>			
			(1,567,924)
<p>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 7)</p>			
			(2,502,307)
<p>Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds (see Note 4):</p>			
Cost of right-to-use assets	\$ 19,739,021		
Accumulated amortization	(5,871,719)		
Cost of right-to-use assets, net of accumulated amortization	\$ 13,867,302		13,867,302
<p>Lease liabilities used in governmental activities are not financial resources and therefore are not reported in the funds (see Note 5).</p>			
			(15,424,063)
<p>Net position of governmental activities - A-1</p>			\$ 5,420,874

See independent auditor's report and accompanying notes to basic financial statements.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2022

	General Fund	Special Revenue Fund	Total
Revenues:			
Local sources:			
Local tax levy	\$ 1,836,759	\$ -	\$ 1,836,759
Miscellaneous	79,561	18,015	97,576
Total revenues - local sources	1,916,320	18,015	1,934,335
Federal sources	22,172	2,925,461	2,947,633
State sources	13,206,819	22,868	13,229,687
Reimbursed TPAF-Social Security (non-budgeted)	336,451	-	336,451
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	1,895,502	-	1,895,502
Total revenues	17,377,264	2,966,344	20,343,608
Current expense:			
Instruction	5,213,881	1,195,861	6,409,742
Administrative	3,869,761	-	3,869,761
Support services	3,857,396	1,629,277	5,486,673
Capital outlay	237,601	144,524	382,125
Reimbursed and on-behalf payments:	-	-	-
Reimbursed TPAF-Social Security (non-budgeted)	336,451	-	336,451
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	1,895,502	-	1,895,502
Total expenditures	15,410,592	2,969,662	18,380,254
Excess (deficiency) of revenues over (under) expenditures	1,966,672	(3,318)	1,963,354
Other financing sources/(uses):			
Transfer to cover food deficit	-	-	-
Total other financing sources/(uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,966,672	(3,318)	1,963,354
Fund balances, beginning of year	6,740,227	16,917	6,757,144
Prior period adjustment	-	-	-
Fund balances, beginning of year (restated)	6,740,227	16,917	6,757,144
Fund balances, end of year	\$ 8,706,899	\$ 13,599	\$ 8,720,498

See independent auditor's report and accompanying notes to basic financial statements.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2022

B-3

Total net change in fund balances - governmental funds (B-2) \$ 1,963,354

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 expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

	Depreciation expense	\$ (188,907)	
	Capital outlays	<u>382,125</u>	
			193,218

Adoption of GASB 87 resulted in an increase in right-to-use lease assets offset by the current year amortization of the right-to-use assets, allocated over the term of the leases

	Amortization expense	(1,248,806)
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Adoption of GASB 87 resulted in an increase in lease liabilities offset by the current year principal payments on lease liabilities. Principal payments on lease liabilities decrease liabilities in the statement of net position, but are included in the governmental funds as expenses

	Principal payments	1,022,197
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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

94,451

Change in net position of governmental activities (A-2)

\$ 2,024,414

See independent auditor's report and accompanying notes to basic financial statements.

Proprietary Funds

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Funds**

B-4

Statement of Net Position

June 30, 2022

Assets	
Current assets:	
Cash and cash equivalents	\$ 466,213
Accounts receivable:	-
Federal	82,860
State	1,436
Inventories	8,784
Interfund receivable - general fund	(246,276)
Total current assets	<u>\$ 313,017</u>
Noncurrent assets:	
Machinery and equipment	108,243
Less accumulated depreciation	(93,054)
Total noncurrent assets	<u>15,189</u>
Total assets	<u><u>\$ 328,206</u></u>
Liabilities	
Current liabilities:	
Interfund payable - general fund	\$ -
Accounts payable	53,947
Total current liabilities	<u>\$ 53,947</u>
Net position	
Unrestricted	274,259
Total net position	<u><u>\$ 274,259</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Funds

B-5

Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2022

Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ -
Daily sales - nonreimbursable programs	13,354
Miscellaneous revenue	-
Total operating revenues	<u>13,354</u>
Operating expenses:	
Cost of sales - reimbursable programs	741,237
Cost of sales - nonreimbursable programs	1,129
Salaries	70,393
Employee benefits	-
Professional /technical service	-
Other purchased services	267,388
Supplies and materials	137,886
Depreciation	14,652
Miscellaneous	420
Total operating expenses	<u>1,233,105</u>
Operating income (loss)	<u>(1,219,751)</u>
Nonoperating revenues:	
State sources:	
State School Lunch Program	15,794
Federal sources:	-
National School Lunch Program	674,938
Healthy, Hunger Free Kids Act	-
National School Breakfast Program	182,572
After School Snacks	25,934
Total nonoperating revenues	<u>899,238</u>
Net income/(loss) before contributions & transfers	(320,513)
Other financing sources:	
Transfer in/(out) - board contribution	<u>-</u>
	<u>-</u>
Change in net position	(320,513)
Total net position-beginning of year	<u>572,578</u>
Total net position-end of year	<u>\$ 252,065</u>

See independent auditor's report and accompanying notes to basic financial statements.

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Proprietary Fund**

B-6

Statement of Cash Flows

Year ended June 30, 2022

Cash flows from operating activities

Operating loss	\$ (1,219,751)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	14,652
Changes in assets and liabilities:	
Accounts receivable	77,442
Due to/(from) general fund	50,087
Accounts payable	53,947
Net cash used in operating activities	<u>(1,023,623)</u>

Cash flows from noncapital financing activities

Cash received from state reimbursements	15,794
Cash received from federal reimbursements	905,638
Operating subsidies and transfers from other funds	-
Net cash provided by noncapital financing activities	<u>921,432</u>

Cash flows from investing activities

Net decrease in cash and cash equivalents	(102,191)
Cash and cash equivalents, beginning	568,404
Cash and cash equivalents, ending	<u>\$ 466,213</u>

See independent auditor's report and accompanying notes to basic financial statements.

**Fiduciary Funds
Not Applicable**

Notes to Basic Financial Statements

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

1 Description of the Charter School and Reporting Entity

Paterson Arts and Science Charter School (the “Charter School” was incorporated in the State of New Jersey in 2013 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Principal/Chief School Administrator is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

Paterson Arts and Science Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies

This summary of significant accounting policies of Paterson Arts and Science 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 Paterson Arts and Science Charter School (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.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

A Basis of Presentation

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

Charter School Government-wide Financial Statements

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

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

Fund Financial Statements

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

B Fund Accounting

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

Governmental Funds

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Proprietary Funds

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

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

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

Fiduciary Funds

Fiduciary or trust and Agency 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. This fund category includes:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims. ***Agency Funds*** – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

GASB Statement No 84 Fiduciary Activities – As of the prior year ended June 30, 2021, there was no Fiduciary Fund due to the adoption of GASB Statement 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.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

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

Basis of Accounting

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be 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 fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E Cash, Cash Equivalent and Investments

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

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investment 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 fund in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund receivables/payables. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Position.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as 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 Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method.

<u>Description of Capital Assets</u>	<u>Estimated Lives (Years)</u>
Leasehold improvements	5
Furniture and equipment	5

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

I 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." Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific events that are outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on specific events that are outside the control of the Charter School and its employees, are accounted for in the period in which such service is rendered or in which such events take place. In governmental and similar trust funds, compensated absences that are expected to be liquidated with the expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. In proprietary and similar trust funds, compensated absences are required as an expense and liability of the fund that will pay for them.

The Charter School had no compensated absences as of June 30, 2022.

J Accrued Liabilities and Long-Term Obligations

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

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

K Deferred Revenue

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Non-spendable – 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.

M Net Position

Net Position represent the difference between assets and liabilities in the Government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

N Management Estimates

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

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.

P GASB Pronouncements

Adoption of New Accounting Standard

During the prior fiscal year ended June 30, 2021, the Charter School adopted **GASB Statement No. 84, *Fiduciary Activities (GASB 84)***. GASB 84 enhances the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Specifically, GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

As part of the adoption, the Charter School no longer considers activities in the Unemployment Fund Account, Payroll Agency Fund and Student Activities as fiduciary activities applicable under GASB 84. As a result, the Charter School no longer presents a Statement of Fiduciary Net Position, and records payroll deductions and withholding payable, unemployment activities in the General Fund in the Governmental Fund financial statements.

During the fiscal year ended June 30, 2022, the Charter School adopted and implemented **GASB Statement No. 87, *Leases***. The implementation of the Statement changes the reporting for leases.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

2 Summary of Significant Accounting Policies - *continued*

Q Fair Value of Financial Instruments

The Charter School follows the accounting and disclosure standards pertaining to GASB 72, Fair Value Measurement and Application, for qualifying assets and liabilities. Fair value is defined as the price that the Charter School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Charter School uses a framework for measuring fair value that included 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 instruments, 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 is 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 judgement or estimation.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

3 Deposits and Investments

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

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

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

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. As of June 30, 2022, the Charter School’s carrying amount of deposits and investments are as follows:

	General Fund	Special Revenue	Enterprise Funds	Agency Funds	Total
Operating A/C	\$ 7,610,030	\$ 17,462	\$ 466,213	\$ -	\$ 8,093,705
Restricted	75,000	-	-	-	75,000
Total	\$ 7,685,030	\$ 17,462	\$ 466,213	\$ -	\$ 8,168,705

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2022, the Charter School’s carrying amount of deposits was \$8,168,705 and the bank balance was \$8,449,524. Of the bank balance, up to a maximum of \$250,000 of the Charter School’s cash deposits on June 30, 2022 were secured by federal deposit insurance and \$8,199,524 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (“GUDPA”).

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

3 Deposits and Investments - *continued*

Establishment of an Escrow Account

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

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

Category 1 - Insured or collateralized with securities held by the Charter School or by its agent in the Charter School’s name. **Category 2** - Collateralized with securities held by the pledging public depository’s trust department or agent in the Charter School’s name.

Category 3 - Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School’s name.

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

Investments

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

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

As of June 30, 2022, the Charter School did not hold any investments.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
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Year Ended June 30, 2022

4 Capital Assets and Right-to-Use Lease Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2022:

Governmental activities:	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets not depreciated:	\$ -	\$ -	\$ -
Capital assets, being depreciated:			
Leasehold improvements	252,913	158,821	411,734
Furniture and equipment	385,094	213,477	598,571
	<u>638,007</u>	<u>372,298</u>	<u>1,010,305</u>
Less accumulated depreciation			
Leasehold improvements	132,772	78,514	211,286
Furniture and equipment	217,647	110,393	328,040
	<u>350,419</u>	<u>188,907</u>	<u>539,326</u>
Total capital assets net	<u>\$ 287,588</u>	<u>\$ 183,391</u>	<u>\$ 470,979</u>
Business-type activities:			
Capital assets, being depreciated:			
Machinery and equipment	\$ 108,243	\$ -	\$ 108,243
Less accumulated depreciation	(78,402)	(14,652)	(93,054)
Enterprise fund capital assets - net	<u>\$ 29,841</u>	<u>\$ (14,652)</u>	<u>\$ 15,189</u>

Depreciation expense of \$188,907 was charged to an unallocated function.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

4 Capital Assets and Right-to-Use Lease Assets - continued

Changes in right-to-use lease assets are as follows for the fiscal year ended June 30, 2022:

Governmental Activities	Beginning Balance July 1, 2021	Net Additions	Ending Balance June 30, 2022
Right-to-use lease assets			
Premises	\$ 19,709,026	\$ -	\$ 19,709,026
Equipment	29,995	-	29,995
Total cost	<u>19,739,021</u>	<u>-</u>	<u>19,739,021</u>
Less - accumulated depreciation			
Premises	4,622,912	1,240,867	5,863,779
Equipment	-	7,940	7,940
Total accumulated depreciation	<u>4,622,912</u>	<u>1,248,807</u>	<u>5,871,719</u>
Right-to-use lease assets - net	<u>\$ 15,116,109</u>	<u>\$ (1,248,807)</u>	<u>\$ 13,867,302</u>

5 Lease Obligations

Lease Agreements – Implementation of GASB 87

The Charter School leases its premises and equipment under the terms of several non-cancelable leases. Certain leases are automatically renewed upon the charter renewal and can be extended through various dates through June 30, 2037.

The leases required aggregate annual cash payments of approximately \$2,334,876 during the year ended June 30, 2022. Interest expense on the leases was \$798,884 for the year ended June 30, 2022 which is reflected as lease interest expense on the accompanying budgetary comparison schedule – general fund (exhibit C-1).

The value of the right-to-use assets and lease liabilities was \$15,424,062 and \$13,867,303, respectively as of June 30, 2022 which was calculated using a discount rate of 5% (the Charter School’s estimated incremental borrowing rate as of July 1, 2021).

The net value of the lease liabilities and right-to-use assets at July 1, 2021 was \$15,116,109. Amortization of the related right-to-use lease assets was \$1,248,807 for the year ended June 30, 2022.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

5 Lease Obligations - continued

Lease Agreements – Implementation of GASB 87 - continued

Year ending June 30:	Principal	Interest	Amortization
2023	\$ 1,119,420	\$ 747,015	\$ 1,251,453
2024	710,894	701,200	910,899
2025	674,308	663,536	900,313
2026	801,790	624,210	900,313
2027	583,188	583,188	900,313
Thereafter	11,534,463	3,056,233	9,004,011
	<u>\$ 15,424,063</u>	<u>\$ 6,375,382</u>	<u>\$ 13,867,302</u>

Description of Lease Terms

Facilities Lease

183-229 Grand Street, Paterson, New Jersey Lease

The Charter School leases classroom and office space at 183-229 Grand Street, Paterson, New Jersey. The lease commenced on September 1, 2017 with an initial lease term of five years through August 31, 2022 at an annual rent of \$1,426,000. The lease also has three additional five year renewal options,

Gymnasium Lease - 183 Grand Street, Paterson, New Jersey

The Charter School leases gymnasium space at 183 Grand Street, Paterson, New Jersey. The lease commenced on September 1, 2018 for a five year term through August 31, 2023 at an annual rent of \$92,064.

30 Michigan Avenue, Paterson, New Jersey

The Charter School leases classroom and office space at **30 Michigan Avenue, Paterson, New Jersey**. The lease commenced on July 1, 2018 with an initial lease term of five years through June 30, 2030 at an annual rent of \$369,180. The lease also has one additional five year renewal option.

Equipment Leases

The Charter School leases office equipment (computers and copiers) under several operating lease agreements. For the year ended June 30, 2022, the Charter School incurred \$15,860 in equipment lease expenditures.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

5 Lease Obligations - continued

Description of Lease Terms - continued

Year ending June 30:	Facilities Leases			Equipment Leases	Total
	183-229 Grant Street ***	183 Grand St Gymnasium	30 Michigan Avenue		
2023	\$ 1,426,000	\$ 92,064	\$ 369,180	\$ 11,376	\$1,898,620
2024	1,426,000	-	-	11,376	1,437,376
2025	1,426,000	-	-	-	1,426,000
2026	1,426,000	-	-	-	1,426,000
2027	1,426,000	-	-	-	1,426,000
Thereafter		-	-	-	-
	<u>\$ 7,130,000</u>	<u>\$ 92,064</u>	<u>\$ 369,180</u>	<u>\$ 22,752</u>	<u>\$7,613,996</u>

*** First renewal option exercised.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2022

6 Pension Plans

Description of Plans

Substantially all of the employees of the Charter 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 State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the formulas mentioned above, but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

6 Pension Plans - *continued*

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the formulas mentioned above, but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

6 Pension Plans - *continued*

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 Charter School's contribution to PERS for the year ended June 30, 2022 was \$247,372.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$336,451 during the year ended June 30, 2022 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also, the State paid \$1,895,502 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the Charter School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 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.

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

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 \$13,598,736 as measured on June 30, 2021 and \$16,438,688 as measured on June 30, 2020.

For the year ended June 30, 2022, the Charter School recognized pension expense of \$319,984 and revenue of \$319,984 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, 2020 through June 30, 2021. 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.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers’ Pension and Annuity Fund (TPAF) - *continued*

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

	June 30, 2021	June 30, 2020
Collective deferred outflows of resources	\$ 6,230,825,389	\$ 9,458,881,999
Collective deferred inflows of resources	\$27,221,092,460	\$14,424,322,612
Collective net pension liability (non-employer State of New Jersey)	\$48,075,188,642	\$65,848,796,740
State's portion of the net pension liability that was associated with the Charter School	\$ 13,598,736	\$ 16,438,688
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.028286%	0.024964%

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 rate - price	2.75%
Inflation rate - wage	3.25%
Salary increases: through 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	7.00%

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers' Pension and Annuity Fund (TPAF) - *continued*

Actuarial Assumptions - continued

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-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long-Term Expected Rate of Return - continued

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 TPAF's target asset allocation as of June 30, 2021 are summarized in the following table:

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(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers’ Pension and Annuity Fund (TPAF) - *continued*

Long-Term Expected Rate of Return - continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	27.00%	8.09%
Non-US 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 State's 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 projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments in determining the total pension liability.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers' Pension and Annuity Fund (TPAF) - *continued*

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <https://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-tpaf21.pdf>

Pension Plan Fiduciary Net Position

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

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 \$2,502,307 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 to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2020. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2021 and 2020. At June 30, 2021, the Charter School's proportion was 0.0211227541% which was an increase of 0.0051988938% from its proportion measured as of June 30, 2020 which was 0.0159238603%.

For the year ended June 30, 2022, the Charter School recognized pension expense of \$247,372. At June 30, 2022, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
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7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,465	\$ 17,914
Changes in assumptions	13,032	890,837
Net difference between projected and actual earnings on pension plan investments	-	659,173
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	1,803,892	-
Subtotal	1,856,389	1,567,924
Charter School's contributions subsequent to the measurement date	247,372	-
Total	\$ 2,103,761	\$ 1,567,924

\$247,372 reported 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 ending June 30, 2022, the plan measurement date is June 30, 2021) will be recognized as a reduction of the net pension liability measured as of June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense
2022	\$ 112,391
2023	80,247
2024	54,715
2025	41,129
2026	(16)
Thereafter	-
	\$ 288,465

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

	June 30, 2021	June 30, 2020
Collective deferred outflows of resources	\$ 1,164,739,169	\$ 2,347,583,337
Collective deferred inflows of resources	\$ 8,339,123,762	\$ 7,848,949,467
Collective net pension liability (Non-State Local Group)	\$ 11,846,499,172	\$ 16,307,384,832
Charter School's portion of the net pension liability	\$ 2,502,307	\$ 2,596,765
Charter School's proportion (percentage)	0.02112276%	0.01592386%

Actuarial Assumptions

The collective 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:

Inflation rate - price	2.75%
Inflation rate - wage	3.25%
Salary increases: through 2026	2.00%-6.00% based on years of service
Salary increases: 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-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected 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 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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	27.00%	8.09%
Non-US 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%

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees' Retirement System (PERS) – *continued*

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 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 projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

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

The following presents the collective net pension liability of the participating employers as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School's proportionate share of the pension liability	\$ 3,443,960	\$ 2,502,307	\$ 1,752,493
	2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School's proportionate share of the pension liability	\$ 3,294,599	\$ 2,596,765	\$ 2,042,380

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

8 Post Retirement Benefits

Plan Description and Benefits Provided

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

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits 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 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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

Employees Covered by Benefit Terms.

At June 30, 2020, the following employees were covered by the benefit terms:

Active plan member = 213,901

Inactive plan members entitled to but not yet receiving benefits = 150,427

Inactive plan members or beneficiaries currently receiving benefits = -0-

Total plan members = 364,328

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

8 Post Retirement Benefits – *continued*

Total Non-employer OPEB Liability

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State’s level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State’s ACFR (<https://www.nj.gov/treasury/omb/publications/archives.shtml>)

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 total nonemployer OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%	TPAF/ABP	PERS
Salary increases:			
Through 2026		1.55 to 4.45% based on years of service	2.00 to 6.00% based on years of service
Thereafter		2.75 to 5.65% based on years of service	3.00 to 7.00% based on years of service

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

8 Post Retirement Benefits – *continued*

Actuarial Assumptions and Other Inputs - *continued*

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP) and “General” (PERS) 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.

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.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreases to 4.50% after 11 years. For HMO the trend is initially 6.01 % in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreases to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%

Discount Rate

The discount rate for June 30, 2021 was 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.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

8 Post Retirement Benefits – continued

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

	Increase/(Decrease) Total OPEB Liability
Balance as of June 30, 2020 measurement date	\$ 67,809,962,608
Changes recognized for the fiscal year:	
Service cost	\$ 3,217,184,264
Interest on total OPEB liability	1,556,661,679
Changes of benefit terms	(63,870,842)
Difference between expected and actual experiences	(11,385,071,658)
Effect of changes of assumptions	59,202,105
Gross benefits paid by the State	(1,226,213,382)
Contributions from the members	39,796,196
Net changes	\$ (7,802,311,638)
 Balance as of June 30, 2021 measurement date	 \$ 60,007,650,970

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

The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 2.16%; as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current rate:

	2021		
	At 1% Decrease (1.16%)	At 1% Discount Rate (2.16%)	At 1% Increase (3.16%)
Total OPEB liability attributable to the Charter School	\$ 6,925,861	\$ 5,781,944	\$ 4,881,178
	2020		
	At 1% Decrease (1.21%)	At 1% Discount Rate (2.21%)	At 1% Increase (3.21%)
Total OPEB liability attributable to the Charter School	\$ 7,083,786	\$ 5,875,971	\$ 4,931,576

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

8 Post Retirement Benefits – continued

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

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2021 and 2020, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a healthcare trend rate that is I-percentage-point lower or I-percentage-point higher than the current rate:

	2021		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 4,680,502	\$ 5,781,944	\$ 7,261,099
	2020		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 4,743,282	\$ 5,875,971	\$ 7,224,752

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

For the fiscal year ended June 30, 2022 the Charter School recognized OPEB expense of \$1,746,001 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2021 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

8 Post Retirement Benefits – continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 9,045,886,863	\$ 18,009,362,976
Net difference between expected and actual earnings on OPEB plan investments	-	-
Assumption changes	10,179,536,966	6,438,261,807
Subtotal	19,225,423,829	24,447,624,783
 Contributions made in fiscal year 2019 after June 30, 2018 measurement date	 TBD	 N/A
Total	\$ 19,225,423,829	\$ 24,447,624,783

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

Measurement Period - Fiscal Year Ending June 30:	Total
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)

9 Deferred Compensation

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan which is administered by AXA Equitable permits participants to defer a portion of their salaries until future years.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

10 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.

11 Fund Balance Appropriated – General Fund (Exhibit B- 1)

Of the \$8,720,498 General Fund balance at June 30, 2022, \$75,000 is reserved for escrow cash account, \$8,645,498 is the net fund balance.

12 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 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 the following: "We were not engaged at the Audit Date or at the Effective Date to give substantive attention to, or represent the School in connection with, any overtly threatened or pending litigation against the School."

13 Risk Management

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

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (UNAUDITED) of this Annual Comprehensive Financial Report. **New Jersey Unemployment Compensation** - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

14 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2022 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 961,140	\$ -
Special Revenue Fund	-	714,864
Enterprise Fund	-	246,276
Trust and Agency Fund	-	-
	\$ 961,140	\$ 961,140

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

15 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 receivables are as follows:

State aid	\$ 39,966
Federal aid	964,660
Other	78,680
Total receivables	\$ 1,083,306

16 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent event requires disclosure in the financial statements.

17 Risk and Uncertainties – COVID-19 and Its Impact

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 21, 2020, New Jersey State Governor Phil Murphy ordered the closure of the physical location of every “non-life sustaining” and “non-essential” business.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

17 Risk and Uncertainties – COVID-19 and Its Impact - *continued*

The Charter School’s operations are heavily dependent on both federal and state grant revenues. Its physical locations were closed from March 2020 through September 2020. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such it is uncertain as to the full impact that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity and operations. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the COVID-19 pandemic.

Nevertheless, the COVID-19 pandemic presents material uncertainty and risk with respect to the Charter School its performance, and its financial results. However, it should be noted that as of the date of this report, the Charter School’s various federal and state grants have not been materially impacted.

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

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

Fund balance per B-1	\$ 8,720,498
Cost of capital assets net accumulated depreciation	470,979
Pension deferred outflows	1,856,389
Pension deferred inflows	(1,567,924)
Deferred pension liability as of June 30, 2022	(2,502,307)
Cost of right-to-use lease assets, net of accumulated depreciation	13,867,302
Principal balance of lease liabilities	<u>(15,424,062)</u>
Net position (per A-1) as of June 30, 2022	<u><u>\$ 5,420,875</u></u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

19 Prior Period Adjustments

During the prior year ended June 30, 2021, the Charter School transferred rental expenditures from Fund 10 (the General Fund) to Fund 20 (the Special Revenue Fund) and charged \$438,540 of rental expenditures to the Education and Stabilization Funds (CARES) Grant. These are rental expenditures from leases that had been in effect prior to the COVID-19 pandemic. There are no incremental costs charged to the Charter School for any renovations or improvements by the landlord that directly addressed the preparedness and response to the COVID-19 pandemic situation. Therefore, the Charter School was considered to have incurred no costs that could be charged to the grant. The predecessor auditors questioned the \$438,540 charges because these expenditures were not in compliance with grant requirements.

It should be noted that the instance of non-compliance was considered by the predecessor auditors to be non-systematic and the result of an exceptional set of circumstances related to an emergency pandemic situation.

It should also be noted that the Charter School in their response disagreed with this finding and the auditors' assertions. The Charter School believed that they obtained the appropriate approval from the New Jersey Department of Education. However, the Charter School was advised by the New Jersey Department of Education to reverse the entire rental amounts that were charged to the CARES Act grant in the prior year ended June 30, 2021. The Charter School has complied with the NJDOE's advice while at the same time reallocating allowable salaries and benefits from Fund 10 to the CARES Act grant. The reallocated salaries and benefits expenditures were \$438,540 – the same amount of the rental expenditures. Therefore, the reversal of the rental costs did not have any effect on the prior year's fund balances.

Required Supplementary Information

Part II

Budgetary Comparison

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

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 tax levy	\$ 2,315,383	\$ (478,624)	\$ 1,836,759	\$ 1,836,759	\$ -
Miscellaneous	-	-	-	79,561	79,561
Total revenues -local sources	<u>2,315,383</u>	<u>(478,624)</u>	<u>1,836,759</u>	<u>1,916,320</u>	<u>79,561</u>
State sources:					
Federal aid - SEMI revenue	-	-	-	22,172	22,172
State aid	13,986,720	(697,212)	13,289,508	13,206,819	(82,689)
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	336,451	336,451
TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted)	-	-	-	358,660	358,660
Teacher's Pension & Annuity Fund (On-Behalf-Non-Budgeted)	-	-	-	1,535,097	1,535,097
Long Term Disability Insurance (On-Behalf-Non-Budgeted)	-	-	-	1,745	1,745
Total -state sources	<u>13,986,720</u>	<u>(697,212)</u>	<u>13,289,508</u>	<u>15,460,944</u>	<u>2,171,436</u>
Total revenues	<u>16,302,103</u>	<u>(1,175,836)</u>	<u>15,126,267</u>	<u>17,377,264</u>	<u>2,250,997</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	4,862,901	(338,054)	4,524,847	4,231,041	293,806
Other salaries for instruction	519,625	(196,319)	323,306	323,306	-
Purchased professional technical services	5,000	81,947	86,947	80,302	6,645
Other purchased services	181,656	(36,079)	145,577	116,240	29,337
General educational supplies	353,204	172,983	526,187	359,897	166,290
Textbooks	28,957	18,000	46,957	44,357	2,600
Miscellaneous expenses	40,000	40,000	80,000	58,738	21,262
	<u>5,991,343</u>	<u>(257,522)</u>	<u>5,733,821</u>	<u>5,213,881</u>	<u>519,940</u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
General Fund

C-1

Budget Comparison Schedule

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>
Administrative cost:					
Salaries	482,006	(378,414)	103,592	393,149	(289,557)
Total benefit costs	1,944,989	(277,893)	1,667,096	1,586,163	80,933
Professional /Technical service	1,818,500	(143,811)	1,674,689	1,723,409	(48,720)
Other purchased services	500	-	500	-	500
Communications and Telephones	37,058	(7,350)	29,708	23,080	6,628
Supplies and materials	45,000	51,509	96,509	86,509	10,000
Miscellaneous expenses	45,500	16,653	62,153	57,451	4,702
	<u>4,373,553</u>	<u>(739,306)</u>	<u>3,634,247</u>	<u>3,869,761</u>	<u>(235,514)</u>
Support services:					
Salaries	2,113,340	(759,632)	1,353,708	949,414	404,294
Purchased prof/tech service	148,443	158,125	306,568	121,624	184,944
Other purchased services	113,500	(5,026)	108,474	88,065	20,409
Rent on land and buildings - other than Lease Purchase Agreements	747,260	1,826,904	2,574,164	505,855	2,068,309
Insurance-fidelity, liability property	85,000	-	85,000	76,123	8,877
Supplies and materials	115,000	6,440	121,440	104,361	17,079
Energy & Utilities	165,000	10,000	175,000	160,499	14,501
Miscellaneous expenses	5,500	-	5,500	1,233	4,267
Transportation other than to/from school	35,000	(4,620)	30,380	29,141	1,239
Lease interest expense	-	-	-	798,884	(798,884)
Principal payments on lease liabilities	-	-	-	1,022,197	(1,022,197)
Food Services - Transfer to cover deficit	-	-	-	-	-
Total support services	<u>3,528,043</u>	<u>1,232,191</u>	<u>4,760,234</u>	<u>3,857,396</u>	<u>902,838</u>

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

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>
Capital outlay:					
Instructional equipment	75,000	27,000	102,000	101,648	352
Non-instructional equipment	186,670	(64,759)	121,911	-	121,911
Purchase land/improvements	20,000	139,899	159,899	135,953	23,946
Miscellaneous expenses	-	-	-	-	-
Total capital outlay	<u>281,670</u>	<u>102,140</u>	<u>383,810</u>	<u>237,601</u>	<u>146,209</u>
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	336,451	(336,451)
TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted)	-	-	-	358,660	(358,660)
Teacher's Pension & Annuity Fund (On-Behalf-Non-Budgeted)	-	-	-	1,535,097	(1,535,097)
Long Term Disability Insurance (On-Behalf-Non-Budgeted)	-	-	-	1,745	(1,745)
Total expenditures	<u>14,174,609</u>	<u>337,503</u>	<u>14,512,112</u>	<u>15,410,592</u>	<u>995,277</u>
Excess (deficiency) of revenues over (under) expenditures	2,127,494	(1,513,339)	614,155	1,966,672	1,352,517
Other financing sources/(uses):					
Transfer to cover food deficit	-	-	-	-	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,127,494	(1,513,339)	614,155	1,966,672	1,352,517
Fund balances, beginning of year	<u>6,740,227</u>	<u>-</u>	<u>6,740,227</u>	<u>6,740,227</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,867,721</u>	<u>\$ (1,513,339)</u>	<u>\$ 7,354,382</u>	<u>\$ 8,706,899</u>	<u>\$ 1,352,517</u>

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Fund**

C-2

**Budget Comparison Schedule
Budgetary Basis
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					
Federal sources	\$ 7,398,162	\$ -	\$ 7,398,162	\$ 2,925,461	\$ 4,472,701
Federal sources	47,902	-	47,902	22,868	25,034
Local sources	18,015	-	18,015	18,015	-
Total revenues -all sources	<u>7,464,079</u>	<u>-</u>	<u>7,464,079</u>	<u>2,966,344</u>	<u>4,497,735</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	1,175,064	-	1,175,064	502,232	672,832
Purchased Prof. and technical services	30,676	-	30,676	14,616	16,060
Other purchased services	-	-	-	-	-
General supplies	678,500	-	678,500	679,013	(513)
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>1,884,240</u>	<u>-</u>	<u>1,884,240</u>	<u>1,195,861</u>	<u>688,379</u>
Support services					
Support services salaries	4,476,360	-	4,476,360	1,181,530	3,294,830
Employee benefits	516,547	-	516,547	227,277	289,270
Purchased professional services	222,740	-	222,740	139,562	83,178
Other purchased services	22,598	-	22,598	5,817	16,781
Rental	-	-	-	-	-
Supplies	61,922	-	61,922	51,306	10,616
Miscellaneous expenditures	92,099	-	92,099	23,785	68,314
Total support services	<u>5,392,266</u>	<u>-</u>	<u>5,392,266</u>	<u>1,629,277</u>	<u>3,762,989</u>
Capital Outlay:					
Facilities acquisition and construction services					
Instructional equipment	121,656	-	121,656	121,656	-
Noninstructional equipment	-	-	-	22,868	(22,868)
Construction services	47,902	-	47,902	-	47,902
Total facilities acquisition and construction services	<u>169,558</u>	<u>-</u>	<u>169,558</u>	<u>144,524</u>	<u>25,034</u>
Total expenditures	<u>\$ 7,446,064</u>	<u>\$ -</u>	<u>\$ 5,561,824</u>	<u>\$ 2,969,662</u>	<u>\$ 4,476,402</u>

Notes to Required Supplementary Information

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Note to Required Supplementary Information
Budget to GAAP Reconciliation

C-3

Year ended June 30, 2022

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 17,377,264	
	[C-2]		\$ 2,966,344
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 17,377,264	\$ 2,966,344
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 15,410,592	
	[C-2]		\$ 2,966,344
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfer (outflows) to general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ 15,410,592	\$ 2,966,344

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

L-1

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS
Last Seven Fiscal Years
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Charter School's proportion of the net pension liability (assets)	0.0211227541%	0.0159238600%	0.0117790030%	0.0090445450%	0.0084214780%	0.0075756510%	0.0000000000%
Charter School's proportionate share of the net pension liability (assets)	\$ 2,502,307	\$ 2,596,765	\$ 2,122,398	\$ 1,780,826	\$ 1,960,385	\$ 2,253,690	\$ -
Charter School's covered employee payroll	\$ 1,524,958	\$ 1,501,052	\$ 1,268,464	\$ 1,009,824	\$ 1,291,072	\$ 1,056,281	\$ -
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	164.09%	173.00%	167.32%	176.35%	151.84%	213.36%	
Plan fiduciary net position as a percentage of the total pension liability - local	70.33%	58.32%	53.60%	51.55%	45.37%	45.37%	

Note

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

L-2

Schedule of the Charter School's Contributions - PERS
Last Seven Fiscal Years
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 247,372	\$ 174,199	\$ 116,285	\$ 91,599	\$ 83,364	\$ 33,775	\$ 33,775
Contribution in relation to the contractually required contribution	<u>(247,372)</u>	<u>(174,199)</u>	<u>(116,285)</u>	<u>(91,599)</u>	<u>(83,364)</u>	<u>(33,775)</u>	<u>(33,775)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 1,524,958	\$ 1,501,052	\$ 1,268,464	\$ 1,009,824	\$ 1,291,072	\$ 1,056,281	\$ -
Contributions as a percentage of covered employee payroll	16.22%	11.61%	9.17%	9.07%	6.46%	3.20%	0.00%

Note

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF
Last Seven Fiscal Years
(Unaudited)

	<u>Fiscal Year Ended June 30,</u>						
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Charter School's proportion of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 13,598,736	\$ 16,438,688	\$ 13,830,991	\$ 13,187,214	\$ 12,640,257	\$ 7,786,395	\$ -
Total	<u>\$ 13,598,736</u>	<u>\$ 16,438,688</u>	<u>\$ 13,830,991</u>	<u>\$ 13,187,214</u>	<u>\$ 12,640,257</u>	<u>\$ 7,786,395</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 4,066,088	\$ 3,962,626	\$ 3,609,463	\$ 2,818,547	\$ 2,859,577	\$ 2,199,018	\$ 2,199,018
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll**	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%	24.11%	26.10%	21.37%	22.62%	28.71%	22.33%

**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.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

M-1

Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the Charter School
and Changes in the Total OPEB Liability and Related Ratios
Public Employee's Retirement System and Teachers' Pension and Annuity Fund
Last Six Fiscal Years

	Fiscal Year Ending June 30,					
	2021	2020	2019	2018	2017	2016
Total OPEB Liability						
Service cost	\$ 1,478,688	\$ 716,080	\$ 625,320	\$ 660,188	\$ 802,421	**
Interest cost	149,990	140,875	132,369	133,588	104,240	**
Changes of benefit terms	(6,154)	-	-	-	-	**
Difference between expected and actual experiences	(1,607,940)	686,787	(194,245)	(657,031)	-	**
Changes of assumptions	5,704	1,073,338	50,069	(326,432)	(619,158)	**
Member contributions	3,835	3,101	3,056	2,629	2,651	**
Gross benefit payments	(118,150)	(102,296)	(103,083)	(76,064)	(71,981)	**
Net change in total OPEB liability	(94,027)	2,517,885	513,486	(263,122)	218,173	**
Total OPEB liability - beginning	5,875,971	3,358,086	2,844,600	3,107,722	2,889,549	**
Total OPEB liability, ending	<u>\$ 5,781,944</u>	<u>\$ 5,875,971</u>	<u>\$ 3,358,086</u>	<u>\$ 2,844,600</u>	<u>\$ 3,107,722</u>	<u>\$ 2,889,549</u>
Covered employee payroll - PERS and TPAF	\$ 1,389,963	\$ 1,236,350	\$ 1,120,922	\$ 841,475	\$ 781,765	**
Total OPEB liability as a percentage of covered employee payroll	416%	475%	300%	338%	398%	0.00%
State's proportionate share of the net OPEB liability (asset) associated with the Charter School	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
Charter School's contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

** Information not available.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to Required Supplementary Information
Year Ended June 30, 2022

1. Pension – Public Employees’ Retirement System (PERS)

Benefit Changes

There were none.

Changes of Assumptions

In the July 1, 2019 actuarial valuation, the mortality improvement was based on Scale MP-2020 while in the July 1, 2020 actuarial valuation the mortality improvement was based on Scale MP-2021.

2. Pension – Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.40% as of June 30, 2020 to 7.00% as of June 30, 2021.

3. Other Post-Retirement Benefit Plan – Public Employees’ Retirement System (PERS) and Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

Other Supplementary Information

School Level Schedules

Special Revenue Fund

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Fund

E-1

Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis

Year ended June 30, 2022

	Title IA 2021-2022	Title IIA 2021-2022	Title IIIA 2021-2022	I.D.E.A. Basic 2021-2022	I.D.E.A. Preschool 2021-2022	ARP I.D.E.A. 2021-2022	ARP IDEA Preschool 2021-2022	CRRSA ESSER II 2020-2023	CRRSA ESSER II Learning Acceleration 2020-2023	CRRSA ESSER II Mental Health 2020-2023	ARP ESSER III 2020-2024	ARP ESSER III Accelerated Coaching 2020-2024	ARP ESSER III After School 2020-2024	Preschool & Charter Compliance 2021-2022	Student Activity Fund	Total
Revenues																
Federal sources	\$ 633,721	\$ 56,930	\$ 15,317	\$ 221,960	\$ 3,664	\$ 55,282	\$ 4,682	\$ 1,267,995	\$ 21,151	\$ 40,320	\$ 444,222	\$ 120,217	\$ 40,000	\$ -	\$ -	\$ 2,925,461
State sources	-	-	-	-	-	-	-	-	-	-	-	-	-	22,868	-	22,868
Local sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,015	18,015
Total revenues - all sources	\$ 633,721	\$ 56,930	\$ 15,317	\$ 221,960	\$ 3,664	\$ 55,282	\$ 4,682	\$ 1,267,995	\$ 21,151	\$ 40,320	\$ 444,222	\$ 120,217	\$ 40,000	\$ 22,868	\$ 18,015	\$ 2,966,344
Expenditures																
Instruction																
Salaries of teachers	\$ 106,265	\$ -	\$ 10,250	\$ 187,965	\$ 2,393	\$ -	\$ 3,058	\$ 110,034	\$ 19,648	\$ -	\$ 25,462	\$ -	\$ 37,157	\$ -	\$ -	502,232
Purchased Prof. and technical services	-	-	-	14,616	-	-	-	-	-	-	-	-	-	-	-	14,616
Other purchased services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General supplies	317,079	-	3,061	-	-	-	-	-	-	-	358,873	-	-	-	-	679,013
Miscellaneous expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total instruction	423,344	-	13,311	202,581	2,393	-	3,058	110,034	19,648	-	384,335	-	37,157	-	-	1,195,861
Support services																
Support services salaries	-	-	-	-	-	-	-	1,067,853	-	26,332	8,833	78,512	-	-	-	1,181,530
Employee benefits	56,448	-	784	14,379	1,271	-	1,624	90,108	1,503	13,988	2,624	41,705	2,843	-	-	227,277
Purchased professional services	31,534	28,550	-	5,000	-	55,282	-	-	-	-	19,196	-	-	-	-	139,562
Other purchased services	-	4,595	1,222	-	-	-	-	-	-	-	-	-	-	-	-	5,817
Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	739	-	-	-	-	-	-	-	-	-	29,234	-	-	-	21,333	51,306
Miscellaneous expenditures	-	23,785	-	-	-	-	-	-	-	-	-	-	-	-	-	23,785
Total support services	88,721	56,930	2,006	19,379	1,271	55,282	1,624	1,157,961	1,503	40,320	59,887	120,217	2,843	-	21,333	1,629,277
Facilities acquisition and construction services																
Instructional equipment	121,656	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121,656
Noninstructional equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	22,868	-	22,868
Construction services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total facilities acquisition and construction services	121,656	-	-	-	-	-	-	-	-	-	-	-	-	22,868	-	144,524
Total expenditures	\$ 633,721	\$ 56,930	\$ 15,317	\$ 221,960	\$ 3,664	\$ 55,282	\$ 4,682	\$ 1,267,995	\$ 21,151	\$ 40,320	\$ 444,222	\$ 120,217	\$ 40,000	\$ 22,868	\$ 21,333	\$ 2,969,662
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,318)	(3,318)
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,917	16,917
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year (restated)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,917	16,917
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,599	\$ 13,599

Capital Projects Fund

Enterprise Fund

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Position

June 30, 2022

	<u>Food Services</u>	<u>Summer Enrichment/ After Care Program</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 442,712	\$ 23,501	\$ 466,213
Accounts receivable:	-	-	-
Federal	82,860	-	82,860
State	1,436	-	1,436
Inventories	8,784	-	8,784
Interfund receivable - general fund	(246,904)	628	(246,276)
Total current assets	<u>288,888</u>	<u>24,129</u>	<u>313,017</u>
Noncurrent assets:			
Machinery and equipment	108,243	-	108,243
Less accumulated depreciation	(93,054)	-	(93,054)
Total noncurrent assets	<u>15,189</u>	<u>-</u>	<u>15,189</u>
Total assets	<u>\$ 304,077</u>	<u>\$ 24,129</u>	<u>\$ 328,206</u>
Liabilities			
Current liabilities:			
Interfund payable - general fund	\$ -	\$ -	\$ -
Accounts payable	53,947	-	53,947
Total current liabilities	<u>\$ 53,947</u>	<u>\$ -</u>	<u>\$ 53,947</u>
Net position			
Unrestricted	250,130	24,129	274,259
Total net position	<u>\$ 250,130</u>	<u>\$ 24,129</u>	<u>\$ 274,259</u>

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Enterprise Fund

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2022

	Food Services	Summer Enrichment/ After Care Program	Total
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ -	\$ -	\$ -
Daily sales - nonreimbursable programs	1,129	12,225	13,354
Miscellaneous revenue	-	-	-
Total operating revenues	<u>1,129</u>	<u>12,225</u>	<u>13,354</u>
Operating expenses:			
Cost of sales - reimbursable programs	741,237	-	741,237
Cost of sales - nonreimbursable programs	1,129	-	1,129
Salaries	70,393	-	70,393
Employee benefits	-	-	-
Professional /technical service	-	-	-
Other purchased services	267,388	-	267,388
Supplies and materials	137,876	10	137,886
Depreciation	14,652	-	14,652
Miscellaneous	-	420	420
Total operating expenses	<u>1,232,675</u>	<u>430</u>	<u>1,233,105</u>
Operating income (loss)	<u>(1,231,546)</u>	<u>11,795</u>	<u>(1,219,751)</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	15,794	-	15,794
Federal sources:			
National School Lunch Program	674,938	-	674,938
Healthy, Humger Free Kids Act	-	-	-
National School Breakfast Program	182,572	-	182,572
After School Snacks	25,934	-	25,934
Fresh Fruit and Vegetable Program	22,194	-	22,194
Total nonoperating revenues	<u>921,432</u>	<u>-</u>	<u>921,432</u>
Net income/(loss) before contributions & transfers	(310,114)	11,795	(298,319)
Other financing sources:			
Transfer in/(out) - board contribution	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(310,114)	11,795	(298,319)
Total net position-beginning of year	<u>560,244</u>	<u>12,334</u>	<u>572,578</u>
Total net position-end of year	<u>\$ 250,130</u>	<u>\$ 24,129</u>	<u>\$ 274,259</u>

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Enterprise Fund**

G-3

Statement of Cash Flows

Year ended June 30, 2022

	Food Services	After Care Program	Total
Cash flows from operating activities			
Operating loss	\$ (1,231,546)	\$ 11,795	\$ (1,219,751)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	14,652	-	14,652
Changes in assets and liabilities:			
Accounts receivable	77,442	-	77,442
Due to/(from) general fund	50,715	(628)	50,087
Accounts payable	53,947	-	53,947
Net cash used in operating activities	(1,034,790)	11,167	(1,023,623)
Cash flows from noncapital financing activities			
Cash received from state reimbursements	15,794	-	15,794
Cash received from federal reimbursements	905,638	-	905,638
Operating subsidies and transfers from other funds	-	-	-
Net cash provided by noncapital financing activities	921,432	-	921,432
Cash flows from investing activities			
Net change in cash and cash equivalents	(113,358)	11,167	(102,191)
Cash and cash equivalents, beginning	556,070	12,334	568,404
Cash and cash equivalents, ending	\$ 442,712	\$ 23,501	\$ 466,213

Fiduciary Fund
Not Applicable

Long Term Debt
None for this Fiscal Year

Statistical Section

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
STATISTICAL SECTION**

J SERIES

Contents

Financial Trends

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

Revenue Capacity (Not Applicable to Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Charter School Performance Framework Financial Indicators

These schedules contain summary information for the past three (3) years that seek to present the Charter School's financial and sustainability indicators.

Sources:

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-1

Net Assets By Component
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities									
Invested in capital assets, net of related debt	\$ (1,085,782)	\$ 279,744	\$ 305,948	\$ 97,151	\$ 14,926	\$ 25,330	\$ 30,318	\$ 37,119	\$ -
Restricted	-	75,000	75,000	75,000	-	-	-	-	-
Unrestricted	6,418,057	4,598,477	763,182	863,396	1,059,550	838,292	(78,402)	164,429	189,023
Total governmental activities net position	\$ 5,332,275	\$ 4,953,221	\$ 1,144,130	\$ 1,035,547	\$ 1,074,476	\$ 863,622	\$ (48,084)	\$ 201,548	\$ 189,023
Business-type activities									
Invested in capital assets, net of related debt	\$ -	\$ 29,841	\$ 47,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	259,070	542,737	66,482	89,498	93,122	119,950	100,813	64,228	34,959
Total business-type activities	\$ 259,070	\$ 572,578	\$ 113,875	\$ 89,498	\$ 93,122	\$ 119,950	\$ 100,813	\$ 64,228	\$ 34,959
School-wide									
Invested in capital assets, net of related debt	\$ (1,085,782)	\$ 309,585	\$ 353,341	\$ 97,151	\$ 14,926	\$ 25,330	\$ 30,318	\$ 37,119	\$ -
Restricted	-	75,000	75,000	75,000	-	-	-	-	-
Unrestricted	6,677,127	5,141,214	829,664	952,894	1,152,672	958,242	22,411	228,657	223,982
Total charter school net position	\$ 5,591,345	\$ 5,525,799	\$ 1,258,005	\$ 1,125,045	\$ 1,167,598	\$ 983,572	\$ 52,729	\$ 265,776	\$ 223,982

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-2

Changes In Net Position
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses									
Governmental activities									
Instruction									
Regular	\$ 6,409,742	\$ 6,217,154	\$ 1,966,926	\$ 2,583,176	\$ 2,611,300	\$ 2,572,716	\$ 2,424,837	\$ 2,729,811	\$ 2,160,995
Support Services:									
General administration	7,793,951	5,491,138	1,294,550	1,583,973	1,676,366	1,526,627	1,461,557	1,227,872	1,326,297
School administrative services	5,484,928	4,065,928	2,013,683	2,123,733	1,544,844	1,531,040	1,480,916	1,308,304	1,197,048
On-behalf TPAF/FICA Reimbursements	1,745	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Unallocated depreciation	188,907	46,750	49,496	23,454	2,565	89,316	62,440	110,505	117,729
Total governmental activities expenses	19,879,273	15,820,970	5,324,655	6,314,336	5,835,075	5,719,699	5,429,750	5,376,492	4,802,069
Business-type activities:									
Food service	1,232,675	953,169	292,500	325,936	261,854	298,013	288,368	284,774	254,761
Child Care	430	-	148,954	41,439	42,897	40,391	40,375	54,504	63,406
Total business-type activities expense	1,233,105	953,169	441,454	367,375	304,751	338,404	328,743	339,278	318,167
Total charter school expenses	\$ 21,112,378	\$ 16,774,139	\$ 5,766,109	\$ 6,681,711	\$ 6,139,826	\$ 6,058,103	\$ 5,758,493	\$ 5,715,770	\$ 5,120,236
Program Revenues									
Governmental activities:									
Charges for services		\$ 237	\$ 466,321	\$ 385,325	\$ 396,689	\$ 433,779	\$ 371,602	\$ 713,363	\$ 183,516
Operating grants and contributions	\$ 2,969,662	460,512	466,321	385,325	396,689	433,779	371,602	713,363	183,516
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	2,969,662	460,749	932,642	770,650	793,378	867,558	743,204	1,426,726	367,032
Business-type activities:									
Charges for services									
Food service	1,129	1,161	139,657	44,315	90,065	63,355	14,776	19,608	6,707
Child care	12,225	-	-	-	-	-	-	-	-
Operating grants and contributions	921,432	1,410,711	12,011	6,754	205,759	248,802	196,436	213,867	199,624
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	934,786	1,411,872	151,668	51,069	295,824	312,157	211,212	233,475	206,331
Total charter school program revenues	\$ 3,904,448	\$ 1,872,621	\$ 1,084,310	\$ 821,719	\$ 1,089,202	\$ 1,179,715	\$ 954,416	\$ 1,660,201	\$ 573,363
Net (Expense)/Revenue									
Governmental activities	\$ (16,909,611)	\$ (15,360,221)	\$ (4,392,013)	\$ (5,543,686)	\$ (5,041,697)	\$ (4,852,141)	\$ (4,686,546)	\$ (3,949,766)	\$ (4,435,037)
Business-type activities	(298,319)	458,703	(289,786)	(316,306)	(8,927)	(26,247)	(117,531)	(105,803)	(111,836)
Total charter school-wide net expense	\$ (17,207,930)	\$ (14,901,518)	\$ (4,681,799)	\$ (5,859,992)	\$ (5,050,624)	\$ (4,878,388)	\$ (4,804,077)	\$ (4,055,569)	\$ (4,546,873)

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-2

Changes In Net Position
Last Nine Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Revenues and Other Changes in Net Position									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 1,836,759	\$ 17,328,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contributions	15,438,772	-	5,505,726	5,459,377	4,892,027	4,725,810	4,615,099	4,710,172	4,938,467
Miscellaneous income	79,561	95,982	-	-	-	-	-	-	-
Transfers	-	1,727,770	-	-	-	-	-	-	-
Total governmental activities	17,355,092	19,152,310	5,505,726	5,459,377	4,892,027	4,725,810	4,615,099	4,710,172	4,938,467
Business-type activities:									
Transfers	-	(1,727,770)	-	-	-	-	-	-	-
Total business-type activities	-	(1,727,770)	-	-	-	-	-	-	-
Total charter school-wide	\$ 17,355,092	\$ 17,424,540	\$ 5,505,726	\$ 5,459,377	\$ 4,892,027	\$ 4,725,810	\$ 4,615,099	\$ 4,710,172	\$ 4,938,467
Change in Net Position									
Governmental activities	\$ 445,481	\$ 2,064,319	\$ 1,113,713	\$ (84,309)	\$ (149,670)	\$ (126,331)	\$ (71,447)	\$ 760,406	\$ 503,430
Business-type activities	(298,319)	458,703	(289,786)	(316,306)	(8,927)	(26,247)	(117,531)	(105,803)	(111,836)
Total charter school	\$ 147,162	\$ 2,523,022	\$ 823,927	\$ (400,615)	\$ (158,597)	\$ (152,578)	\$ (188,978)	\$ 654,603	\$ 391,594

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-3

Fund Balances - Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund									
Unreserved	\$ 8,706,899	\$ 6,757,144	\$ 2,526,867	\$ 1,900,761	\$ 1,888,349	\$ 1,378,340	\$ 49,097	\$ 171,230	\$ 151,904
Total general fund	<u>\$ 8,706,899</u>	<u>\$ 6,757,144</u>	<u>\$ 2,526,867</u>	<u>\$ 1,900,761</u>	<u>\$ 1,888,349</u>	<u>\$ 1,378,340</u>	<u>\$ 49,097</u>	<u>\$ 171,230</u>	<u>\$ 151,904</u>
All Other Governmental Funds									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue fund	13,599	16,917	-	-	-	-	-	-	-
Unreserved, reported in:									
Special revenue fund	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 13,599</u>	<u>\$ 16,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Charter School's Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-4

Changes in Fund Balances - Governmental Funds
Last Nine Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues									
Local tax levy	\$ 1,836,759	\$ 1,588,527	\$ 1,136,189	\$ 1,203,001	\$ 1,071,185	\$ 752,403	\$ 726,177	\$ 635,239	\$ 450,698
Miscellaneous	97,576	1,823,989	47,635	38,052	26,290	15,533	71,621	6,470	16,228
State sources	15,461,640	13,164,509	11,613,758	10,349,320	8,460,382	7,121,114	5,767,481	5,010,157	3,746,721
Federal sources	2,947,633	1,956,032	1,021,384	916,992	709,269	484,118	736,319	329,262	163,367
Total revenue	20,343,608	18,533,057	13,818,966	12,507,365	10,267,126	8,373,168	7,301,598	5,981,128	4,377,014
Expenditures									
Instruction	6,409,742	5,188,589	4,870,351	4,459,553	3,742,214	2,784,570	2,885,466	2,311,167	1,772,828
Administration	6,101,714	5,287,351	4,474,469	3,836,985	3,145,545	2,728,910	1,892,189	1,655,361	1,246,586
Support Services	5,486,673	3,721,753	3,848,796	3,874,723	2,753,611	1,304,111	2,558,838	1,995,274	1,030,837
Capital Outlay	382,125	122,089	74,244	248,702	115,747	226,334	87,238	-	174,859
Total expenditures	18,380,254	14,319,782	13,267,860	12,419,963	9,757,117	7,043,925	7,423,731	5,961,802	4,225,110
(Excess of expenditures over revenues)/									
Excess of revenues over expenditures	1,963,354	4,213,275	551,106	87,402	510,009	1,329,243	(122,133)	19,326	151,904
Other (uses)/financing									
Transfers in/(out)	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 1,963,354	\$ 4,213,275	\$ 551,106	\$ 87,402	\$ 510,009	\$ 1,329,243	\$ (122,133)	\$ 19,326	\$ 151,904

Source: Charter School's Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-5

General Fund Other Local Revenue by Source
Last Nine Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Other local revenues									
Miscellaneous	\$ 79,561	\$ 95,982	\$ 47,635	\$ 38,062	\$ 26,290	\$ 15,533	\$ 71,621	\$ 6,470	\$ 16,228
Total other local revenue	<u>\$ 79,561</u>	<u>\$ 95,982</u>	<u>\$ 47,635</u>	<u>\$ 38,062</u>	<u>\$ 26,290</u>	<u>\$ 15,533</u>	<u>\$ 71,621</u>	<u>\$ 6,470</u>	<u>\$ 16,228</u>

Source: Charter School's Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Nine Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total Charter School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2015	-	-	-	-	-	-	0.00%	-
2016	-	-	-	-	-	-	0.00%	-
2017	-	-	-	-	-	-	0.00%	-
2018	-	-	-	-	-	-	0.00%	-
2019	-	-	-	-	-	-	0.00%	-
2020	-	-	-	-	-	-	0.00%	-
2021	-	-	-	-	-	-	0.00%	-
2022	-	-	-	-	-	-	0.00%	-

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-14

Demographic and Economic Statistics
Last Nine Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2014	145,911	\$ 6,674,844,606	\$ 45,746	11.90%
2015	145,928	6,881,234,840	47,155	10.10%
2016	145,773	6,963,576,210	47,770	9.20%
2017	146,015	7,051,648,410	48,294	8.30%
2018	145,594	7,362,688,580	50,570	7.70%
2019	145,234	7,570,903,186	52,129	6.60%
2020	144,801	7,548,331,329	52,129	6.60%
2021	144,801	7,548,331,329	52,129	6.60%
2022	144,801	7,548,331,329	52,129	6.60%

Source:

^a Population information provided by the New Jersey Dept of Labor and Workforce Development

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

^c Personal capital income by municipality estimated based upon the 2010 Census published by the US Bureau of Economic Analysis.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

Principal Employers
Current Year
(Unaudited)

	2022	
	a	a
<u>Employer</u>	<u>Employees</u>	<u>Rank [Optional]</u>
		<u>Percentage of Total Municipal Employment</u>

Information is not available

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-16

Full-Time Equivalent Charter School Employees by Function/Program
Last Nine Fiscal Years
(Unaudited)

<u>Function/Program</u>	Fiscal Year Ended June 30,								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	92	92	81	74	69	57	46	33	22
Support Services	12	12	8	14	6	7	7	4	3
Administrative	16	16	30	18	15	12	5	29	14
Total	<u>120</u>	<u>120</u>	<u>119</u>	<u>106</u>	<u>90</u>	<u>76</u>	<u>58</u>	<u>66</u>	<u>39</u>

Source: Charter School Personnel Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-17

Operating Statistics

**Last Nine Fiscal Years
(Unaudited)**

Pupil/Teacher Ratio

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2014	330	\$ 4,050,251	\$ 12,273	0.00%	22	1:15	1:10	321	321	0.00%	100.00%
2015	415	5,961,802	14,366	17.05%	33	1:12	1:10	396	396	23.36%	100.00%
2016	475	7,336,493	15,445	7.51%	46	1:10	1:10	475	475	19.95%	100.00%
2017	540	6,817,591	12,625	-18.26%	57	1:9	1:10	558	558	17.47%	100.00%
2018	683	9,641,370	14,116	11.81%	69	1:10	1:10	681	660	22.04%	96.92%
2019	782	12,171,261	15,564	10.26%	74	1:10	1:10	771	744	13.22%	96.50%
2020	844	13,193,616	15,632	0.44%	81	1:10.5	1:10	832	744	7.91%	89.42%
2021	932	14,197,693	15,234	-2.55%	92	1:10	1:10	929	879	11.66%	94.62%
2022	955	17,998,129	18,846	23.71%	92	1:10	1:10	955	917	2.80%	96.00%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-18

School Building Information
Last Nine Fiscal Years
(Unaudited)

	Fiscal Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
All Grades (K to 8)									
Elementary School Buidling									
225 Grand Street, Paterson									
Square Feet	70,000	70,000	70,000	70,000	70,000	70,000	70,000	23,963	23,963
Capacity (students)	585	585	585	700	700	540	480	420	330
Enrollment	547	547	547	489	683	540	475	415	330
Middle School Buidling									
30 Michigan Avenue, Paterson									
Square Feet	20,510	20,510	20,510	20,510					
Capacity (students)	300	300	300	400					
Enrollment	297	297	297	293					

Source: Charter School Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-19

Schedule of Required Maintenance Expenditures
By School Facility
Last Nine Fiscal Years
(Unaudited)

2014	\$	-
2015		-
2016		-
2017		-
2018		-
2019		-
2020		-
2021		-
2022		1,057,760
		-
Total	\$	<u>1,057,760</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-20

Insurance Schedule

June 30, 2022
(Unaudited)

	<u>Coverage</u>
Commercial property and general liability:	
Property:	
Personal Property	\$ 31,000,000
Business Income	1,000,000
Electronic Data Processing - Equipment Owned	1,000,000
Employee Dishonesty	500,000
Forgery or Alteration	100,000
Commercial General Liability:	
General Aggregate	31,000,000
Personal & Advertising Injury Limit	250,000
Damage to Premises Rented by Insured	300,000
Medical Expense Limit Per Person	5,000
Employee Benefits Liability	31,000,000
Abuse Sublimit - Per Person Limit	31,000,000
Abuse Sublimit - Aggregate Limit	31,000,000
 Automobile	 31,000,000
Umbrella Liability:	
Each Occurrence Limit	3,000,000
General Aggregate	3,000,000
Retained Limit	3,000,000
Workman's Compensation:	
Each Accident	3,000,000
Disease Policy Limit	3,000,000
Disease Each Employee	3,000,000
Directors & Officers:	
Each Occurrence Limit	3,000,000
Retained Limit	5,000

Source: Charter School Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-21

Charter School Performance Framework Financial Indicators
New Term Indicators

June 30, 2022
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	
Cash	\$ 8,168,705	\$ 6,458,759	\$ 4,000,298	
Current assets	995,816	1,190,911	879,186	
Capital assets, net	486,168	-	-	
Total assets	<u>9,650,689</u>	<u>7,649,670</u>	<u>4,879,484</u>	
Current liabilities	184,953	349,789	2,286,135	
Long term liabilities	-	-	-	
Total liabilities	<u>184,953</u>	<u>349,789</u>	<u>2,286,135</u>	
Net position	<u>\$ 9,465,736</u>	<u>\$ 7,299,881</u>	<u>\$ 2,593,349</u>	
Total revenue	\$ 21,281,712	\$ 21,024,931	\$ 14,405,649	
Total expenses	<u>(21,112,378)</u>	<u>(16,774,139)</u>	<u>(14,272,689)</u>	
Change in net position	<u>\$ 169,334</u>	<u>\$ 4,250,792</u>	<u>\$ 132,960</u>	
Depreciation expense	\$ 188,907	\$ 114,245	\$ 114,245	
Interest expense	-	-	-	
Principal payments	-	-	-	
Interest payments	-	-	-	
Final average daily enrollment	929	929	832	
March 30th budgeted enrollment	955	932	844	
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Three Year Cumulative</u>
NEAR TERM INDICATORS:				
Current ratio	49.55	21.87	2.13	73.55
Unrestricted days cash	141.22	140.54	102.30	384.07
Enrollment variance	97%	100%	99%	98%
Default	N/A	N/A	N/A	N/A

Source: Charter School Records

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
County of Passaic, New Jersey

J-22

Charter School Performance Framework Financial Indicators
Sustainability Indicators

June 30, 2022
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 8,168,705	\$ 6,458,759	\$ 4,000,298
Current assets	995,816	1,190,911	879,186
Capital assets, net	486,168	-	-
Total assets	<u>9,650,689</u>	<u>7,649,670</u>	<u>4,879,484</u>
Current liabilities	184,953	349,789	2,286,135
Long term liabilities	-	-	-
Total liabilities	<u>184,953</u>	<u>349,789</u>	<u>2,286,135</u>
Net position	<u>\$ 9,465,736</u>	<u>\$ 7,299,881</u>	<u>\$ 2,593,349</u>
Total revenue	\$ 21,281,712	\$ 21,024,931	\$ 14,405,649
Total expenses	<u>(21,112,378)</u>	<u>(16,774,139)</u>	<u>(14,272,689)</u>
Change in net position	<u>\$ 169,334</u>	<u>\$ 4,250,792</u>	<u>\$ 132,960</u>
Depreciation expense	\$ 188,907	\$ 114,245	\$ 114,245
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	929	929	832
March 30th budgeted enrollment	955	932	844

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Three Year Cumulative</u>
SUSTAINABILITY INDICATORS:				
Total margin	1%	20.22%	0.92%	8%
Debt to asset	N/A	N/A	N/A	N/A
Cash flow	\$ 1,709,946	\$ 2,458,461	\$ 2,701,971	\$ 6,870,378
Debt service coverage ratio	N/A	N/A	N/A	N/A

Source: Charter School Records

Single Audit Section

Olugbenga Olabintan

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K-1

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Chairperson and
Members of the Board of Trustees
Paterson Arts and Science Charter School
County of Passaic
Paterson, New Jersey

We 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, each major fund, and the aggregate remaining fund information of Paterson Arts and Science Charter School, in the County of Passaic, State of New Jersey (“the Charter School”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, and have issued our report thereon, dated January 31, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Olugbenga Olabintan, CPA

January 31, 2023
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

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K-2

Independent Auditors' Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance Required by the Uniform Guidance and *State of New Jersey Department of Treasury Circular 15-08-OMB*

The Honorable Chairperson and
Members of the Board of Trustees
Paterson Arts and Science Charter School
County of Passaic,
Paterson, New Jersey

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Paterson Arts and Science Charter School, in the County of Passaic, State of New Jersey ("the Charter School") compliance with the types of compliance requirements described in the *OMB Compliance Supplements* and *State of New Jersey Department of Treasury Circular 15-08-OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2022. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 audit requirements of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

Those standards, the Uniform Guidance, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the 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, regulation, rules, and provisions of contracts or grant agreements applicable to the Charter School's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our 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 the Charter School's compliance based on our 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, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, U.S. Uniform Guidance and New Jersey 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 omission, misrepresentation, 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 the Charter School's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, U.S. Uniform Guidance, and New Jersey OMB Circular 15-08, we:

- Exercise professional judgement 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 the Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the 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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 we identified during the audit.

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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our 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 our audit we did not identify any deficiencies in internal control over compliance that we 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.

Our 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 our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Accordingly, this report is not suitable for any other purpose.

Olugbenga Olabintan, CPA

January 31, 2023
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant

A handwritten signature in black ink, appearing to read 'Olugbenga Olabintan', written over a horizontal line.

Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Federal Grant/ Pass-Through Grantor/ Program Title	Assistance Listing (AL) Number	Federal Award Identification Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2021	Deferred Revenue at June 30, 2021	Due to Grantor at June 30, 2021	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2022	Deferred Revenue at June 30, 2022	Due to Grantor at June 30, 2022
General Fund:															
U.S. Department of Health and Human Services, Pass Through Program															
Passed-Through State Department of Education															
Special Education Medicaid Initiative - SEMI	93.778	2005NJ5MAP	7/1/21-6/30/22	\$ 22,172	\$ -	\$ -	\$ -	\$ -	\$ -	22,172	\$ (22,172)	\$ -	\$ -	\$ -	\$ -
Total General Fund/U.S. Department of Health & Human Services, Pass Through Program										22,172	(22,172)				
Special Revenue Fund:															
U.S. Department of Education, Pass Through Programs:															
Passed-Through New Jersey State Department of Education															
Title I Part A - FY 2021-2022	84.010A	S010A210030	7/1/21-9/30/22	\$ 648,104	\$ -	\$ -	\$ -	\$ -	\$ -	566,480	\$ (633,721)	\$ -	\$ (67,241)	\$ -	\$ -
Title II Part A - FY 2021-2022	84.367A	S367A210029	7/1/21-9/30/22	62,468	-	-	-	-	-	28,078	(56,930)	-	(28,852)	-	-
Title III Part A - FY 2021-2022	84.365A	S365A210030	7/1/21-9/30/22	48,860	-	-	-	-	-	13,496	(15,317)	-	(1,821)	-	-
IDEA Part B - FY 2021-2022	84.027A	H027A210100	7/1/21-9/30/22	244,437	-	-	-	-	-	170,881	(221,960)	-	(51,079)	-	-
IDEA Preschool - FY 2021-2022	84.173A	H173A210114	7/1/21-9/30/22	3,664	-	-	-	-	-	-	(3,664)	-	(3,664)	-	-
ARP IDEA Basic - FY 2021-2022	84.027X	H027X210100	7/1/21-9/30/22	55,283	-	-	-	-	-	19,475	(55,282)	-	(35,807)	-	-
ARP IDEA Preschool - FY 2021-2022	84.173X	H173X210114	7/1/21-9/30/22	4,682	-	-	-	-	-	-	(4,682)	-	(4,682)	-	-
CRRSA-ESSER II	84.425D	S425D210027	3/13/20-9/30/23	1,864,787	(438,540)	-	-	-	-	1,348,294	(1,267,995)	-	(358,241)	-	-
CRRSA-Learning Acceleration	84.425D	S425D210027	3/13/20-9/30/23	119,672	-	-	-	-	-	19,048	(21,151)	-	(2,103)	-	-
CRRSA-Mental Health	84.425D	S425D210027	3/13/20-9/30/23	45,000	-	-	-	-	-	24,480	(40,320)	-	(15,840)	-	-
ARP ESSER III	84.425U	S425U210027	3/13/20-9/30/24	4,190,988	-	-	-	-	-	221,739	(444,222)	-	(222,483)	-	-
ARP ESSER III - Accelerated Learning Coaching and Educator Support Grant	84.425U	S425U210027	3/13/20-9/30/24	120,217	-	-	-	-	-	47,271	(120,217)	-	(72,946)	-	-
ARP ESSER III - Evidence-Based Comprehensive Beyond the School Day Grant	84.425U	S425U210027	3/13/20-9/30/24	40,000	-	-	-	-	-	23,309	(40,000)	-	(16,691)	-	-
				-	-	-	-	-	-	-	-	-	-	-	-
Title I Part A - FY 2020-2021	84.010A	S010A200030	7/1/20-9/30/21	613,861	(199,454)	-	-	-	-	199,104	-	-	(350)	-	-
Title II Part A - FY 2020-2021	84.367A	S367A200029	7/1/20-9/30/21	49,203	(34,125)	-	-	-	-	34,125	-	-	-	-	-
Title III Part A - FY 2020-2021	84.365A	S365A200030	7/1/20-9/30/21	9,756	(9,756)	-	-	-	-	9,756	-	-	-	-	-
Title IV Part A - FY 2020-2021	84.424A	S424A200031	7/1/20-9/30/21	30,752	(17,662)	-	-	-	-	17,662	-	-	-	-	-
IDEA Part B - FY 2020-2021	84.027A	H027A200100	7/1/20-9/30/21	160,124	(95,648)	-	-	-	-	95,648	-	-	-	-	-
IDEA Preschool - FY 2020-2021	84.173A	H173A200114	7/1/20-9/30/21	3,106	(3,106)	-	-	-	-	3,106	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-
Total U.S. Department of Education - Pass-Through Programs					(798,291)	-	-	-	-	2,841,952	(2,925,461)	-	(881,800)	-	-
Enterprise Fund:															
U.S. Department of Agriculture, Pass-Through Programs:															
Passed-Through New Jersey State Department of Agriculture															
National School Lunch Program	10.555	221NJ304N1099	7/1/21-6/30/22	674,938	-	-	-	-	-	612,532	(674,938)	-	(62,406)	-	-
National School Lunch Program	10.555	211NJ304N1099	7/1/20-6/30/21	825,937	(96,901)	-	-	-	-	96,901	-	-	-	-	-
After School Snacks	10.555	221NJ304N1099	7/1/21-6/30/22	25,934	-	-	-	-	-	24,239	(25,934)	-	(1,695)	-	-
After School Snacks	10.555	211NJ304N1099	7/1/21-6/30/22	12,137	(1,828)	-	-	-	-	1,828	-	-	-	-	-
Subtotal CFDA # 10.555					(98,729)	-	-	-	-	735,500	(700,872)	-	(64,101)	-	-
School Breakfast Program	10.553	221NJ304N1099	7/1/21-6/30/22	182,572	-	-	-	-	-	165,478	(182,572)	-	(17,094)	-	-
School Breakfast Program	10.553	211NJ304N1099	7/1/20-6/30/21	469,672	(51,395)	-	-	-	-	51,395	-	-	-	-	-
Subtotal CFDA # 10.553					(51,395)	-	-	-	-	216,873	(182,572)	-	(17,094)	-	-
Fresh Fruit and Vegetable Program	10.582	221NJ304N1099	7/1/21-6/30/22	22,194	-	-	-	-	-	20,529	(22,194)	-	(1,665)	-	-
Total Enterprise Fund/Total U.S. Department of Agriculture, Pass-Through Programs					(150,124)	-	-	-	-	972,902	(905,638)	-	(82,860)	-	-
Total Expenditures of Federal Awards					\$ (948,415)	\$ -	\$ -	\$ -	\$ -	\$ 3,837,026	\$ (3,853,271)	\$ -	\$ (964,660)	\$ -	\$ -

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2022

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2021	Deferred Revenue at June 30, 2021	Due to Grantor at June 30, 2021	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2022	Deferred Revenue at June 30, 2022	Due to Grantor at June 30, 2022
New Jersey State Department of Education														
General Fund:														
Equalization Aid	22-495-034-5120-078	7/1/21-6/30/22	\$ 14,061,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$14,243,470	\$ (14,061,785)	\$ -	\$ (78,680)	\$ -	\$ 103,005
Equalization Aid	21-495-034-5120-078	7/1/20-6/30/21	10,793,183	(106,204)	-	-	-	-	106,204	-	-	-	-	-
Special Education Aid	22-495-034-5120-089	7/1/21-6/30/22	478,395	-	-	-	-	-	478,395	(478,395)	-	-	-	-
Security Aid	22-495-034-5120-084	7/1/21-6/30/22	456,746	-	-	-	-	-	456,746	(456,746)	-	-	-	-
State Non-Public Aid	22-100-034-5120-064	7/1/21-6/30/22	46,652	-	-	-	-	-	46,652	(46,652)	-	-	-	-
TPAF/FICA Reimbursements	22-495-034-5094-003	7/1/21-6/30/22	336,451	-	-	-	-	-	320,789	(336,451)	-	(15,662)	-	-
TPAF/FICA Reimbursements	21-495-034-5094-003	7/1/20-6/30/21	325,095	(15,994)	-	-	-	-	15,994	-	-	-	-	-
TPAF Post Retirement Medical Contribution	22-495-034-5094-001	7/1/21-6/30/22	358,660	-	-	-	-	-	358,660	(358,660)	-	-	-	-
TPAF Pension Contribution - Normal & NCGI	22-495-034-5094-002	7/1/21-6/30/22	1,535,097	-	-	-	-	-	1,535,097	(1,535,097)	-	-	-	-
TPAF Long Term Disability Insurance Premium	22-495-034-5094-004	7/1/21-6/30/22	1,745	-	-	-	-	-	1,745	(1,745)	-	-	-	-
Total General Fund				<u>(122,198)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,563,752</u>	<u>(17,275,531)</u>	<u>-</u>	<u>(94,342)</u>	<u>-</u>	<u>103,005</u>
Special Revenue Fund:														
Preschool and Charter Security Grant	22-495-034-5120-086	7/1/21-9/30/23	47,902	-	-	-	-	-	-	(22,868)	-	(22,868)	-	-
Charter & Renaissance School Project Emergent and Capital Maintenance Funds	22-495-034-5120-071	7/1/21-6/30/22	72,372	-	-	-	-	-	72,372	-	-	-	72,372	-
Total Special Revenue Fund				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,372</u>	<u>(22,868)</u>	<u>-</u>	<u>(22,868)</u>	<u>72,372</u>	<u>-</u>
Total New Jersey State Department of Education				<u>(122,198)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,636,124</u>	<u>(17,298,399)</u>	<u>-</u>	<u>(117,210)</u>	<u>72,372</u>	<u>103,005</u>
New Jersey State Department of Agriculture - Direct Programs														
Enterprise Fund:														
State School lunch program	22-100-010-3350-023	7/1/21-6/30/22	15,794	-	-	-	-	-	14,358	(15,794)	-	(1,436)	-	-
State School lunch program	21-100-010-3350-023	7/1/20-6/30/21	45,593	(11,614)	-	-	-	-	11,614	-	-	-	-	-
Total Enterprise Fund/Total State Department of Agriculture - Direct Programs				<u>(11,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,972</u>	<u>(15,794)</u>	<u>-</u>	<u>(1,436)</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance				<u>\$ (133,812)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$17,662,096</u>	<u>(17,314,193)</u>	<u>\$ -</u>	<u>\$ (118,646)</u>	<u>\$72,372</u>	<u>\$ 103,005</u>
Less Amounts Not Subject to Single Audit:														
TPAF Post Retirement Medical Contribution										358,660				
TPAF Pension Contribution - Normal & NCGI										1,535,097				
TPAF Long Term Disability Insurance Premium										1,745				
Total Expenditures of State Financial Assistance Subject to Single Audit										<u>\$ (15,418,691)</u>				

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2022

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance 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 bases 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 (CFR) 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.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal 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 accounting 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- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2022

3. Relationship to Basic Financial Statements - *continued*

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 22,172	\$ 17,275,531	\$ 17,297,703
Special Revenue Fund	2,925,461	22,868	2,948,329
Enterprise Fund	905,638	15,794	921,432
Total	<u>\$ 3,853,271</u>	<u>\$ 17,314,193</u>	<u>\$ 21,167,464</u>

4. Relationship to Federal and State Financial Reports

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

5. Other Information

TPAF Social Security contribution in the amount of \$336,451 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2022. The amount reported as 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 in the amount of \$1,895,502 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2022.

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 Charter School's financial statements and the amount subject to State single audit and major program determination.

7. De Minimis Indirect Cost

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

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified? _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards:

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

Internal control over major programs:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified? _____ Yes None reported

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	S010A210030	Title I, Part A
84.425D	S425D200027	Coronavirus Response and Relief Supplemental Act (CRRSA) ESSER II
84.425U	S425U210027	American Rescue Plan (ARP) ESSER III

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

Auditee qualifies as low-risk auditee? Yes _____ No

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Part I Summary of Auditors' Results

State Financial Assistance Section

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

Auditee qualifies as low-risk auditee? yes No

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

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified that are not
 Considered to be material weaknesses? Yes None reported

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

Identification of Major Programs:

<u>State Grant/Program 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
22-495-034-5120-064	State Non-Public Aid

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Part II – Schedule of Financial Statement Findings

NONE

**PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Part III –Federal Awards Findings and Questioned Cost

NONE

Part III – State Financial Assistance Findings and Questioned Cost

NONE

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
(County of Passaic)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

Financial Statements Findings:

None in the prior year.

Major Federal Award Findings:

Finding # 2021-001 Expenses Charged to the Education and Stabilization Funds (CARES) Grant Were Not in Compliance With the Grant Agreement

Condition/Context:

The School transferred rent expenses from Fund 10 to Fund 20 and charged \$438,540 of rent expenses to the Education and Stabilization Funds (CARES) Grant. These are rent expenses from leases that had been in effect prior to the COVID-19 pandemic. There are no incremental costs charged to the School for any renovations or improvements by landlord that directly address preparedness and response to the COVID-19 pandemic situation. Therefore the School incurred no costs that should be charged to the grant. The auditors questioned \$438,540 because these expenditures were not in compliance with grant requirements.

The instance of non-compliance was considered by the auditors to be non-systematic and the result of an exceptional set of circumstances related to an emergency pandemic situation.

It should be noted that the Charter School in their response disagreed with this finding and the auditors' assertions. The Charter School believed that they obtained the appropriate approval from the New Jersey Department of Education.

Status of Condition

This condition did not exist during the year ended June 30, 2022. However, the Charter School has been advised by the New Jersey Department of Education to reverse the entire rental amounts that were charged to the CARES Act grant in the prior year ended June 30, 2021.