

PRINCIPLE ACADEMY CHARTER SCHOOL

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

JUNE 30, 2022

**PREPARED BY
Principle Academy Charter School**

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

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(COUNTY OF ATLANTIC, NEW JERSEY)**

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Principle Academy Charter

A Polymath Managed School



March 10, 2023

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

Dear Ms. Allen-McMillan:

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of the Principle Academy Charter School (Charter School) for the fiscal year ended June 30, 2022. This ACFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of the Principle Academy Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

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

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

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www.principleacademycharter.org

Facebook: Principle Academy Charter Instagram: @academy_charter Twitter: @academy_charter

PAC is currently enrolling students * Contact us for more information

Home of the Golden Griffins

Civility Honesty Academics Respect Togetherness Empowerment Responsibility

Charter School Organization

The Board of Trustees (the “Board”) is comprised of four voting members. The voting members are elected to oversee that the Charter School operates in compliance with statute and administrative code. Voting members of the Board serve as the official governing body of the school charged with policy making, fiscal oversight, and accountability for student academic achievement results of the Charter School. Voting members adopt the annual budget and directly approve all expenditures which serve as the basis for control for the authorization of all expenditures of Charter School tax money which in turn support the Charter School’s business to promote academic achievement. Non-voting members include the Charter School’s Chief School Administrator, School Business Administrator/Board Secretary, and Board Attorney.

The Principal and Head of School of the Charter School is responsible to the Board for the implementation and administration of all educational and support operations. The School Business Administrator/Board Secretary is the chief financial officer of the Charter School and is responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey Law.

1. **REPORTING ENTITY AND ITS SERVICES:** The Principle Academy Charter School (the “Charter School”) is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. The Charter School’s Board of Trustees, constitutes the Charter School’s reporting entity.

The mission of the Principle Academy Charter School is to show mastery of a standards driven, international, college preparatory curriculum, delivered through proven, research based instruction. Students will develop positive values and social behaviors through a nurturing school climate and student culture activities. We will accomplish this mission by providing any child who enrolls in our school regardless of his or her background, socio-economic status, prior academic experience, or other factors with a college-preparatory public education in a student-centered setting that emphasizes community, civic responsibility, and personal development as well as academic rigor.

The Charter School is a K-6 charter school located in the County of Atlantic, State of New Jersey. It was created on October 15, 2014 and subsequently received approval of its New Jersey Charter Schools Application by the State of New Jersey, Department of Education. The Charter School was originally named International Academy of Atlantic City Charter School, but received approval in September 2018 to amend their charter agreement and change the school’s name to Principle Academy Charter School. As a charter school, the Principle Academy Charter School functions independently through a Board of Trustees (the “Board”). In accordance with the amended bylaws of the Charter School, the Board is to consist of no less than three and no more than five individuals. The number of ex-officio members shall be no more than four members including the school principal. Ex-officio members do not have a right to vote. The Board’s responsibility is to supervise and control the operations of the Charter School. The purpose of the Charter School is to educate students in grades Kindergarten through Sixth at its elementary school. The Charter School completed the 2021-2022 school year with an enrollment of 464 students.

2. **MAJOR INITIATIVES:** In the 2021-2022 school year, in addition to undertaking all regular operations and programming, PACS worked on the following major initiatives:
- **Standards-Driven Curriculum with Clear Student Learning Objectives (SLOs):** Our school will implement standards-driven curriculum that contains clearly defined student-learning objectives aligned to the NJ Performance Framework at both the grade level and content level. Our curriculum will be aligned with the Common Core State Standards and the New Jersey Core Curriculum Content Standards (CCCS), as well as with International standards. Our curriculum will not only ensure students are prepared for success in college but life beyond college as well.
 - **Clear goals, high expectations, and strong accountability for performance:** Our staff, students, and parents will know and support our goals and our expectations. Stakeholders across all levels of the school will be held accountable for high student performance—from the school director to the classroom teacher and all other staff in between.
 - **Effective Assessment & Intervention Strategies:** At our school, weekly assessment will be a key factor to improving student performance. Our assessments will drive classroom instruction, professional development, intervention, and enrichment. We will utilize various intervention strategies such as teacher tutoring and peer tutoring through student prefects, etc.
 - **Research-based Effective Instructional Methods:** Teachers at our school will implement research-based, instructional methods. Teachers will receive extensive, job-embedded professional development concerning instructional delivery and class management techniques.
 - **Intentional Use of Time:** Our school will maximize every minute within our school day. We understand that the efficient use of time is an extremely important driver of school success. Accordingly, we have created a school schedule that is very intentional and focuses heavily on ensuring students are proficient in reading and math in the lower grades. Students will have seven to ten periods of both English language arts and math each week in addition to other subjects.
 - **Student Life Organization:** Our school will have a student life organization, which will be an integral part of our educational model and an important part of every school day. Emphasizing the acquisition of “life skills” through real-life experiences.
 - **Home-to-school links:** We will encourage meaningful parent/guardian involvement and establish strong partnerships with a wide range of agencies that provide social, emotional, educational, and practical support for students.

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

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

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

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

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

5. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to Financial Statements” Notes 1 and 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
6. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen’s compensation.

7. **OTHER INFORMATION:**

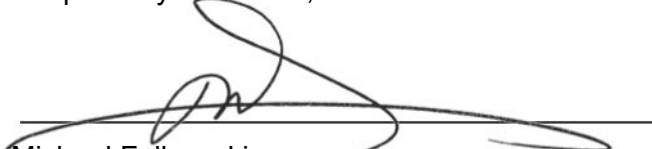
Independent Audit

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

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

8. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Principle Academy Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

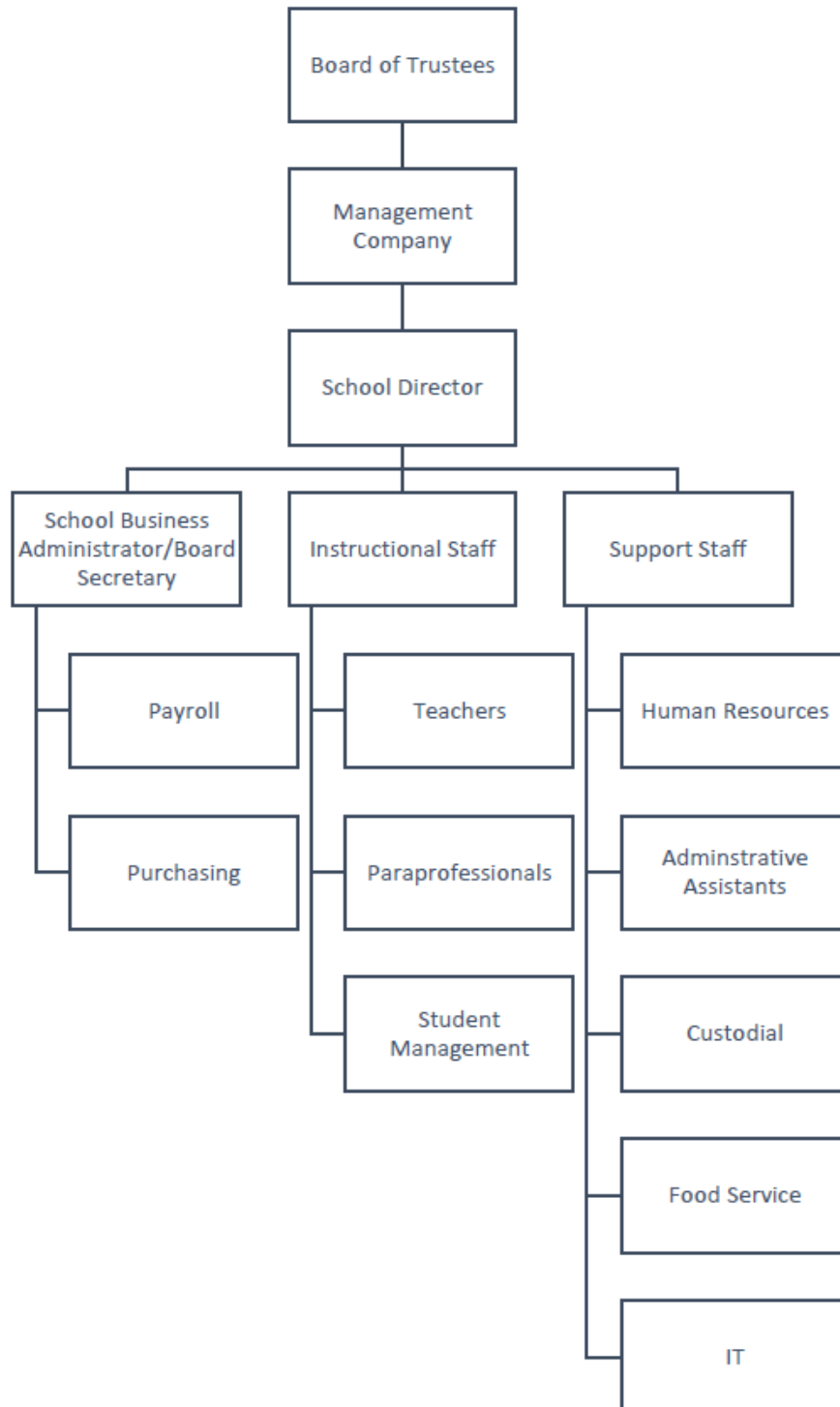
Respectfully submitted,


Michael Falkowski
School Business Administrator

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

ORGANIZATIONAL CHART

JUNE 30, 2022



**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2022

| MEMBERS OF THE BOARD OF TRUSTEES | TERM |
|---|-------------|
| Dirk DaCosta, President | 6/30/23 |
| Jeanne Eisele, Member | 6/30/24 |
| Gary Hill, Member | 6/30/24 |
| Dr. Albert Monillas, Member | 6/30/24 |

OTHER OFFICIALS (non-voting)

Alvaro Cores, Chief School Administrator

Michael Falkowski, School Business Administrator/Board Secretary

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditor

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

Attorney

Cooper Levenson, P.A.
1112 Atlantic Avenue
Atlantic City, New Jersey 08401

Official Depository

TD Bank
1701 Route 70 East
Cherry Hill, New Jersey 08034

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
Principle Academy Charter School
County of Atlantic, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Principle Academy Charter School (the Charter School), in the County of Atlantic, State of New Jersey, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Principle Academy Charter School, in the County of Atlantic, State of New Jersey as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 as 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements during the fiscal year ended June 30, 2022, the Charter School adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the *Government Auditing Standards* and the audit requirements as 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, the *Government Auditing Standards* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, 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 a reasonable period of time.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the information listed under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the Schedules 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 Comprehensive Financial Report. The other information comprises the introductory and statistical sections 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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 basic 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 March 10, 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 to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



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



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 10, 2023
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

PRINCIPLE ACADEMY CHARTER SCHOOL (COUNTY OF ATLANTIC, NEW JERSEY)

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

Introduction

This section of the Principle Academy Charter School’s (the “Charter School”) annual financial report presents our discussion and analysis of the Charter School’s financial performance and provides an overview of the Charter School’s financial activities for the fiscal year ended June 30, 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.

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

Financial Highlights

Key Financial highlights for the fiscal year 2022 are as follows:

- General revenues accounted for \$7.80 million or 71% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$3.22 million or 29% of total revenues of \$11.01 million.
- The Charter School had \$10.95 million in expenses; only \$3.22 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7.80 million were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$8.86 million in revenues and \$8.64 million in expenditures and other financing uses.

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 Principle Academy 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.

Fund Financial Statements

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Fund Financial Statements - continued

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 other, 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.

Statement of Net Position and Statements of Activities

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, “how did we do financially during fiscal year 2022?” The Statement 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. These bases of accounting take into account all of the current year’s revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School’s net assets and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2022. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Statement of Net Position and Statements of Activities - continued

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 enterprise fund is reported as a business activity.

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2022.

The total net position of the Charter School decreased by \$0.19 million during the current fiscal year. The decrease includes a prior period adjustment of \$0.25 million to recognize right-of-use asset and lease liability as of July 1, 2021 in the general fund and enterprise fund in accordance with the adoption of GASB 87.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

| | Governmental Activities | Business Type Activities | Total |
|---|------------------------------------|---|-------------------|
| Assets | | | |
| Current ssets | \$ 1,739,627 | \$ 40,352 | \$ 1,779,979 |
| Capital assets, net | 286,203 | - | 286,203 |
| Right-of-use assets, net | 1,122,271 | - | 1,122,271 |
| Total Assets | <u>3,148,101</u> | <u>40,352</u> | <u>3,188,453</u> |
| Deferred Outflow of Resources | <u>905,547</u> | <u>-</u> | <u>905,547</u> |
| Liabilities | | | |
| Current liabilities | 127,691 | 2,998 | 130,689 |
| Noncurrent liabilities | 2,734,963 | - | 2,734,963 |
| Total Liabilities | <u>2,862,654</u> | <u>2,998</u> | <u>2,865,652</u> |
| Deferred Inflow of Resources | <u>811,205</u> | <u>-</u> | <u>811,205</u> |
| Net Position | | | |
| Invested in right-of-use assets, net of related debt | (249,561) | - | (249,561) |
| Invested in capital assets, net of related debt | 273,787 | - | 273,787 |
| Restricted for: | | | |
| Charter escrow | 75,000 | - | 75,000 |
| Student activities | 4,093 | - | 4,093 |
| Prepaid expenses | 108,333 | - | 108,333 |
| Unrestricted | 168,137 | 37,354 | 205,491 |
| Total Net Position | <u>\$ 379,789</u> | <u>\$ 37,354</u> | <u>\$ 417,143</u> |

The Charter School's combined net position was \$0.42 million at June 30, 2022.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

The table that follows reflects the change in net position for fiscal year 2022 and 2021.

| | Governmental Activities | | Business Type Activities | | Total | |
|---|------------------------------------|-------------|-------------------------------------|-------------|--------------|-------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charge for Services | \$ - | \$ - | \$ - | \$ 710 | \$ - | \$ 710 |
| Operating Grants and Contributions | 2,840,064 | 2,246,864 | 378,410 | 57,169 | 3,218,474 | 2,304,033 |
| Total Program Revenues | 2,840,064 | 2,246,864 | 378,410 | 57,879 | 3,218,474 | 2,304,743 |
| General Revenues: | | | | | | |
| Local Aid | 3,057,831 | 3,126,523 | - | - | 3,057,831 | 3,126,523 |
| State sources | 4,717,707 | 4,645,055 | - | - | 4,717,707 | 4,645,055 |
| Transfers | (99,670) | (98,500) | 99,670 | 98,500 | - | - |
| Other financing sources (uses) | - | 844,642 | (9,701) | - | (9,701) | 844,642 |
| Miscellaneous | 6,540 | 5,795 | 13,141 | - | 19,681 | 5,795 |
| Total General Revenues | 7,682,408 | 8,523,515 | 103,110 | 98,500 | 7,785,518 | 8,622,015 |
| Total Revenues | 10,522,472 | 10,770,379 | 481,520 | 156,379 | 11,003,992 | 10,926,758 |
| Expenditures: | | | | | | |
| Instructions | 5,950,727 | 5,842,534 | - | - | 5,950,727 | 5,842,534 |
| Administrative | 1,773,207 | 1,631,792 | - | - | 1,773,207 | 1,631,792 |
| Support services | 2,044,546 | 2,359,763 | - | - | 2,044,546 | 2,359,763 |
| Unallocated | | | | | | |
| Capital outlay | 212,074 | 33,335 | - | - | 212,074 | 33,335 |
| Amortization of right-of- use assets | 499,411 | - | - | - | 499,411 | - |
| Depreciation | 12,752 | 12,752 | - | - | 12,752 | 12,752 |
| After care program | - | - | 12,233 | - | 12,233 | - |
| Food Service | - | - | 439,759 | 155,669 | 439,759 | 155,669 |
| Total Expenditures | 10,492,717 | 9,880,176 | 451,992 | 155,669 | 10,944,709 | 10,035,845 |
| Change in Net Position | \$ 29,755 | \$ 890,203 | \$ 29,528 | \$ 710 | \$ 59,283 | \$ 890,913 |

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.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities - continued

| | <u>Total Cost of Services</u> | <u>Grants/ Contributions</u> | <u>Net Cost of Services</u> |
|-------------------------------------|-----------------------------------|----------------------------------|---------------------------------|
| Instruction | \$ 5,950,727 | \$ 2,178,662 | \$ (3,772,065) |
| Administrative | 1,773,207 | 220,659 | (1,552,548) |
| Support services | 2,044,546 | 228,669 | (1,815,877) |
| Unallocated: | | | |
| Capital outlay | 212,074 | 212,074 | - |
| Amortization of right-of-use assets | 499,411 | - | (499,411) |
| Depreciation | 12,752 | - | (12,752) |
| Total Expenses | <u>\$ 10,492,717</u> | <u>\$ 2,840,064</u> | <u>\$ (7,652,653)</u> |

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$0.46 million and operating expenses of \$0.49 million for fiscal year 2022.

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 \$10.10 million and expenditures and other financing uses of \$9.88 million.

General Fund Budgeting Highlights

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

During the course of fiscal year 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 management teams.

For the General Fund, final budgeted revenues were \$7.78 million which included a local tax levy of \$3.06 million. Expenditures and other financing uses were budgeted at \$9.11 million.

In its fiscal year 2021-2022, actual revenues were \$8.86 million and expenditures and other financing uses were \$8.64 million.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

General Fund Budgeting Highlights – continued

The Charter School reimbursement for the employer’s share of social security contributions for TPAF members for the fiscal year ended June 30, 2022 amounted to \$0.18 million. On-behalf TPAF payments for post-retirement medical benefits for the fiscal year ended June 30, 2022 amounted to \$0.90 million.

Capital Assets

At the end of fiscal year 2022, the Charter School had \$0.29 million invested in capital assets.

| | Governmental Activities |
|-----------------------------------|------------------------------------|
| Building and improvements | \$ 178,044 |
| Equipment | 250,521 |
| Furniture | 144,699 |
| Total capital assets | 573,264 |
| Less: Accumulated Depreciation | (287,061) |
| Totals | <u>\$ 286,203</u> |

Right-of-Use Assets

The Charter School leases its school building. At the end of fiscal year 2022, the Charter School had \$1.12 million in right-of-use assets all in governmental activities.

Long-term Liabilities

At the end of fiscal year 2022, the Charter School the following long-term liabilities:

| | Governmental Activities |
|--|------------------------------------|
| Net pension liability | \$ 1,294,630 |
| Compensated absences | 56,085 |
| Obligations under financed purchase | 12,416 |
| Lease liabilities | 1,371,832 |
| | <u>\$ 2,734,963</u> |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2021-2022. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Principle Academy Charter School, School Business Office, LLC. 158 South Main Street, Hightstown, New Jersey 08520.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

STATEMENT OF NET POSITION

JUNE 30, 2022

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|--------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 496,738 | \$ - | \$ 496,738 |
| Accounts receivable | 1,097,698 | 25,722 | 1,123,420 |
| Interfund receivables (internal) | (14,630) | 14,630 | - |
| Security deposit | <u>158,333</u> | <u>-</u> | <u>158,333</u> |
| Total current assets | <u>1,739,627</u> | <u>40,352</u> | <u>1,779,979</u> |
| Capital assets: | | | |
| Buildings and improvements | 178,044 | - | 178,044 |
| Furnitures | 144,699 | - | 144,699 |
| Equipment | <u>250,521</u> | <u>-</u> | <u>250,521</u> |
| | 573,264 | - | 573,264 |
| Less: Accumulated depreciation | <u>(287,061)</u> | <u>-</u> | <u>(287,061)</u> |
| Net capital assets | <u>286,203</u> | <u>-</u> | <u>286,203</u> |
| Right-of-use assets: | | | |
| Leased buildings | 3,772,702 | 61,725 | 3,834,427 |
| Less: Accumulated amortization | <u>(2,650,431)</u> | <u>(61,725)</u> | <u>(2,712,156)</u> |
| Net right-of-use assets | <u>1,122,271</u> | <u>-</u> | <u>1,122,271</u> |
| Total assets | <u>3,148,101</u> | <u>40,352</u> | <u>3,188,453</u> |
| Deferred Outflow of Resources | <u>905,547</u> | <u>-</u> | <u>905,547</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Intergovernmental payable: | | | |
| State | 127,691 | - | 127,691 |
| Federal | <u>-</u> | <u>2,998</u> | <u>2,998</u> |
| Total current liabilities | <u>127,691</u> | <u>2,998</u> | <u>130,689</u> |
| Noncurrent liabilities: | | | |
| Due within one year | 877,429 | - | 877,429 |
| Due in more than one year | <u>1,857,534</u> | <u>-</u> | <u>1,857,534</u> |
| Total noncurrent liabilities | <u>2,734,963</u> | <u>-</u> | <u>2,734,963</u> |
| Total liabilities | <u>2,862,654</u> | <u>2,998</u> | <u>2,865,652</u> |
| Deferred Inflow of Resources | <u>811,205</u> | <u>-</u> | <u>811,205</u> |
| Net position | | | |
| Invested in right-of-use asset, net of related debt | (249,561) | - | (249,561) |
| Invested in capital assets, net of related debt | 273,787 | - | 273,787 |
| Restricted for: | | | |
| Charter escrow | 75,000 | - | 75,000 |
| Student activities | 4,093 | - | 4,093 |
| Prepaid expenses | 108,333 | - | 108,333 |
| Unrestricted | <u>168,137</u> | <u>37,354</u> | <u>205,491</u> |
| Total net position | <u>\$ 379,789</u> | <u>\$ 37,354</u> | <u>\$ 417,143</u> |

See accompanying notes to financial statements.

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | | Totals |
|---|---------------|-------------------------|--|--|-----------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | |
| Governmental activities: | | | | | | |
| Instruction | \$ 5,950,727 | \$ - | \$ 2,178,662 | \$ (3,772,065) | \$ - | \$ (3,772,065) |
| Administrative | 1,773,207 | - | 220,659 | (1,552,548) | - | (1,552,548) |
| Support services | 2,044,546 | - | 228,669 | (1,815,877) | - | (1,815,877) |
| Unallocated: | | | | | | |
| Capital outlay | 212,074 | - | 212,074 | - | - | - |
| Amortization of right-of-use assets | 499,411 | - | - | (499,411) | - | (499,411) |
| Depreciation | 12,752 | - | - | (12,752) | - | (12,752) |
| Total governmental activities | 10,492,717 | - | 2,840,064 | (7,652,653) | - | (7,652,653) |
| Business-type activities: | | | | | | |
| Food service | 449,460 | - | 378,410 | - | (71,050) | (71,050) |
| Afterschool program | 12,233 | - | - | - | (12,233) | (12,233) |
| Total primary government | \$ 10,954,410 | \$ - | \$ 3,218,474 | \$ (7,652,653) | \$ (83,283) | \$ (7,735,936) |
| General revenues, transfers and special items: | | | | | | |
| Local sources | | | | \$ 3,057,831 | \$ - | \$ 3,057,831 |
| State sources | | | | 4,717,707 | - | 4,717,707 |
| Transfers | | | | (99,670) | 99,670 | - |
| Miscellaneous | | | | 6,540 | 13,141 | 19,681 |
| Total general revenues, transfers and special items | | | | 7,682,408 | 112,811 | 7,795,219 |
| Changes in net position | | | | 29,755 | 29,528 | 59,283 |
| Net position - beginning, as reported | | | | 600,193 | 7,900 | 608,093 |
| Prior period adjustments | | | | (250,159) | (74) | (250,233) |
| Net assets - beginning, as restated | | | | 350,034 | 7,826 | 357,860 |
| Net position - ending (A-1) | | | | \$ 379,789 | \$ 37,354 | \$ 417,143 |

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2022

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ 496,738 | \$ - | \$ 496,738 |
| Accounts receivable: | | | |
| State | 49,638 | - | 49,638 |
| Federal | - | 1,048,060 | 1,048,060 |
| Interfund receivables | 1,029,337 | - | 1,029,337 |
| Other receivables | 1,488 | - | 1,488 |
| Other current assets | <u>158,333</u> | <u>-</u> | <u>158,333</u> |
| Total assets | <u>\$ 1,735,534</u> | <u>\$ 1,048,060</u> | <u>\$ 2,783,594</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Intergovernmental payables: | | | |
| State | \$ 127,691 | \$ - | \$ 127,691 |
| Interfund payables | <u>-</u> | <u>1,043,967</u> | <u>1,043,967</u> |
| Total liabilities | <u>127,691</u> | <u>1,043,967</u> | <u>1,171,658</u> |
| Fund balances: | | | |
| Restricted: | | | |
| Charter escrow | 75,000 | - | 75,000 |
| Prepaid expenses | 158,333 | - | 158,333 |
| Student activities | - | 4,093 | 4,093 |
| Unassigned | <u>1,374,510</u> | <u>-</u> | <u>1,374,510</u> |
| Total fund balances | <u>1,607,843</u> | <u>4,093</u> | <u>1,611,936</u> |
| Total liabilities and fund balances | <u>\$ 1,735,534</u> | <u>\$ 1,048,060</u> | |
| Amounts reported for governmental activities in the statement of net position (A-1) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | |
| | | | \$ 573,264 |
| | | | <u>(287,061)</u> |
| | | | <u>286,203</u> |
| | | | 3,772,702 |
| | | | <u>(2,650,431)</u> |
| | | | <u>1,122,271</u> |
| Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities. | | | |
| | | | <u>94,342</u> |
| Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | | |
| | | | (1,294,630) |
| | | | (56,085) |
| | | | (12,416) |
| | | | <u>(1,371,832)</u> |
| | | | <u>(2,734,963)</u> |
| Net position of governmental activities - A-1 | | | <u>\$ 379,789</u> |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2022

| | General Fund | Special Revenue Fund | Total |
|---|-----------------|----------------------------|--------------|
| Revenues | | | |
| Local sources: | | | |
| Local tax levy | \$ 3,057,831 | \$ - | \$ 3,057,831 |
| Miscellaneous | 6,540 | - | 6,540 |
| Total revenues - local sources | 3,064,371 | - | 3,064,371 |
| State sources | 5,797,895 | 38,519 | 5,836,414 |
| Federal sources | - | 1,197,151 | 1,197,151 |
| Total revenues | 8,862,266 | 1,235,670 | 10,097,936 |
| Expenditures | | | |
| Current: | | | |
| Regular instruction | 3,144,721 | 642,667 | 3,787,388 |
| Special education - Instruction | 308,858 | - | 308,858 |
| Support Services and Undistributed Costs: | | | |
| Student and instruction-related services | 614,981 | 386,371 | 1,001,352 |
| Other administrative services | 926,901 | - | 926,901 |
| School administrative services | 491,979 | - | 491,979 |
| Plant operations and maintenance | 608,894 | - | 608,894 |
| Pupil Transportation | 12,991 | - | 12,991 |
| Personal services - employee benefits | 1,854,017 | - | 1,854,017 |
| Capital outlay | - | 212,074 | 212,074 |
| Total expenditures | 7,963,342 | 1,241,112 | 9,204,454 |
| Excess revenues over expenditures before other financing sources (uses) | 898,924 | (5,442) | 893,482 |
| Other financing sources (uses) - | | | |
| Transfer out - Food service | (99,670) | - | (99,670) |
| Principal payments on leases | (500,009) | - | (500,009) |
| Interest payments on leases | (78,491) | - | (78,491) |
| Total other financing sources (uses) | (678,170) | - | (678,170) |
| Net change in fund balances | 220,754 | (5,442) | 215,312 |
| Fund balances at beginning of year | 1,387,089 | 9,535 | 1,396,624 |
| Fund balances at end of year | \$ 1,607,843 | \$ 4,093 | \$ 1,611,936 |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

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

YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds (B-2) \$ 215,312

**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 and amortization. This is the amount by which depreciation expense exceeded capital outlays in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

| | |
|----------------------|-----------|
| Depreciation expense | (74,497) |
| Amortization expense | (499,411) |

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

| | |
|--------------------------|---------|
| Capital lease obligation | 37,247 |
| Lease liability | 500,009 |

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

| | |
|----------------------|----------------|
| Pension costs | (142,050) |
| Compensated absences | <u>(6,855)</u> |

Change in net position of governmental activities (A-2) \$ 29,755

PROPRIETARY FUNDS

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2022

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|------------------------------------|--|-------------------------|------------------|
| | <u>Food Service</u> | <u>After School</u> | <u>Total</u> |
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Accounts receivable: | | | |
| Federal | 25,286 | - | 25,286 |
| State | 436 | - | 436 |
| Total accounts receivables | <u>25,722</u> | <u>-</u> | <u>25,722</u> |
| Interfund payable - General fund | <u>13,919</u> | <u>711</u> | <u>14,630</u> |
| Right-of-use assets | | | |
| Leased building | 56,114 | 5,611 | 61,725 |
| Less: Accumulated amortization | <u>(56,114)</u> | <u>(5,611)</u> | <u>(61,725)</u> |
| Net right-of-use assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 39,641</u> | <u>\$ 711</u> | <u>\$ 40,352</u> |
| Liabilities | | | |
| Intergovernmental payables: | | | |
| State | \$ - | \$ - | \$ - |
| Federal | 2,998 | - | 2,998 |
| Total liabilities | <u>2,998</u> | <u>-</u> | <u>2,998</u> |
| Net position | | | |
| Unrestricted | <u>36,643</u> | <u>711</u> | <u>37,354</u> |
| Total Liabilities and Net Position | <u>\$ 39,641</u> | <u>\$ 711</u> | <u>\$ 40,352</u> |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2022

| | Business-Type Activities - Enterprise Funds | | |
|--|---|-----------------|------------------|
| | Food Service | After School | Total |
| Operating revenues: | | | |
| Charges for services: | | | |
| Afterschool fees | \$ - | \$ - | \$ - |
| Total operating revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating expenses: | | | |
| Salaries | 99,670 | - | 99,670 |
| Cost of goods sold - reimbursable programs | 280,903 | - | 280,903 |
| Amortization of right-of-use assets | 56,114 | 5,611 | 61,725 |
| Energy costs | - | 6,622 | 6,622 |
| Miscellaneous | <u>3,072</u> | <u>-</u> | <u>3,072</u> |
| Total operating expenses | <u>439,759</u> | <u>12,233</u> | <u>451,992</u> |
| Operating loss | <u>(439,759)</u> | <u>(12,233)</u> | <u>(451,992)</u> |
| Non-operating revenues: | | | |
| State sources: | | | |
| State School Lunch Program | 5,339 | - | 5,339 |
| Federal sources: | | | |
| COVID-19 - National School Lunch - SSO | 227,288 | - | 227,288 |
| COVID-19 - National School Breakfast - SSO | 90,748 | - | 90,748 |
| COVID-19 - National After School Snack Program - SSO | 2,647 | - | 2,647 |
| COVID-19 - School Programs Emergency Operational Costs Reimbursement Program | 51,146 | - | 51,146 |
| COVID-19 - Pandemic EBT Administrative Costs | <u>1,242</u> | <u>-</u> | <u>1,242</u> |
| Total non-operating revenues | <u>378,410</u> | <u>-</u> | <u>378,410</u> |
| Net loss before contributions and transfers | (61,349) | (12,233) | (73,582) |
| Other financing sources: | | | |
| Transfers in - General Fund | 99,670 | - | 99,670 |
| Interest expense | (8,819) | (882) | (9,701) |
| Miscellaneous revenue | <u>18</u> | <u>13,123</u> | <u>13,141</u> |
| Total other financing sources | <u>90,869</u> | <u>12,241</u> | <u>103,110</u> |
| Change in net position | 29,520 | 8 | 29,528 |
| Total net position, July 1, 2021 as reported | 7,190 | 710 | 7,900 |
| Prior period adjustment | <u>(67)</u> | <u>(7)</u> | <u>(74)</u> |
| Total net position, July 1, 2021 as restated | <u>7,123</u> | <u>703</u> | <u>7,826</u> |
| Total net position at end of year | <u>\$ 36,643</u> | <u>\$ 711</u> | <u>\$ 37,354</u> |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|---|--|-------------------------|------------------|
| | <u>Food Service</u> | <u>After School</u> | <u>Total</u> |
| Cash flows from operating activities | | | |
| Operating loss | \$ (439,759) | \$ (12,233) | \$ (451,992) |
| Adjustment to reconcile operating loss to net cash from operating activities | | | |
| Amortization of right-of-use asset | 56,114 | 5,611 | 61,725 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (9,763) | - | (9,763) |
| Interfund receivable | (13,919) | (711) | (14,630) |
| Accounts payable | (3) | - | (3) |
| Interfund payable | (14,036) | - | (14,036) |
| Net cash from operating activities | <u>(421,366)</u> | <u>(7,333)</u> | <u>(428,699)</u> |
| Cash flows from capital financing activities | | | |
| Principal payments for lease liabilities | (56,181) | (5,618) | (61,799) |
| Interest payments on leases | (8,819) | (882) | (9,701) |
| Net cash from capital financing activities | <u>(65,000)</u> | <u>(6,500)</u> | <u>(71,500)</u> |
| Cash flows from noncapital financing activities | | | |
| Transfer-in from General Fund | 99,670 | - | 99,670 |
| Cash received from state and federal reimbursements | 378,410 | - | 378,410 |
| Miscellaneous receipts | 18 | 13,123 | 13,141 |
| Net cash from noncapital financing activities | <u>478,098</u> | <u>13,123</u> | <u>491,221</u> |
| Net decrease in cash and cash equivalents | (8,268) | (710) | (8,978) |
| Cash and cash equivalents at beginning of the year | <u>8,268</u> | <u>710</u> | <u>8,978</u> |
| Cash and cash equivalents at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Charter School is governed by an independent Board of Trustees (the "Board"), which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School.

B. Component Units

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

C. Basis of Presentation

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

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Continued

In June 1999, the Governmental Accounting Standards Boards (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

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

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

D. Basic Financial Statements

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

Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

Fund Financial Statements

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

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

E. Governmental Funds

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

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2022, there was no Capital Projects Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2022, there was no debt service fund.

F. Proprietary Funds

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

Enterprise Funds:

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

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

Internal Service (Self-Insurance) Fund:

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Fiduciary Funds

Fiduciary funds are classified as follows:

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

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

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

As of June 30, 2022, the Charter School do not have any fund that is classified as fiduciary fund.

H. Measurement Focus and Basis of Accounting

Measurement Focus - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting - 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 noncurrent, 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 determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

I. Budgets/Budgetary Control

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control - Continued

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

The accounting records of special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

J. Assets, Liabilities and Equity

Deposits, Investment and Risk Disclosures

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

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

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Deposits, Investment and Risk Disclosures - Continued

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

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

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

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

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Deposits, Investment and Risk Disclosures – Continued

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

As of June 30, 2022, the Board had funds invested and on deposit in checking accounts. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board’s name, both at year-end and throughout the year.

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

Prepaid expenses

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

Interfund Assets/Liabilities

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

Fixed Assets

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

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Assets, Liabilities and Equity - Continued

Fixed Assets - Continued

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|---------------------------|--------------------------------------|
| Building and Improvements | 5 - 50 Years |
| Furniture | 3 - 15 Years |
| Equipment | 3 - 15 Years |

Right-of-Use Assets

Right-of-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized over the lease term or the life of the asset, whichever is shorter.

Compensated Absences

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

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2022, there is no liability for compensated absences in the Food Service Fund.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Pensions

In government-wide financial statements, pensions are recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Charter School recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the Charter School's fiscal year-end or the Charter School's proportionate share thereof in the case of a cost-sharing multi-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted average remaining service life of all participants, including retirees, in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they arose. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Deferred Revenue

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

Accrued Liabilities and Long-Term Obligations

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Assets, Liabilities and Equity - Continued

Lease Liabilities

Lease liabilities are measured at the present value of payments expected to be made during the lease term (less any lease incentives).

Deferred Outflows and Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

The deferred outflows of resources and deferred inflows of resources as of June 30, 2022 pertain to pensions:

Fund Balance and Equity

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

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

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

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

J. **Assets, Liabilities and Equity - Continued**

Fund Balance and Equity - Continued

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

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

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

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

Net Position

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

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

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

J. **Assets, Liabilities and Equity - Continued**

Net Position - Continued

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

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

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

Contributed Capital

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

K. **Interfund Transactions**

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

L. **Use of Estimates**

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

M. **Accounting for Uncertainty in Income Taxes**

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2019.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. On-Behalf Payments

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

O. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 10, 2023.

NOTE 2 ACCOUNTING PRONOUNCEMENTS

A. Accounting Pronouncement Adopted During the Year

GASB Statement No. 87, Leases establishes a uniform approach for lease accounting based on the principle that leases are financings of the right to use an underlying asset. In accordance with the statement, parties to a lease agreement, the lessee and lessor, are required to recognize a lease liability and an intangible right-to-use lease asset (a capital asset hereinafter referred to as the lease asset), and a lease receivable and deferred inflow of resources, respectively. The new leases standard also requires enhanced disclosure which include a general description of the leasing arrangement, the aggregated amount of resource inflows and outflows recognized from lease contracts, including those not included in the measurement of the lease liability and receivable, and the disclosure of the long-term effect of lease arrangements on a government's resources.

As a result of adopting the new standard, the charter school-wide financial statements reflected a cumulative effect for the change in accounting principle to recognize the right-of-use assets of \$1,683,407 and lease liability of \$1,933,640, which caused a restatement to decrease the net position at July 1, 2021 of \$250,233. Additional disclosures of the Charter School's implementation with respect to Statement No. 87 are included in Notes to the Financial Statements.

GASB Statement No. 98, The Annual Comprehensive Financial Report establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Charter School adopted Statement No. 98 during fiscal year 2022 and changed all reporting references to ACFR. This adoption did not have an effect on the Charter School's net position at July 1, 2021.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS - CONTINUED

A. Accounting Pronouncement Adopted During the Year - Continued

Statement No. 92, Omnibus 2020, addresses practice issues that were identified during implementation and application of certain GASB Statements. The Statement addresses a variety of topics including Leases, Intra-Entity Transfers of Assets, Assets Accumulated for Defined Benefit Postemployment Benefits, Fiduciary Activities, Asset Retirement Obligations, Reinsurance Recoveries, Nonrecurring Fair Value Measurements, and Derivative Instruments. The adoption of Statement No. 92 had no impact on the Charter School's current accounting practices nor its financial reporting

Statement No. 93, Replacement of Interbank Offered Rates establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates (IBOR) such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for certain hedging derivative instruments. The Charter School do not have transactions that transacts using IBOR therefore, the adoption of Statement No. 93 had no impact on the Charter School's current accounting practices nor its financial reporting.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Section 457 Deferred Compensation Plans* clarifies component unit criteria for a potential component unit in the absence of a governing board in determining financial accountability; limits the applicability of financial burden criteria in paragraph 7 of GASB Statement No.84; and classifies Section 457 Deferred Compensation plans as either a pension plan or other employee benefit plan. The adoption of Statement No. 97 had no impact on the Charter School's current accounting practices nor its financial reporting.

B. Accounting Pronouncements Issued but not Yet Adopted

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Charter School upon implementation. Management has not yet evaluated the effect of implementation of these standards.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS - CONTINUED

B. Accounting Pronouncements Issued but not Yet Adopted - Continued

| GASB Statement No. | GASB Accounting Standard | Effective Fiscal Year |
|-----------------------|--|--------------------------|
| 91 | Conduit Debt Obligations | 2023 |
| 94 | Public-Private and Public-Public Partnerships and Availability Payment Arrangements | 2023 |
| 96 | Subscription-Based Information Technology Arrangements | 2023 |
| 99 | Omnibus 2022 | 2024 |
| 100 | Accounting Changes and Error Corrections— an amendment of GASB Statement No. 62 | 2024 |
| 101 | Compensated Absences | 2024 |

NOTE 3 CASH AND CASH EQUIVALENTS

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

As of June 30, 2022, the Charter School's deposits are summarized as follows:

| | General Fund | Special Fund | Enterprise Fund | Total |
|-------------------|-------------------|-----------------|--------------------|-------------------|
| Operating Account | \$ 496,738 | \$ - | \$ - | \$ 496,738 |
| Restricted cash | - | - | - | - |
| Total | <u>\$ 496,738</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 496,738</u> |

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2022, the Charter School's carrying amount of deposits was \$496,738 and the bank balance was \$680,835. 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 \$430,835 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").

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which was recorded by the Charter School as restricted fund balance at June 30, 2022. 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."

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 4 CAPITAL ASSETS

At June 30, 2022, capital assets are as follow:

| Governmental Activities | Beginning Balance | Net Additions (Deletions) | Ending Balance |
|--|------------------------------|--------------------------------------|---------------------------|
| Capital assets being depreciated: | | | |
| Building and improvements | \$ 178,044 | \$ - | \$ 178,044 |
| Equipment | 250,521 | - | 250,521 |
| Furniture | <u>144,699</u> | <u>-</u> | <u>144,699</u> |
| Total | 573,264 | - | 573,264 |
| Less: Accumulated depreciation | <u>(212,564)</u> | <u>(74,497)</u> | <u>(287,061)</u> |
| Capital assets, net | <u><u>\$ 360,700</u></u> | <u><u>\$ (74,497)</u></u> | <u><u>\$ 286,203</u></u> |

NOTE 5 LEASES

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Charter School leases its school building. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As a lessee, the associated right-of-use asset as of June 30, 2022 on the government-wide Statement of Net Position is as follow:

| Right-of-use assets being depreciated: | Beginning Balance | Net Additions (Deletions) | Ending Balance |
|---|------------------------------|--------------------------------------|----------------------------|
| Governmental Activities | | | |
| Leased building | \$ 3,772,702 | \$ - | \$ 3,772,702 |
| Less: Accumulated amortization | <u>(2,151,020)</u> | <u>(499,411)</u> | <u>(2,650,431)</u> |
| Right-of-use assets, net | <u><u>\$ 1,621,682</u></u> | <u><u>\$ (499,411)</u></u> | <u><u>\$ 1,122,271</u></u> |
| Business-Type Activities | | | |
| Leased building | \$ 61,725 | \$ - | \$ 61,725 |
| Less: Accumulated amortization | <u>-</u> | <u>(61,725)</u> | <u>(61,725)</u> |
| Right-of-use assets, net | <u><u>\$ 61,725</u></u> | <u><u>\$ (61,725)</u></u> | <u><u>\$ -</u></u> |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 5 LEASES - CONTINUED

The amortization of right-of-use assets for the year ended June 30, 2022, recognized in the Charter School-wide statement of activities are as follows.

Amortization:

| | |
|--------------------------|-------------------|
| Governmental Activities | \$ 499,411 |
| Business-Type Activities | <u>61,725</u> |
| | <u>\$ 561,136</u> |

As of June 30, 2022, the Charter School's lease liabilities for the nonfinancial assets described above is \$1,371,832.

The Charter School's lease arrangement has percentage rent clause, which is equal to 10% of the School's gross receipts during the year after subtracting the fixed annual minimum rent. However, The Charter School's current year financial performance did not result in accrual of percentage rent. The Charter School did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

Key estimates and judgements related to leases include how the Charter School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Charter School uses the interest rate charged by the lessor as the discount rate when available. In the absence of the lessor's interest rate, the Charter School uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease, limited to the Charter School's latest charter renewal term. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the Charter School is reasonably certain to exercise.

The Charter School monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the right-of-use asset and lease liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

Furthermore, the Charter School has no commitment for leases that have not commenced as of June 30, 2022.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2022 is as follow:

| Noncurrent Liabilities | Balance at June 30, 2021 | Additions | Retired | Balance at June 30, 2022 | Due within One Year |
|---------------------------------|-----------------------------|------------------|---------------------|-----------------------------|------------------------|
| Governmental Activities | | | | | |
| Net pension liability | \$ 1,707,912 | \$ - | \$ 413,282 | 1,294,630 | 198,331 |
| Compensated absences | 49,229 | 68,106 | 61,250 | 56,085 | 5,608 |
| purchase | 49,662 | - | 37,246 | 12,416 | 12,416 |
| Lease liabilities | <u>1,871,841</u> | - | <u>500,009</u> | <u>1,371,832</u> | <u>661,074</u> |
| | <u>3,678,644</u> | <u>68,106</u> | <u>1,011,787</u> | <u>2,734,963</u> | <u>877,429</u> |
| Business-Type Activities | | | | | |
| Lease liabilities | <u>61,799</u> | - | <u>61,799</u> | - | - |
| | <u>\$ 3,740,443</u> | <u>\$ 68,106</u> | <u>\$ 1,073,586</u> | <u>\$ 2,734,963</u> | <u>\$ 877,429</u> |

Net Pension Liability

The net pension liability classified as due within one year amounting to \$198,331 represents pension contributions for fiscal year 2022 due and payable on April 1, 2023.

Obligations under a Financed Purchase

The Charter School is leasing Chromebooks, charging storage carts, and Google Chrome Management Console Licenses with a total cost of \$111,739 under a capital lease. The capital lease is for a term of three years.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2022.

| Fiscal Year | Principal | Interest | Total |
|-----------------------|------------------|-----------------|------------------|
| Ending June 30 | | | |
| 2023 | <u>\$ 12,416</u> | <u>\$ 1,347</u> | <u>\$ 13,763</u> |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NONCURRENT LIABILITIES - CONTINUED

Lease Liabilities

As of June 30, 2022, the Charter School's minimum principal and interest payment requirements for its leasing activities with a remaining term in excess of one year, is as follows:

| Fiscal Year | | | |
|-----------------------|---------------------|------------------|---------------------|
| Ending June 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2023 | \$ 661,074 | \$ 56,635 | \$ 717,709 |
| 2024 | <u>710,758</u> | <u>20,492</u> | <u>731,250</u> |
| Total | <u>\$ 1,371,832</u> | <u>\$ 77,127</u> | <u>\$ 1,448,959</u> |

NOTE 7 NET POSITION

As of June 30, 2022, governmental activities net position consisted of the following components:

**INVESTMENT IN RIGHT-OF-USE ASSETS,
NET OF RELATED DEBT**

| | |
|-----------------------------|--------------------|
| Right-of-use assets, net | \$ 1,122,271 |
| Less: Long-term obligations | <u>(1,371,832)</u> |
| | <u>(249,561)</u> |

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

| | |
|-----------------------------|-----------------|
| Capital assets, net | 286,203 |
| Less: Long-term obligations | <u>(12,416)</u> |
| | <u>273,787</u> |

RESTRICTED

| | |
|--------------------|----------------|
| Chater escrow | 75,000 |
| Student activities | 4,093 |
| Prepaid expenses | <u>108,333</u> |
| | <u>187,426</u> |

UNRESTRICTED

| | |
|-----------------------------------|-------------------|
| Net position not restricted above | <u>168,137</u> |
| NET POSITION | <u>\$ 379,789</u> |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS

A. Description of Plans

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System (PERS) or the Teacher's Pension and Annuity Fund (TPAF) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS and the TPAF. These reports may be obtained by writing to the NJ Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

i. Public Employees' Retirement System (PERS)

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

ii. Teachers Pension and Annuity Fund (TPAF)

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

C. Significant Legislation - Continued

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

D. Contribution Requirement

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

The Charter School's contribution to PERS for the year ended June 30, 2022 was \$128,030.

The State of New Jersey was required to contribute for TPAF on behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$898,675. In addition, for fiscal year 2022, the State of New Jersey contributed \$721 for TPAF Long-term Disability Insurance Premiums (LTDI).

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$180,792 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. These amounts have been included in the basic financial statements.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

D. Contribution Requirement - Continued

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

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS)

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

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

At June 30, 2021 measurement date, the Charter School reported in the Charter School-wide statement of net position a liability of \$1,294,630 for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The Charter School's proportionate share of the net pension liability was based on the ration of contributions as an individual employer to the total contributions to the PERS as of June 30, 2021 measurement date. The results of the June 30, 2021 measurement date was used to determine pension values for fiscal year 2022 as allowed by GASB Statement No. 68.

At June 30, 2021 measurement date, the Charter School's proportionate share was 0.0109283773% which is an increase from the proportionate share of 0.0104742334 % at June 30, 2020 measurement date.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS)

For the year ended June 30, 2022, the Charter School recognized pension expense of \$270,034. The Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 20,418 | \$ 9,268 |
| Changes of assumptions | 6,742 | 460,897 |
| Net difference between projected and actual earnings on pension plan investments | - | 341,040 |
| Change in proportion and differences between Charter School contributions and proportionate share contributions | <u>878,387</u> | <u>-</u> |
| | <u>\$ 905,547</u> | <u>\$ 811,205</u> |

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

| | <u>Year Ended June 30,</u> |
|------|--------------------------------|
| 2023 | \$ 233,920 |
| 2024 | 129,374 |
| 2025 | (109,942) |
| 2026 | (173,311) |
| 2027 | 14,301 |

Actuarial assumptions. The collective total pension liability for the June 30, 2021 measurement date as 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:

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

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

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

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2021 measurement date, are summarized in the following table:

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|------------------------------|---|
| US Equity | 27.00% | 8.81% |
| Non-U.S. Developed Market Equity | 13.50% | 8.71% |
| Emerging Market 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% |
| Total | <u>100.00%</u> | |

Discount rate. The discount rate used to measure the total pension liability was 7% as of June 30, 2021 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------------------|--|------------------------------------|
| Charter School's proportionate share of the net pension liability | <u>\$ 1,781,818</u> | <u>\$ 1,294,630</u> | <u>\$ 906,695</u> |

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

ii. Teachers Pension and Annuity Fund (TPAF)

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

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

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

For the year ended June 30, 2022, the Charter School recognized pension expense and related revenue of \$156,538 in the Charter School-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members. The results of the June 30, 2021 measurement date was used to determine pension values for fiscal year 2022 as allowed by GASB Statement No. 68.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF for the June 30, 2021 and 2020 measurement dates, respectively. At June 30, 2022 and 2021, the State's proportion of the net pension liability attributable to Charter School was 0.0138378863% and 0.0098049534%, respectively.

Actuarial Assumptions. The total pension liability for the June 30, 2021 measurement date as 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% |
| Wage | 3.25% |
| Salary increases | |
| Through 2026 | 1.55% - 4.45% based on years of service |
| Thereafter | 2.75% - 5.65% based on years of service |
| Investment rate of return | 7.00% |

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021 measurement date, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|------------------------------|---|
| US Equity | 27.00% | 8.09% |
| Non-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 Equipments | 4.00% | 0.50% |
| US Treasuries | 5.00% | 0.95% |
| Risk Mitigation Strategies | 3.00% | 3.35% |
| Total | <u>100.00%</u> | |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 8 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

Discount rate. The discount rate used to measure the total pension liability was 7.0% June 30, 2021 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------------------|--|------------------------------------|
| State's proportionate share of the net pension liability attributable to the Charter School | <u>\$7,885,992</u> | <u>\$6,652,590</u> | <u>\$5,639,729</u> |

NOTE 9 POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

General Information about the OPEB Plan - Continued

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

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

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

Total OPEB Liability

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

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

General Information about the OPEB Plan - Continued

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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:

| | | | | |
|-------------------------------------|-----------------|---------------------|----------------|--|
| Balance at 6/30/21 measurement date | | \$ <u>3,964,579</u> | | |
| Inflation rate | 2.50% | | | |
| | <u>TPAF/ABP</u> | <u>PERS</u> | <u>PFRS</u> | |
| Salary increases: | | | | |
| Through 2026 | 1.55% - 4.45% | 2.00% - 6.00% | 3.25% - 15.25% | |
| | based on years | based on years | based on years | |
| | of service | of service | of service | |
| Thereafter | 1.55% - 4.45% | 3.00% - 7.00% | Not applicable | |

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial studies for periods July 1, 2015 – June 30, 2018, July 1, 2014 – June 30, 2018, and July 1, 2013 – June 30, 2018 for TPAF, PERS and PFRS, respectively.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

General Information about the OPEB Plan - Continued

(a) Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially is 5.6% and decreases to a 4.5% long-term rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 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 4.5% after 11 years. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

(b) Discount rate

The discount rate for used for June 30, 2021 measurement dates 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.

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

| | | |
|--|----|------------------|
| Balance at 6/30/20 measurement date | \$ | 3,684,361 |
| Changes for the year | | |
| Service cost | | 717,408 |
| Interest | | 102,845 |
| Changes of benefit terms | | (4,220) |
| Changes in assumptions and other inputs | | 3,911 |
| Difference between expected and actual experience | | (461,342) |
| Benefit payments | | (81,013) |
| Contributions from the member | | 2,629 |
| Net Change | | <u>280,218</u> |
| Balance at 6/30/21 measurement date | \$ | <u>3,964,579</u> |

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

| | <u>1% Decrease (1.16%)</u> | <u>Current Discount Rate (2.16%)</u> | <u>1% Increase (3.16%)</u> |
|---|------------------------------------|--|------------------------------------|
| State's proportionate share of the Total OPEB liability attributable to the Charter School retirees | \$ 4,748,943 | \$ 3,964,579 | \$ 3,346,939 |

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

| | <u>1% Decrease</u> | <u>Current Health Cost Trend Rate</u> | <u>1% Increase</u> |
|---|--------------------|---|--------------------|
| State's proportionate share of the Total OPEB liability attributable to the Charter School retirees | \$ 3,209,340 | \$ 3,964,579 | \$ 4,978,810 |

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

For the year ended June 30, 2022, the Charter School recognize OPEB revenue and expense of \$1,137,885 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

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

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources:

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 9 POST-RETIREMENT BENEFITS - CONTINUED

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 672,541 | \$ 425,362 |
| Differences between expected and actual experience | 597,643 | 1,189,841 |
| Changes in proportions | <u>2,779,561</u> | <u>-</u> |
| | <u>\$ 4,049,745</u> | <u>\$ 1,615,203</u> |

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

| | Year Ended <u>June 30</u> |
|------------|------------------------------|
| 2023 | \$ 410,765 |
| 2024 | 410,765 |
| 2025 | 410,765 |
| 2026 | 410,765 |
| 2027 | 342,925 |
| Thereafter | 448,557 |

NOTE 10 DEFERRED COMPENSATION

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

NOTE 11 RISK MANAGEMENT

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 11 RISK MANAGEMENT - CONTINUED

A. Property and Liability Insurance

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

B. New Jersey Unemployment Compensation

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

NOTE 12 INTERFUND RECEIVABLES AND PAYABLES

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

At June 30, 2022, the interfund balances consisted of the following components:

| | <u>RECEIVABLE (PAYABLE)</u> | | |
|---|-----------------------------|------------------|-------------------|
| | <u>General</u> | <u>Special</u> | <u>Enterprise</u> |
| | <u>Fund</u> | <u>Revenue</u> | <u>Fund</u> |
| | | <u>Fund</u> | <u>Fund</u> |
| General fund | \$ 1,029,337 | \$ (1,043,967) | \$ 14,630 |
| GASB No 34 mandated eliminations within governmental activities | <u>(1,043,967)</u> | <u>1,043,967</u> | <u>-</u> |
| Net interfund balances reported as follows: Entity-wide (eliminated in total column) | <u>\$ (14,630)</u> | <u>\$ -</u> | <u>\$ 14,630</u> |

The interfund payable in Special Revenue Fund and Enterprise Fund is for cash advanced from the General fund while awaiting grant collections and subsidy reimbursements.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

NOTE 13 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2022, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2022.

NOTE 14 COVID-19 PUBLIC HEALTH EMERGENCY

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

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

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|------------------|------------------|--------------------------------|
| Revenues | | | | | |
| Local sources: | | | | | |
| Local tax levy | \$ 3,057,831 | \$ - | \$ 3,057,831 | \$ 3,057,831 | \$ - |
| Miscellaneous | - | - | - | 6,540 | 6,540 |
| Total - Local Sources | <u>3,057,831</u> | <u>-</u> | <u>3,057,831</u> | <u>3,064,371</u> | <u>6,540</u> |
| State Sources: | | | | | |
| Categorical Special Education Aid | 206,370 | - | 206,370 | 206,370 | - |
| Equalization Aid | 4,272,585 | - | 4,272,585 | 4,272,585 | - |
| Categorical Security Aid | 238,752 | - | 238,752 | 238,752 | - |
| Reimbursed T.P.A.F. Social Security (Non-budgeted) | - | - | - | 180,792 | 180,792 |
| On-Behalf T.P.A.F. Pension Contributions - Normal Cost (Non-Budgeted) | - | - | - | 728,463 | 728,463 |
| On-Behalf T.P.A.F. Pension Contribution - Post-Retirement Medical (Non-Budgeted) | - | - | - | 170,198 | 170,198 |
| On-Behalf T.P.A.F. Pension Contribution - Long-Term Disability Insurance (Non-Budgeted) | - | - | - | 735 | 735 |
| Total - State Sources | <u>4,717,707</u> | <u>-</u> | <u>4,717,707</u> | <u>5,797,895</u> | <u>1,080,188</u> |
| Total Revenues | <u>7,775,538</u> | <u>-</u> | <u>7,775,538</u> | <u>8,862,266</u> | <u>1,086,728</u> |
| Expenditures | | | | | |
| Current Expense: | | | | | |
| Regular Programs - Instruction: | | | | | |
| Kindergarten | 180,000 | (30,000) | 150,000 | 138,857 | 11,143 |
| Grade 1-5 | 900,000 | 75,000 | 975,000 | 961,610 | 13,390 |
| Grade 6-8 | 180,000 | 10,000 | 190,000 | 182,284 | 7,716 |
| Other salaries for instruction | 1,530,000 | (314,170) | 1,215,830 | 1,081,866 | 133,964 |
| Purchased professional - educational services | 860,648 | (74,487) | 786,161 | 653,680 | 132,481 |
| Other purchased services (400-500 Series) | 30,000 | (10,000) | 20,000 | 9,499 | 10,501 |
| General supplies | 350,000 | (157,568) | 192,432 | 85,860 | 106,572 |
| Other objects | <u>20,000</u> | <u>11,065</u> | <u>31,065</u> | <u>31,065</u> | <u>-</u> |
| Total Regular Programs - Instruction | <u>4,050,648</u> | <u>(490,160)</u> | <u>3,560,488</u> | <u>3,144,721</u> | <u>415,767</u> |
| Special Education - Instruction: | | | | | |
| Learning and / or Language Disabilities: | | | | | |
| Salaries of Teachers | <u>325,000</u> | <u>(5,000)</u> | <u>320,000</u> | <u>308,858</u> | <u>11,142</u> |
| Total Learning and / or Language Disabilities | <u>325,000</u> | <u>(5,000)</u> | <u>320,000</u> | <u>308,858</u> | <u>11,142</u> |
| Total Instruction | <u>4,375,648</u> | <u>(495,160)</u> | <u>3,880,488</u> | <u>3,453,579</u> | <u>426,909</u> |
| Undistributed Expenditures - Health Services: | | | | | |
| Salaries | 100,000 | (7,334) | 92,666 | 92,666 | - |
| Purchased professional and technical services | 4,000 | 25,730 | 29,730 | 24,800 | 4,930 |
| Supplies and materials | 2,000 | 8,358 | 10,358 | 8,536 | 1,822 |
| Total Undistributed Expenditures - Health Services | <u>106,000</u> | <u>26,754</u> | <u>132,754</u> | <u>126,002</u> | <u>6,752</u> |
| Undistributed Expenditures - Child Study Team: | | | | | |
| Salaries of other professional staff | 65,000 | 185,836 | 250,836 | 225,941 | 24,895 |
| Purchased Professional - Educational Services | 40,000 | 30,584 | 70,584 | 1,564 | 69,020 |
| Total Undistributed Expenditures - Child Study Team | <u>105,000</u> | <u>216,420</u> | <u>321,420</u> | <u>227,505</u> | <u>93,915</u> |
| Undistributed Expenditures - Instructional Staff Training Services: | | | | | |
| Other purchased services (400-500 Series) | <u>10,000</u> | <u>-</u> | <u>10,000</u> | <u>4,769</u> | <u>5,231</u> |
| Undistributed Expenditures - Support Services - General Administration: | | | | | |
| Salaries | 150,000 | (20,000) | 130,000 | 129,062 | 938 |
| Legal services | 100,000 | (10,000) | 90,000 | 31,866 | 58,134 |
| Audit fees | 30,000 | - | 30,000 | 30,000 | - |
| Architectural / Engineering Services | - | 3,700 | 3,700 | - | 3,700 |
| Other purchased professional services | 666,351 | 21,394 | 687,745 | 574,925 | 112,820 |
| Communications/telephone | 28,000 | 25,732 | 53,732 | 28,697 | 25,035 |
| Travel | 5,000 | - | 5,000 | - | 5,000 |
| BOE Other Purchased Services | 15,000 | - | 15,000 | 815 | 14,185 |
| Miscellaneous purchased services (400-500) | 6,000 | 3,968 | 9,968 | 8,421 | 1,547 |
| General supplies | 5,000 | 3,117 | 8,117 | 2,453 | 5,664 |
| Miscellaneous | 10,000 | 23,898 | 33,898 | 33,898 | - |
| Total Undistributed Expenditures - Support Services - General Administration | <u>1,015,351</u> | <u>51,809</u> | <u>1,067,160</u> | <u>840,137</u> | <u>227,023</u> |
| Undistributed Expenditures - Support Services - School Administration: | | | | | |
| Salaries of principals/assistant principals | 300,000 | - | 300,000 | 285,552 | 14,448 |
| Salaries of secretarial and clerical assistants | 190,000 | (15,000) | 175,000 | 165,374 | 9,626 |
| Other salaries | 20,000 | (10,000) | 10,000 | 7,830 | 2,170 |
| Supplies and materials | 5,000 | 30,000 | 35,000 | 33,223 | 1,777 |
| Total Undistributed Expenditures - Support Services - School Administration | <u>515,000</u> | <u>5,000</u> | <u>520,000</u> | <u>491,979</u> | <u>28,021</u> |
| Undistributed Expenditures - Central Services: | | | | | |
| Salaries | 125,000 | (19,210) | 105,790 | 105,790 | - |
| Purchased professional services | 138,798 | 19,097 | 157,895 | 144,574 | 13,321 |
| Supplies and materials | 4,400 | 1,941 | 6,341 | 6,341 | - |
| Miscellaneous purchased services (400-500) | 5,000 | - | 5,000 | - | 5,000 |
| Total Undistributed Expenditures - Central Services | <u>273,198</u> | <u>1,828</u> | <u>275,026</u> | <u>256,705</u> | <u>18,321</u> |

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|--------------|--------------------------------|
| Undistributed Expenditures - Administration Information Technology: | | | | | |
| Salaries | 17,500 | (8,000) | 9,500 | - | 9,500 |
| Purchased technical services | 50,000 | 28,268 | 78,268 | 78,268 | - |
| General supplies | 50,000 | (10,000) | 40,000 | 8,496 | 31,504 |
| Total Undistributed Expenditures - Administration Information Technology | 117,500 | 10,268 | 127,768 | 86,764 | 41,004 |
| Undistributed Expenditures - Required Maintenance for School Facilities: | | | | | |
| Salaries | | | | | |
| Cleaning, repair, and maintenance services | - | 38,760 | 38,760 | 38,760 | - |
| General Supplies | | | | | |
| Total Undistributed Expenditures - Required Maintenance for School Facilities | - | 38,760 | 38,760 | 38,760 | - |
| Undistributed Expenditures - Custodial Services: | | | | | |
| Rent on land and buildings other than lease purchase | 271,500 | (169,604) | 101,896 | - | 101,896 |
| Salaries | 113,000 | 35,000 | 148,000 | 140,646 | 7,354 |
| Cleaning, repair, and maintenance services | 99,500 | 195,711 | 295,211 | 181,840 | 113,371 |
| Insurance-fidelity, liability, property | 20,000 | 85,583 | 105,583 | 105,583 | - |
| Supplies and materials | 25,000 | (12,000) | 13,000 | 3,712 | 9,288 |
| Energy (electricity) | 67,000 | 8,814 | 75,814 | 66,267 | 9,547 |
| Total Undistributed Expenditures - Custodial Services | 596,000 | 143,504 | 739,504 | 498,048 | 241,456 |
| Undistributed Expenditures - Security | | | | | |
| Salaries | 33,000 | 39,086 | 72,086 | 72,086 | - |
| Purchased professional/technical service | 25,804 | (13,000) | 12,804 | - | 12,804 |
| Total Undistributed Expenditures - Security | 58,804 | 26,086 | 84,890 | 72,086 | 12,804 |
| Total Undistributed Expenditures - Operation and Maintenance of Plant Services | 654,804 | 208,350 | 863,154 | 570,134 | 254,260 |
| Undistributed Expenditures - Student Transportation Services: | | | | | |
| Contracted Services | 7,000 | 5,991 | 12,991 | 12,991 | - |
| Total Undistributed Expenditures - Student Transportation Services | 7,000 | 5,991 | 12,991 | 12,991 | - |
| Unallocated Benefits - Employee Benefits: | | | | | |
| Social Security contributions | 123,188 | 20,000 | 143,188 | 126,736 | 16,452 |
| Other retirement contributions - PERS | 150,500 | - | 150,500 | 128,030 | 22,470 |
| Unemployment compensation | 20,000 | 7,604 | 27,604 | 27,604 | - |
| Workmen's compensation | 65,000 | (65,000) | - | - | - |
| Health benefits | 650,000 | (19,358) | 630,642 | 490,638 | 140,004 |
| Other employee benefits | - | 824 | 824 | 821 | 3 |
| Total Unallocated Benefits - Employee Benefits | 1,008,688 | (55,930) | 952,758 | 773,829 | 178,929 |
| Reimbursed T.P.A.F. Social Security (Non-budgeted) | - | - | - | 180,792 | (180,792) |
| On-Behalf T.P.A.F. Pension Contributions - Normal Cost (Non-Budgeted) | - | - | - | 728,463 | (728,463) |
| On-Behalf T.P.A.F. Pension Contribution - Post-Retirement Medical (Non-Budgeted) | - | - | - | 170,198 | (170,198) |
| On-Behalf T.P.A.F. Pension Contribution - Long-Term Disability Insurance (Non-Budgeted) | - | - | - | 735 | (735) |
| Total On-Behalf Contribution | - | - | - | 1,080,188 | (1,080,188) |
| Total Personal Services - Employee Benefits | 1,008,688 | (55,930) | 952,758 | 1,854,017 | (901,259) |
| Total General Current Expense | 8,188,189 | (24,670) | 8,163,519 | 7,963,342 | 200,177 |
| Capital Outlay: | | | | | |
| Equipment: | | | | | |
| Undistributed Expenditures: | | | | | |
| Instructional | 5,000 | - | 5,000 | - | 5,000 |
| Non-instructional | 15,000 | - | 15,000 | - | 15,000 |
| Total Equipment | 20,000 | - | 20,000 | - | 20,000 |
| Facilities Acquisition and Construction Services | | | | | |
| Lease financing principal | 250,000 | - | 250,000 | - | 250,000 |
| Total Facilities Acquisition and Construction Services | 250,000 | - | 250,000 | - | 250,000 |
| Total Capital Outlay | 270,000 | - | 270,000 | - | 270,000 |
| Total Expenditures | 8,458,189 | (24,670) | 8,433,519 | 7,963,342 | 470,177 |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses): | (682,651) | 24,670 | (657,981) | 898,924 | 1,556,905 |
| Other Financing Sources (Uses): | | | | | |
| Transfer to food services - salaries | (75,000) | (24,670) | (99,670) | (99,670) | - |
| Principal payments on leases | (500,009) | - | (500,009) | (500,009) | - |
| Interest payments on leases | (78,491) | - | (78,491) | (78,491) | - |
| Total Other Financing Sources (Uses) | (653,500) | (24,670) | (678,170) | (678,170) | - |
| Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures | (1,336,151) | - | (1,336,151) | 220,754 | 1,556,905 |
| Fund balances at beginning of year | 1,387,088 | - | 1,387,088 | 1,387,088 | - |
| Fund balances at end of year | \$ 50,937 | \$ - | \$ 50,937 | \$ 1,607,842 | \$ 1,556,905 |
| Recapitulation: | | | | | |
| Restricted for: | | | | | |
| Prepaid Expenses | | | | \$ 108,333 | |
| Unassigned | | | | 1,499,509 | |
| | | | | 1,607,842 | |
| Fund Balance per Governmental Funds (GAAP) | | | | \$ 1,607,842 | |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2022

| | Original Budget | Budget Transfers | Final Budget | Actual | Final to Actual |
|---|--------------------|---------------------|------------------|------------------|--------------------|
| Revenues | | | | | |
| State | \$ 38,519 | \$ - | \$ 38,519 | \$ 38,519 | \$ - |
| Federal | <u>1,765,811</u> | <u>-</u> | <u>1,765,811</u> | <u>1,197,151</u> | <u>568,660</u> |
| Total revenues - all sources | <u>1,804,330</u> | <u>-</u> | <u>1,804,330</u> | <u>1,235,670</u> | <u>568,660</u> |
| Expenditures | | | | | |
| Current Expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | 811,271 | - | 811,271 | 403,521 | 407,750 |
| Purchased professional and technical services | 12,465 | - | 12,465 | 12,465 | - |
| Other purchased services | 48,656 | - | 48,656 | 48,656 | - |
| Supplies and materials | <u>164,755</u> | <u>13,270</u> | <u>178,025</u> | <u>178,025</u> | <u>-</u> |
| Total instruction | <u>1,037,147</u> | <u>13,270</u> | <u>1,050,417</u> | <u>642,667</u> | <u>407,750</u> |
| Support services | | | | | |
| Salaries of supervisors of instruction | 71,694 | - | 71,694 | 71,694 | - |
| Employee benefits | 23,695 | - | 23,695 | 23,695 | - |
| Purchased professional educational services | 236,314 | (13,270) | 223,044 | 157,871 | 65,173 |
| Purchased property services | 137,800 | - | 137,800 | 70,603 | 67,197 |
| Supplies and materials | 57,066 | - | 57,066 | 57,066 | - |
| Student activity | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,442</u> | <u>(5,442)</u> |
| Total support services | <u>526,569</u> | <u>(13,270)</u> | <u>513,299</u> | <u>386,371</u> | <u>126,928</u> |
| Capital Outlay: | | | | | |
| Facilities acquisition and construction services: | | | | | |
| Instructional equipment | 167,239 | - | 167,239 | 167,239 | - |
| Noninstructional equipment | <u>73,375</u> | <u>-</u> | <u>73,375</u> | <u>44,835</u> | <u>28,540</u> |
| Total capital outlay | <u>240,614</u> | <u>-</u> | <u>240,614</u> | <u>212,074</u> | <u>28,540</u> |
| Total Expenditures | <u>1,804,330</u> | <u>-</u> | <u>1,804,330</u> | <u>1,241,112</u> | <u>563,218</u> |
| Excess Revenues Over Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,442)</u> | <u>5,442</u> |
| Fund balance at beginning of year | | | | <u>9,535</u> | |
| Fund balance at end of year | | | | <u>\$ 4,093</u> | |
| Recapitulation: | | | | | |
| Restricted: | | | | | |
| Student Activities | | | | <u>\$ 4,093</u> | |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART II

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

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

| | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|--|---------------------------|-------------------------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule: | [C-1] \$ 8,862,266 | [C-2] \$ 1,235,670 |
| Difference - budget to GAAP: | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | - | - |
| Last State aid payment recognized for budgetary purposes only. | - | - |
| General Fund contribution to Early Childhood Program Aid. | - | - |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | [B-2] <u>8,862,266</u> | [B-2] <u>1,235,670</u> |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] 8,641,512 | [C-2] 1,241,112 |
| Differences - budget to GAAP | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | - | - |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. | | |
| Net transfer (outflows) to general fund | - | - |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] <u>\$ 8,641,512</u> | [B-2] <u>\$ 1,241,112</u> |

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

REQUIRED SUPPLEMENTARY INFORMATION

PART III

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - PERS
Last Ten Fiscal Years (1)

| | Fiscal Year Ended June 30, | | | | | | |
|---|----------------------------|---------------|---------------|---------------|--------|--------|--------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Charter School's proportion of the net pension liability (asset) | 0.0109283773% | 0.0104742334% | 0.0094005849% | 0.0082077907% | 0% | 0% | 0% |
| Charter School's proportionate share of the net pension liability (asset) | \$ 1,294,630 | \$ 1,707,912 | \$ 1,693,843 | \$ 1,616,073 | \$ - | \$ - | \$ - |
| Charter School's covered-employee payroll | \$ 575,822 | \$ 1,782,694 | \$ 745,464 | \$ 607,048 | \$ - | \$ - | \$ - |
| Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 224.83% | 95.81% | 227.22% | 266.22% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.33% | 58.32% | 56.27% | 53.60% | 48.10% | 39.91% | 47.92% |

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

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

PRICIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

EXHIBIT L-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
Last Ten Fiscal Years ⁽¹⁾

| | Fiscal Year Ended June 30, | | | | | | |
|--|----------------------------|------------------|-----------------|-----------------|-------------|-------------|-------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Contractually required contribution | \$ 127,984 | \$ 114,572 | \$ 91,440 | \$ 81,641 | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | <u>(127,984)</u> | <u>(114,572)</u> | <u>(91,440)</u> | <u>(77,566)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Charter School's covered-employee payroll | \$ 575,822 | \$ 1,782,694 | \$ 745,464 | \$ 607,048 | \$ - | \$ - | \$ - |
| Contributions as a percentage of covered-employee payroll | 22.23% | 6.43% | 12.27% | 13.45% | 0.00% | 0.00% | 0.00% |

⁽¹⁾ The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2016. No data is available prior to fiscal year 2016.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - TPAF
Last Ten Fiscal Years⁽¹⁾

| | Fiscal Year Ended June 30, | | | | | | |
|---|----------------------------|--------------|--------------|--------------|-------|-------|-------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Charter School's Proportion of the Net Pension Liability | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| State's Proportion of the Net Pension Liability Associated with the Charter School | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| State's proportionate share of the net pension liability (asset) attributable to the Charter School | \$ 6,652,590 | \$ 6,456,444 | \$ 6,860,538 | \$ - | \$ - | \$ - | \$ - |
| Charter School's covered-employee payroll | \$ 1,048,166 | \$ 2,121,473 | \$ 1,146,792 | \$ 1,400,548 | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability (asset) attributable to the Charter School as a percentage of its covered-employee payroll | 634.69% | 304.34% | 598.24% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 35.52% | 24.60% | 26.95% | 26.49% | 0.00% | 0.00% | 0.00% |

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

⁽¹⁾ The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2016. No data is available prior to fiscal year 2016.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

PART III

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III

YEAR ENDED JUNE 30, 2022

Public Employees Retirement System (PERS)

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

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability did not change at 7.00%.

Teachers Pension and Annuity Fund (TPAF)

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

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 5.40% to 7.00% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The discount rate of 7.00% (5.40% in prior measurement date) at the June 30, 2021 measurement date was based on 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% (78% in prior measurement date) of the actuarially determined contributions for the State.

Other Post-employment Benefits (OPEB)

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

Change in assumptions. The calculation of the discount rate used to measure the total nonemployer OPEB liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 2.21% to 2.16% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

PRICIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

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

LAST TEN FISCAL YEARS (1)

| | Fiscal Year Ended June 30, | | | | |
|--|----------------------------|--------------|--------------|--------------|-------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total State OPEB Liability Attributable to Charter School | | | | | |
| Service cost | \$ 717,408 | \$ 354,704 | \$ 411,983 | \$ - | \$ - |
| Interest | 102,845 | 73,356 | 68,632 | (636) | - |
| Change of benefit terms | (4,220) | - | - | - | - |
| Difference between expected and actual experience | (461,342) | 873,470 | (69,831) | 1,583,294 | - |
| Changes in assumptions and other inputs | 3,911 | 673,006 | 26,421 | (159,234) | - |
| Benefit payments | 2,629 | (64,142) | (54,396) | (37,104) | - |
| Contributions from the member | (81,013) | 1,944 | 1,612 | 1,282 | - |
| Net Change in Total State OPEB Liability Attributable to | 280,218 | 1,912,338 | 384,421 | 1,387,602 | - |
| Total State OPEB Liability Attributable to Charter School: | | | | | |
| At beginning of year | \$ 3,684,361 | \$ 1,772,023 | \$ 1,387,602 | \$ - | \$ - |
| At end of year | \$ 3,964,579 | \$ 3,684,361 | \$ 1,772,023 | \$ 1,387,602 | \$ - |
| Charter School's proportionate share of the Total OPEB Liability | | 85.55% | 85.55% | 90.09% | 0.00% |
| Charter School Covered-employee payroll ⁽²⁾ | \$ 1,623,988 | \$ 3,904,167 | \$ 1,892,256 | \$ 2,007,596 | \$ - |
| Total State OPEB liability as a percentage of Charter School covered-employee payroll | 244.13% | 94.37% | 93.65% | 69.12% | 0.00% |

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

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

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2022

| | Every Student Succeeds Act | | IDEA | | | | COVID - 19 Grants | | | | Charter and Renaissance School Project Emergent and Capital Maintenance | Student Activities | Total |
|---|----------------------------|-----------|--------------------|-----------------|-------------------------|------------------------------|-------------------|----------------------------------|--------------------------|------------|---|--------------------|--------------|
| | Title I | Title III | IDEA Part B, Basic | IDEA Pre School | COVID-19 ARP-IDEA Basic | COVID-19 ARP-IDEA Pre School | ESSER II | ESSER II - Learning Acceleration | ESSER II - Mental Health | ARP-ESSER | | | |
| Revenues | | | | | | | | | | | | | |
| State | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 38,519 | \$ - | \$ 38,519 |
| Federal | 317,765 | 17,113 | 58,443 | 1,621 | 31,690 | 2,683 | 649,408 | 1,925 | 8,165 | 108,338 | - | - | 1,197,151 |
| Total revenues - all sources | \$ 317,765 | \$ 17,113 | \$ 58,443 | \$ 1,621 | \$ 31,690 | \$ 2,683 | \$ 649,408 | \$ 1,925 | \$ 8,165 | \$ 108,338 | \$ 38,519 | \$ - | \$ 1,235,670 |
| Expenditures | | | | | | | | | | | | | |
| Current Expenditures: | | | | | | | | | | | | | |
| Instruction: | | | | | | | | | | | | | |
| Salaries of teachers | \$ 295,183 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 108,338 | \$ - | \$ - | \$ 403,521 |
| Purchased professional and technical services | - | - | - | - | - | - | 12,465 | - | - | - | - | - | 12,465 |
| Other purchased services | - | - | - | - | - | - | 48,656 | - | - | - | - | - | 48,656 |
| Supplies and materials | - | - | 13,270 | - | - | - | 164,755 | - | - | - | - | - | 178,025 |
| Total instruction | 295,183 | - | 13,270 | - | - | - | 225,876 | - | - | 108,338 | - | - | 642,667 |
| Support services | | | | | | | | | | | | | |
| Salaries | - | 14,550 | - | - | - | - | 57,144 | - | - | - | - | - | 71,694 |
| Employee benefits | 22,582 | 1,113 | - | - | - | - | - | - | - | - | - | - | 23,695 |
| Purchased services | - | - | 45,173 | 1,621 | 31,690 | 2,683 | 66,614 | 1,925 | 8,165 | - | - | - | 157,871 |
| Purchased property services | - | - | - | - | - | - | 70,603 | - | - | - | - | - | 70,603 |
| Supplies and materials | - | 1,450 | - | - | - | - | 55,616 | - | - | - | - | - | 57,066 |
| Student activities | - | - | - | - | - | - | - | - | - | - | - | 5,442 | 5,442 |
| Total support services | 22,582 | 17,113 | 45,173 | 1,621 | 31,690 | 2,683 | 249,977 | 1,925 | 8,165 | - | - | 5,442 | 386,371 |
| Capital Outlay: | | | | | | | | | | | | | |
| Facilities acquisition and construction services: | | | | | | | | | | | | | |
| Instructional equipment | - | - | - | - | - | - | 167,239 | - | - | - | - | - | 167,239 |
| Noninstructional | - | - | - | - | - | - | 6,316 | - | - | - | 38,519 | - | 44,835 |
| Total facilities acquisition and construction services | - | - | - | - | - | - | 173,555 | - | - | - | 38,519 | - | 212,074 |
| Total Expenditures | 317,765 | 17,113 | 58,443 | 1,621 | 31,690 | 2,683 | 649,408 | 1,925 | 8,165 | 108,338 | 38,519 | 5,442 | 1,241,112 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | (5,442) | (5,442) |
| Fund balance at beginning of year | | | | | | | | | | | | 9,535 | 9,535 |
| Fund balance at end of year | | | | | | | | | | | | \$ 4,093 | \$ 4,093 |

CAPITAL PROJECTS FUND

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

At June 30, 2022, there was no capital project fund.

ENTERPRISE FUNDS

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

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2022

| | FOOD SERVICE | AFTER SCHOOL | TOTAL |
|------------------------------------|------------------|-----------------|------------------|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Accounts receivable: | | | |
| Federal | 25,286 | - | 25,286 |
| State | 436 | - | 436 |
| Total Accounts Receivable | <u>25,722</u> | <u>-</u> | <u>25,722</u> |
| Interfund receivable | <u>13,919</u> | <u>711</u> | <u>14,630</u> |
| Total Current Assets | <u>39,641</u> | <u>711</u> | <u>40,352</u> |
| Right-of-use assets | | | |
| Leased building | 56,114 | 5,611 | 61,725 |
| Less: Accumulated amortization | <u>(56,114)</u> | <u>(5,611)</u> | <u>(61,725)</u> |
| Net right-of-use assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 39,641</u> | <u>\$ 711</u> | <u>\$ 40,352</u> |
| Liabilities | | | |
| Intergovernmental payables: | | | |
| State | \$ - | \$ - | \$ - |
| Federal | 2,998 | - | 2,998 |
| Total liabilities | <u>2,998</u> | <u>-</u> | <u>2,998</u> |
| Net assets | | | |
| Unrestricted | <u>36,643</u> | <u>711</u> | <u>37,354</u> |
| Total Liabilities and Net Position | <u>\$ 39,641</u> | <u>\$ 711</u> | <u>\$ 40,352</u> |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

ENTERPRISE FUND

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

YEAR ENDED JUNE 30, 2022

| | FOOD SERVICE | AFTER SCHOOL | TOTAL |
|---|------------------|-----------------|------------------|
| Operating revenues: | | | |
| Charges for services: | | | |
| Daily sales - reimbursable programs | \$ - | \$ - | \$ - |
| Afterschool fees | - | - | - |
| Miscellaneous revenue | - | - | - |
| Total operating revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| Operating expenses: | | | |
| Salaries | 99,670 | - | 99,670 |
| Cost of goods sold - reimbursable programs | 280,903 | - | 280,903 |
| Amortization of right-of-use assets | 56,114 | 5,611 | 61,725 |
| Energy costs | - | 6,622 | 6,622 |
| Miscellaneous | 3,072 | - | 3,072 |
| Total operating expenses | <u>439,759</u> | <u>12,233</u> | <u>451,992</u> |
| Operating loss | <u>(439,759)</u> | <u>(12,233)</u> | <u>(451,992)</u> |
| Nonoperating revenues: | | | |
| State sources: | | | |
| State School Lunch | 5,339 | - | 5,339 |
| Federal sources: | | | |
| COVID-19 - National School Lunch - SSO | 227,288 | - | 227,288 |
| COVID-19 - National School Breakfast - SSO | 90,748 | - | 90,748 |
| COVID-19 - National After School Snack Program - SSO | 2,647 | - | 2,647 |
| COVID-19 - School Programs Emergency Operational Costs Reimbursement Program | 51,146 | - | 51,146 |
| COVID-19 - Pandemic EBT Administrative Costs | 1,242 | - | 1,242 |
| Total nonoperating revenues | <u>378,410</u> | <u>-</u> | <u>378,410</u> |
| Loss before transfers | (61,349) | (12,233) | (73,582) |
| Other financing sources (uses): | | | |
| Transfers in - General fund | 99,670 | - | 99,670 |
| Interest expense on leases | (8,819) | (882) | (9,701) |
| Miscellaneous revenue | 18 | 13,123 | 13,141 |
| Total other financing sources | <u>90,869</u> | <u>12,241</u> | <u>103,110</u> |
| Changes in net position | <u>29,520</u> | <u>8</u> | <u>29,528</u> |
| Total net position, July 1, 2021 as reported | 7,190 | 710 | 7,900 |
| Prior period adjustment | (67) | (7) | (74) |
| Total net position, July 1, 2021 as restated | <u>7,123</u> | <u>703</u> | <u>7,826</u> |
| Total net position at end of year | <u>\$ 36,643</u> | <u>\$ 711</u> | <u>\$ 37,354</u> |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

| | <u>FOOD SERVICE</u> | <u>AFTER SCHOOL</u> | <u>TOTAL</u> |
|--|-------------------------|-------------------------|------------------|
| Cash flows from operating activities | | | |
| Operating income (loss) | \$ (439,759) | \$ (12,233) | \$ (451,992) |
| Adjustment to reconcile operating loss to net cash from operating activities: | | | |
| Amortization of right-of-use asset | 56,114 | 5,611 | 61,725 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (9,763) | - | (9,763) |
| Interfund receivable | (13,919) | (711) | (14,630) |
| Accounts payable | (3) | - | (3) |
| Interfund payable | (14,036) | - | (14,036) |
| Net cash from operating activities | <u>(421,366)</u> | <u>(7,333)</u> | <u>(428,699)</u> |
| Cash flows from financing activities | | | |
| Principal payments for lease liabilities | (56,181) | (5,618) | (61,799) |
| Interest payements on leases | (8,819) | (882) | (9,701) |
| Net cash from capital financing activities | <u>(65,000)</u> | <u>(6,500)</u> | <u>(71,500)</u> |
| Cash flows from noncapital financing activities | | | |
| Transfer-in from General Gund | 99,670 | - | 99,670 |
| Cash received from state and federal reimbursements | 378,410 | - | 378,410 |
| Miscellaneous receipts | 18 | 13,123 | 13,141 |
| Net cash from noncapital financing activities | <u>478,098</u> | <u>13,123</u> | <u>491,221</u> |
| Net decrease in cash and cash equivalents | (8,268) | (710) | (8,978) |
| Cash and cash equivalents at beginning of the year | <u>8,268</u> | <u>710</u> | <u>8,978</u> |
| Cash and cash equivalents at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

FIDUCIARY FUNDS

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

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

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

At June 30, 2022, the Charter School do not have a Trust Fund nor Custodial Fund.

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER LEASES

YEAR ENDED JUNE 30, 2022

| Purpose | Date of Original Issue | Term of Lease | Amount of Original Lease | | Interest Rate | Balance June 30, 2021 | Issued | Retired | Balance June 30, 2022 |
|---------------------------------|---------------------------|------------------|--------------------------|-------------------|------------------|--------------------------|-------------|-------------------|--------------------------|
| | | | Principal | Interest | | | | | |
| Leased Building | 9/1/2017 | 7 years | \$ 3,834,427 | \$ 756,198 | 5.25% | \$ 1,871,841 | \$ - | \$ 500,009 | \$ 1,371,832 |
| Chromebooks (Financed Purchase) | 9/1/2019 | 3 years | <u>111,739</u> | <u>16,160</u> | 4.82% | <u>49,663</u> | <u>-</u> | <u>37,247</u> | <u>12,416</u> |
| Total Liabilities | | | <u>\$ 3,946,166</u> | <u>\$ 772,358</u> | | <u>\$ 1,921,504</u> | <u>\$ -</u> | <u>\$ 537,256</u> | <u>\$ 1,384,248</u> |

**STATISTICAL SECTION
(UNAUDITED)**

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

INTRODUCTION TO STATISTICAL SECTION

| <u>Contents</u> | <u>Page</u> |
|---|--------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time. | 81 |
| Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax. | N/A |
| Debt Capacity These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future. | 86 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place. | 87 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs. | 89 |
| Notes: | |
| 1 Unless otherwise noted, the information in these J schedules are derived from the annual comprehensive financial reports (ACFR) for the relevant year. | |
| 2 GASB requires presentation of certain statistical information for the last ten fiscal years. However, fiscal year ended June 30, 2016 (operating period January 1, 2015 to June 30, 2016) is the first operating year of the Charter School. Therefore, schedules presenting charterwide information include information beginning in that year. | |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

NET POSITION BY COMPONENT

Last Ten Fiscal Years⁽²⁾

(Accrual basis of accounting)

| | Fiscal Year Ending June 30, | | | | | | |
|--|-----------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Governmental activities | | | | | | | |
| Invested in right-of-use assets, net of related debt | \$ (249,561) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Invested in capital assets, net of related debt | 273,787 | 311,036 | 318,040 | 348,141 | 216,133 | 147,899 | 165,693 |
| Restricted | 187,426 | 117,868 | 9,535 | - | - | - | - |
| Unrestricted | 168,137 | 171,289 | (617,585) | (245,302) | 583,507 | 632,726 | 2,639 |
| Total governmental activities net position | <u>379,789</u> | <u>600,193</u> | <u>(290,010)</u> | <u>102,839</u> | <u>799,640</u> | <u>780,625</u> | <u>168,332</u> |
| Business-type activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - |
| Unrestricted | 37,354 | 7,900 | 7,190 | 7,190 | 52,997 | 50,149 | 135 |
| Total business-type activities net position | <u>\$ 37,354</u> | <u>\$ 7,900</u> | <u>\$ 7,190</u> | <u>\$ 7,190</u> | <u>\$ 52,997</u> | <u>\$ 50,149</u> | <u>\$ 135</u> |
| School-wide | | | | | | | |
| Invested in right-of-use asset, net of related debt | \$ (249,561) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Invested in capital assets, net of related debt | 273,787 | 311,036 | 318,040 | 348,141 | 216,133 | 147,899 | 165,693 |
| Restricted | 187,426 | 117,868 | 9,535 | - | - | - | - |
| Unrestricted | 205,491 | 179,189 | (610,395) | (238,112) | 636,504 | 682,875 | 2,774 |
| Total charter school net position | <u>\$ 417,143</u> | <u>\$ 608,093</u> | <u>\$ (282,820)</u> | <u>\$ 110,029</u> | <u>\$ 852,637</u> | <u>\$ 830,774</u> | <u>\$ 168,467</u> |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

CHANGES IN NET POSITION

Last Ten Fiscal Years⁽²⁾

(Accrual basis of accounting)

| | Fiscal Year Ending June 30, | | | | | | |
|---|-----------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 (1) |
| Expenses | | | | | | | |
| Governmental activities | | | | | | | |
| Instruction | \$ 5,950,727 | \$ 5,842,534 | \$ 3,477,806 | \$ 2,904,218 | \$ 2,163,452 | \$ 2,030,188 | \$ 1,561,983 |
| Administrative | 1,773,207 | 1,631,792 | 1,927,255 | 1,377,773 | 1,185,282 | 945,640 | 1,002,412 |
| Support Services | 2,044,546 | 2,359,763 | 3,527,734 | 2,755,982 | 1,798,483 | 1,208,924 | 1,052,839 |
| Unallocated: | | | | | | | |
| Capital Outlay | 212,074 | 33,335 | - | - | - | - | - |
| Amortization of right-of-use asset | 499,411 | - | - | - | - | - | - |
| Depreciation | 12,752 | 12,752 | 12,164 | 5,170 | - | - | - |
| Total governmental activities expenses | <u>10,492,717</u> | <u>9,880,176</u> | <u>8,944,959</u> | <u>7,043,143</u> | <u>5,147,217</u> | <u>4,184,752</u> | <u>3,617,234</u> |
| Business-type activities: | | | | | | | |
| Food service | 449,460 | | 309,812 | 363,095 | 268,907 | 229,803 | 187,284 |
| After school program | 12,233 | 155,669 | 7,822 | 26,567 | 4,505 | - | - |
| Total business-type activities expense | <u>461,693</u> | <u>155,669</u> | <u>317,634</u> | <u>389,662</u> | <u>273,412</u> | <u>229,803</u> | <u>187,284</u> |
| Total district expenses | <u>10,954,410</u> | <u>10,035,845</u> | <u>9,262,593</u> | <u>7,432,805</u> | <u>5,420,629</u> | <u>4,414,555</u> | <u>3,804,518</u> |
| Program Revenues | | | | | | | |
| Governmental activities: | | | | | | | |
| Charges for services: | | | | | | | |
| Operating grants and contributions | 2,840,064 | 2,246,864 | 1,514,477 | 818,797 | 415,949 | 419,022 | 446,516 |
| Capital grants and contributions | - | - | - | - | - | - | 61,039 |
| Total governmental activities program revenues | <u>2,840,064</u> | <u>2,246,864</u> | <u>1,514,477</u> | <u>818,797</u> | <u>415,949</u> | <u>419,022</u> | <u>507,555</u> |
| Business-type activities: | | | | | | | |
| Charges for services | | | | | | | |
| Food service | - | - | - | - | 9,560 | - | 1,748 |
| After school program | - | 710 | 7,822 | 26,567 | 4,505 | - | - |
| Operating grants and contributions | 378,410 | 57,169 | 228,879 | 317,288 | 262,195 | 222,932 | 127,724 |
| Total business-type activities program revenues | <u>378,410</u> | <u>57,879</u> | <u>236,701</u> | <u>343,855</u> | <u>276,260</u> | <u>222,932</u> | <u>129,472</u> |
| Total district program revenues | <u>3,218,474</u> | <u>2,304,743</u> | <u>1,751,178</u> | <u>1,162,652</u> | <u>692,209</u> | <u>641,954</u> | <u>637,027</u> |
| Net (Expense)/Revenue | | | | | | | |
| Governmental activities | (7,652,653) | (7,633,312) | (7,430,482) | (6,224,346) | (4,731,268) | (3,765,730) | (3,109,679) |
| Business-type activities | (83,283) | (97,790) | (80,933) | (45,807) | 2,848 | (6,871) | (57,812) |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

CHANGES IN NET POSITION

Last Ten Fiscal Years⁽²⁾

(Accrual basis of accounting)

| | Fiscal Year Ending June 30, | | | | | | |
|---|------------------------------------|--------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 (1) |
| Total district-wide net expense | <u>(7,735,936)</u> | <u>(7,731,102)</u> | <u>(7,511,415)</u> | <u>(6,270,153)</u> | <u>(4,728,420)</u> | <u>(3,772,601)</u> | <u>(3,167,491)</u> |
| General Revenues and Other Changes in Net Assets | | | | | | | |
| Governmental activities: | | | | | | | |
| Property taxes levied for general purposes, net | 3,057,831 | 3,126,523 | 2,668,239 | 1,880,688 | 1,994,785 | 1,979,268 | - |
| Grants and contributions | 4,717,707 | 4,645,055 | 4,427,762 | 3,604,187 | 2,717,110 | 2,434,823 | 3,333,044 |
| Miscellaneous income | 6,540 | 5,795 | 13,031 | 42,670 | 38,387 | 20,817 | 2,915 |
| Other financing sources (uses) | <u>(99,670)</u> | <u>746,142</u> | <u>(80,933)</u> | <u>-</u> | <u>-</u> | <u>(56,885)</u> | <u>(57,947)</u> |
| Total governmental activities | <u>7,682,408</u> | <u>8,523,515</u> | <u>7,028,099</u> | <u>5,527,545</u> | <u>4,750,282</u> | <u>4,378,023</u> | <u>3,278,012</u> |
| Business-type activities: | | | | | | | |
| Miscellaneous Income | 13,141 | - | - | - | - | - | - |
| Transfers | 99,670 | 98,500 | 80,933 | - | - | 56,885 | 57,947 |
| Total business-type activities | <u>112,811</u> | <u>98,500</u> | <u>80,933</u> | <u>-</u> | <u>-</u> | <u>56,885</u> | <u>57,947</u> |
| Total district-wide | <u>7,795,219</u> | <u>8,622,015</u> | <u>7,109,032</u> | <u>5,527,545</u> | <u>4,750,282</u> | <u>4,434,908</u> | <u>3,335,959</u> |
| Changes in Net Position | | | | | | | |
| Governmental activities | 29,755 | 988,703 | (402,383) | (696,801) | 19,014 | 612,293 | 168,333 |
| Business-type activities | <u>29,528</u> | <u>(97,790)</u> | <u>-</u> | <u>(45,807)</u> | <u>2,848</u> | <u>50,014</u> | <u>135</u> |
| Total district | <u>\$ 59,283</u> | <u>\$ 890,913</u> | <u>\$ (402,383)</u> | <u>\$ (742,608)</u> | <u>\$ 21,862</u> | <u>\$ 662,307</u> | <u>\$ 168,468</u> |

(1) For 2016, the operating period is January 1, 2015 - June 30, 2016.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years⁽²⁾

(Modified accrual basis of accounting)

| | Fiscal Year Ending June 30, | | | | | | |
|------------------------------------|-----------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| General Fund | | | | | | | |
| Restricted | \$ 233,333 | \$ 108,333 | \$ 108,333 | \$ 108,333 | \$ 108,333 | \$ 108,333 | \$ 244,780 |
| Assigned | - | - | - | - | - | 12,250 | - |
| Unassigned | <u>1,374,510</u> | <u>1,278,756</u> | <u>24,997</u> | <u>1,063</u> | <u>485,734</u> | <u>532,493</u> | <u>(237,114)</u> |
| Total general fund | <u>1,607,843</u> | <u>1,387,089</u> | <u>133,330</u> | <u>109,396</u> | <u>594,067</u> | <u>653,076</u> | <u>7,666</u> |
| All Other Governmental Funds | | | | | | | |
| Restricted, Student activities | <u>4,093</u> | <u>9,535</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ 1,611,936</u> | <u>\$ 1,396,624</u> | <u>\$ 133,330</u> | <u>\$ 109,396</u> | <u>\$ 594,067</u> | <u>\$ 653,076</u> | <u>\$ 7,666</u> |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years⁽²⁾
(Unaudited)

| Function | Fiscal Year Ending June 30, | | | | | | |
|--|-----------------------------|---------------------|------------------|---------------------|--------------------|---------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Revenues | | | | | | | |
| Local Sources: | | | | | | | |
| Local tax levy | \$ 3,057,831 | \$ 3,126,523 | \$ 2,668,239 | \$ 1,880,688 | \$ 1,994,785 | \$ 1,979,268 | \$ - |
| Miscellaneous | 6,540 | 5,795 | 13,031 | 42,670 | 38,387 | 20,817 | 3,515 |
| State sources | 5,836,414 | 5,331,518 | 4,858,770 | 4,029,134 | 2,786,011 | 4,493,184 | 3,333,044 |
| Federal sources | 1,197,151 | 782,583 | 326,538 | 301,494 | 347,049 | 339,929 | 506,955 |
| Total Revenues | <u>10,097,936</u> | <u>9,246,419</u> | <u>7,866,578</u> | <u>6,253,986</u> | <u>5,166,232</u> | <u>6,833,198</u> | <u>3,843,514</u> |
| Expenditures | | | | | | | |
| Instruction | 4,096,246 | 4,140,824 | 3,687,701 | 3,174,745 | 2,167,137 | 2,000,807 | 1,552,714 |
| Administrative cost | 1,418,880 | 1,188,285 | 1,897,785 | 1,367,987 | 1,180,041 | 942,139 | 995,191 |
| Support services | 2,397,066 | 2,660,387 | 1,738,501 | 1,612,251 | 1,720,528 | 1,129,597 | 1,052,057 |
| Capital outlay | 212,074 | 62,844 | 118,454 | 158,727 | 88,634 | - | 177,939 |
| TPAF - FICA Reimbursement | 180,792 | 147,380 | 130,205 | 97,679 | - | - | - |
| TPAF - On-behalf payments | 899,396 | 539,083 | 300,804 | 327,268 | 68,901 | 79,092 | - |
| Total Expenditures | <u>9,204,454</u> | <u>8,738,803</u> | <u>7,873,450</u> | <u>6,738,657</u> | <u>5,225,241</u> | <u>4,151,635</u> | <u>3,777,901</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>893,482</u> | <u>507,616</u> | <u>(6,872)</u> | <u>(484,671)</u> | <u>(59,009)</u> | <u>2,681,563</u> | <u>65,613</u> |
| Other financing sources (uses): | | | | | | | |
| Operating transfers in (out) | (99,670) | (98,500) | 30,806 | - | - | (56,885) | (57,947) |
| Paycheck Protection Program loan forgiveness (non-budgeted) | - | 853,675 | - | - | - | - | - |
| Interest expense forgiven (non-budgeted) | - | (9,033) | - | - | - | - | - |
| Principal payments on leases | (500,009) | - | - | - | - | - | - |
| Interest payments on leases | (78,491) | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(678,170)</u> | <u>746,142</u> | <u>30,806</u> | <u>-</u> | <u>-</u> | <u>(56,885)</u> | <u>(57,947)</u> |
| Net change in fund balances | \$ <u>215,312</u> | \$ <u>1,253,758</u> | \$ <u>23,934</u> | \$ <u>(484,671)</u> | \$ <u>(59,009)</u> | \$ <u>2,624,678</u> | \$ <u>7,666</u> |
| Debt service as a percentage of noncapital expenditures | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

**RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years⁽²⁾
(Unaudited)**

| Fiscal Year Ended June 30, | Governmental Activities | | | | Business-Type Activities | Total Charter School |
|-------------------------------|--------------------------------|-------------------------------------|-------------------|-----------------|-----------------------------|----------------------------|
| | General Obligation Bonds | Certificates of Participation | Capital Leases | Loan Payable | Capital Leases | |
| 2022 | \$ - | \$ - | \$ 12,416 | \$ - | \$ - | \$ 12,416 |
| 2021 | - | - | 49,663 | - | - | 49,663 |
| 2020 | - | - | 86,909 | 844,642 | - | 931,551 |
| 2019 | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - |
| 2017 | - | - | - | - | - | - |
| 2016 | - | - | - | - | - | - |

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years⁽²⁾**

| Year | Population^a | Personal Income^b | Per Capita Personal Income^c | Unemployment Rate^d |
|---------------------|-------------------------------|------------------------------------|---|--|
| 2022 | ** | ** | ** | ** |
| 2021 | 47,733 | ** | ** | 8.80% |
| 2020 | 42,105 | \$ 2,349,543,210 | \$ 55,802 | 17.80% |
| 2019 | 42,245 | 2,164,929,515 | 51,247 | 4.50% |
| 2018 | 42,439 | 2,041,740,290 | 48,110 | 5.30% |
| 2017 | 42,651 | 1,974,911,904 | 46,304 | 6.40% |
| 2016 ^(e) | 42,920 | 1,899,381,680 | 44,254 | 9.00% |

** Data not available

Source:

^a Population information provided by U.S. Census Bureau, Population Division.

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

^c Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in thousands of current dollars (not adjusted for inflation). Estimates for 2011-2020 reflect county population estimates available as of March 2021.

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

^e For 2016, data is provided for the City of Pleasantville, the Charter School's previous location

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

**PRINCIPAL EMPLOYERS
Current Year and Five Years Ago⁽²⁾**

| Employer | 2022 | | 2017 | |
|-----------------|------------------|---|------------------|---|
| | Employees | Percentage of Total Municipal Employment | Employees | Percentage of Total Municipal Employment |

Information not available

** - Information not available

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

EXHIBIT J-16

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years⁽²⁾
(Unaudited)**

| <u>Function/Program</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018^(a)</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|
| Instruction | | | | | | | |
| Regular | 45 | 49 | 32 | 35 | | 23 | 20 |
| Special education | 4 | 3 | 5 | 8 | | 6 | 4.5 |
| Support Services | | | | | | | |
| Student & instruction related services | 7 | 4 | 15 | 6 | | 5 | 3 |
| School administrative services | 8 | 3 | 11 | 4 | | 3 | 4 |
| Plant operations and maintenance | 6 | 4 | 2 | 2 | | 3 | 2 |
| Other | - | - | - | 2 | | 3 | 4 |
| Food Service | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> | <u>-</u> | <u>1.5</u> | <u>1.5</u> |
| Total | <u>72</u> | <u>65</u> | <u>67</u> | <u>59</u> | <u>-</u> | <u>45</u> | <u>39</u> |

Source: Charter School's personnel records

^(a) Data was not made available

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years⁽²⁾
(Unaudited)

| Fiscal Year | 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 |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|--|---|---|--------------------------------------|-------------------------------|
| | | | | | | Elementary (K-4) | | | | | |
| 2022 | 464 | \$ 8,992,380 | \$ 19,380 | 17.72% | 49 | 9: 1 | | 466.7 | 452.0 | -11.41% | 96.85% |
| 2021 | 527 | 8,675,959 | 16,463 | 0.62% | 52 | 10: 1 | | 526.8 | 501.1 | 11.21% | 95.11% |
| 2020 | 474 | 7,754,996 | 16,361 | 1.45% | 32 | 15: 1 | | 473.7 | 453.0 | 17.37% | 95.63% |
| 2019 | 408 | 6,579,930 | 16,127 | 18.05% | 26 | 16: 1 | | 403.6 | 380.0 | 15.98% | 94.15% |
| 2018 | 376 | 5,136,607 | 13,661 | 12.21% | 26 | 14: 1 | | 348.0 | 312.0 | 6.10% | 89.66% |
| 2017 | 341 | 4,151,634 | 12,175 | -15.79% | 26 | 13: 1 | | 328.0 | 312.0 | 31.73% | 95.12% |
| 2016 | 249 | 3,599,962 | 14,458 | N/A | 18 | 14: 1 | | 249.0 | 235.6 | N/A | 94.62% |

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

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

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years⁽²⁾**

Not Applicable. The Charter School does not own any facilities.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2022
(Unaudited)**

| <u>Policy Level Information</u> | <u>Coverage</u> | <u>Deductible</u> |
|---|-----------------|-------------------|
| Commercial General Liability Coverage^(a) | | |
| Generate Aggregate Limit | \$ 3,000,000 | |
| Products-Completed Operations Aggregate | 3,000,000 | |
| Each Occurrence Limit | 1,000,000 | |
| Personal and Advertising Injury | 1,000,000 | |
| Damage to Premises Related to You Limit | 1,000,000 | |
| Medical Expenses Limit, Any One Person | 10,000 | |
| Employment Related Practices Liability Insurance^(a) | | |
| Each Claim Limit | 1,000,000 | 5,000 |
| Policy Aggregate Limit | 1,000,000 | |
| Government Crime Coverage^(a) | | |
| Head of Class Uni-Flex Endorsement | 100,000 | 500 |
| Computer Funds and Transfer Fraud | 50,000 | |
| Business Auto Coverage^(a) | | |
| Liability | 1,000,000 | |
| Uninsured/underinsured Motorists | 1,000,000 | |
| Commercial Liability Umbrella^(b) | | |
| Each Occurrence | 10,000,000 | 10,000 |
| Personal and Advertising Injury Limit | 10,000,000 | 10,000 |
| Wrongful Acts | 10,000,000 | 10,000 |
| Worker's Compensation and Employer's Liability^(c) | | |
| Each Accident | 1,000,000 | |
| Each Disease - Each Employee | 1,000,000 | |
| Each Disease - Policy Limit | 1,000,000 | |
| Commercial Property Coverage^(a) | | |
| Business Personal Property - Blanket | 1,113,228 | 1,000 |
| Flood Coverage | 1,113,228 | 1,000 |
| Employee Benefits Liability^(a) | | |
| Each Loss | 1,000,000 | 1,000 |
| Aggregate | 3,000,000 | |
| School District and Educators Legal Liability Coverage^(a) | | |
| Each Loss | 1,000,000 | 5,000 |
| Aggregate for Each Annual Policy Year | 3,000,000 | |
| Abuse or Molestation Coverage^(a) | | |
| Each Loss | 1,000,000 | |
| Annual Aggregate | 3,000,000 | |
| Student Accident Insurance - Blanket | | |
| Maximum Benefit | 25,000 | |
| Public Official Bind^(b) | | |
| Board Secretary Position | 180,000 | |

Source: Charter School's Records

^(a) Utica National Insurance Group

^(b) Western Surety Company

^(c) Employers Assurance Co.

^(d) Philadelphia Insurance Companies

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

| | 2020 Audit | 2021 Audit | 2022 Audit | Source |
|---|---------------|---------------|---------------|---------------------------------------|
| Cash | \$ 642,402 | \$ 1,100,931 | \$ 496,738 | Audit: Exhibit A-1 |
| Current Assets | 1,013,103 | 1,643,739 | 1,779,979 | Audit: Exhibit A-1 |
| Current Liabilities | 142,513 | 239,215 | 130,689 | Audit: Exhibit A-1 |
| Total Expenses | 9,262,593 | 10,035,845 | 10,954,410 | Audit: Exhibit A-2 |
| Change in Net Position | (402,384) | 890,913 | 59,283 | Audit: Exhibit A-2 |
| Final Average Daily Enrollment | 474 | 527 | 467 | DOE Enrollment Reports |
| March 30th Budgeted Enrollment | 520 | 530 | 555 | Charter School Budget |
| <i>Complete section only if auditee has mortgage/note/bond payable:</i> | | | | |
| Depreciation Expense | 61,647 | 73,759 | 74,497 | Financial Statements/Audit Workpapers |
| Interest Expense | - | - | - | Financial Statements/Audit Workpapers |
| Principal Payments | - | - | - | Financial Statements/Audit Workpapers |
| Interest Payments | - | - | - | Financial Statements/Audit Workpapers |

| Performance Indicators | 2020 | 2021 | 2022 | 3 YR CUM | Source: | Target |
|----------------------------------|------------|------------|--------------|--------------|--|--|
| Near Term Indicators | | | | | | |
| 1a. Current Ratio | 7.11 | 6.87 | 13.62 | | Current Assets/Current Liabilities | > 1.1 or between 1.0-1.1 with positive trend |
| 1b. Unrestricted Days Cash | 25.31 | 40.04 | 16.55 | | Cash/(Total Expenses/365) | 60 days or 30-60 days with positive trend |
| 1c. Enrollment Variance | 91% | 99% | 84% | 89.48% | Average Daily Enrollment/Budgeted Enrollment | >95% or >95% for 3 yr cum |
| 1d. Default | N/A | N/A | N/A | | Audit | not in default |
| Sustainability Indicators | | | | | | |
| 2a. 3 Year Cumulative Cash Flow | \$ 593,172 | \$ 458,529 | \$ (604,193) | \$ (435,584) | Net change in cash flow from prior years (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments) | 3 yr cum positive with most recent year positive |
| 2b. Debt Service Coverage Ratio | N/A | N/A | N/A | | | >1.10 |

| |
|--------------------------|
| Meets Standard |
| Does Not Meet Standard |
| Falls Far Below Standard |

SINGLE AUDIT SECTION



EXHIBIT 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 President and
Members of the Board of Trustees
Principle Academy Charter School
Atlantic County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Principle Academy Charter School (the Charter School), in the County of Atlantic, State of New Jersey, 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, and have issued our report thereon dated March 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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

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 or significant deficiencies may exist that were not identified.


Report on Compliance and Other Matters


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

However, we noted certain matters that we have reported to the Board of Trustees of Principle Academy Charter School in the County of Atlantic, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated March 10, 2023.

Purpose of this Report

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


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


Galleros Robinson CPAs, LLP
Certified Public Accountants

March 10, 2023
Cream Ridge, New Jersey



EXHIBIT K-2

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

The Honorable President and
Members of the Board of Trustees
Principle Academy Charter School
Atlantic County, New Jersey

Report on Compliance for Each Major Federal and State Programs

Opinions on Each Major Federal and State Programs

We have audited the Principle Academy Charter School's (the Charter School) in the County of Atlantic, State of New Jersey compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 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 Principle Academy Charter School in the County of Atlantic, State of New Jersey, complied, in all material respects, with the 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 of Opinion on Each Major Federal and State Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards, the Uniform Guidance and the New Jersey OMB Circular Letter 15-08 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 program. Our audit does not provide a legal determination of the Charter School's compliance with the compliance requirements referred to above.

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

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, statute, regulations, rules and provisions of contracts or grant agreements applicable to its 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*, the Uniform Guidance and the New Jersey OMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Charter School's compliance with the requirements of each major federal and state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the New Jersey OMB Circular Letter 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 Uniform Guidance and the New Jersey OMB Circular Letter 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.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Purpose of this Report

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



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



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 10, 2023
Cream Ridge, New Jersey

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

| Federal Grant/ Pass-Through Grantor/ Program Title | Assistance Listing No. | FAIN Number | Grant or State Project Number | Program or Award Amount | Grant Period | | Balance at June 30, 2021 | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Years' Balances | Balance at June 30, 2022 | | |
|---|---------------------------|-------------------|-------------------------------------|-------------------------------|--------------|-----------|-----------------------------|------------------------------------|-------------------|---------------------------|---|--------------------------|---------------------|-------------------|
| | | | | | From | To | | | | | | (Accounts Receivable) | Deferred Revenue | Due to Grantor |
| U.S. Department of Education: | | | | | | | | | | | | | | |
| Passed-through New Jersey State Department Education | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | |
| Title I Part A Grants to Local Educational Agencies | 84.010 | S010A210030 | ESEA - 6104 - 22 | \$ 317,765 | 7/1/2021 | 9/30/2022 | \$ - | \$ - | \$ 231,977 | \$ (317,765) | \$ - | \$ (85,788) | \$ - | \$ - |
| Special Education Cluster | | | | | | | | | | | | | | |
| Individuals with Disabilities - States Grant | 84.027 | H027A210100 | IDEA - 6104 - 22 | 133,706 | 7/1/2021 | 9/30/2022 | - | - | 4,206 | (57,443) | - | (53,237) | - | - |
| Individuals with Disabilities - States Grant | 84.027 | H027A200100 | IDEA - 6104 - 21 | 105,862 | 7/1/2020 | 9/30/2021 | - | - | 1,000 | (1,000) | - | - | - | - |
| COVID-19 - Individuals With Disabilities Education Act/American Rescue Plan Act of 2021 | 84.027X | H027X210100 | IDEA - 6104 - 22 | 31,690 | 7/1/2021 | 9/30/2022 | - | - | 31,690 | (31,690) | - | - | - | - |
| Individuals with Disabilities - States Grant (Preschool) | 84.173 | H173A210114 | IDEA - 6104 - 22 | 1,621 | 7/1/2021 | 9/30/2022 | - | - | 1,621 | (1,621) | - | - | - | - |
| COVID-19 - Individuals With Disabilities Education Act/American Rescue Plan Act of 2021 (Preschool) | 84.173X | H173X210114 | IDEA - 6104 - 22 | 2,683 | 7/1/2021 | 9/30/2022 | - | - | 2,683 | (2,683) | - | - | - | - |
| Subtotal Special Education Cluster | | | | | | | - | - | 41,200 | (94,437) | - | (53,237) | - | - |
| Title III - English Language Acquisition State Grants | 84.365A | S365A210030 | ESEA - 6104 - 22 | 17,113 | 7/1/2021 | 9/30/2022 | - | - | 17,113 | (17,113) | - | - | - | - |
| COVID-19 - Education Stabilization Fund | | | | | | | | | | | | | | |
| COVID-19 - CRRSA Elementary and Secondary Schools Emergency Relief Fund (ESSER) II | 84.425D | S425D210027 | N/A | 790,607 | 3/13/2020 | 9/30/2023 | (141,199) | - | - | (649,408) | - | (790,607) | - | - |
| COVID-19 - CRRSA ESSER II - Learning Acceleration | 84.425D | S425D210027 | N/A | 50,737 | 3/13/2020 | 9/30/2023 | - | - | - | (1,925) | - | (1,925) | - | - |
| COVID-19 - CRRSA ESSER II - Mental Health | 84.425D | S425D210027 | N/A | 45,000 | 3/13/2020 | 9/30/2023 | - | - | - | (8,165) | - | (8,165) | - | - |
| COVID-19 - American Rescue Plan (ARP) - ESSER | 84.425U | S425U210027 | N/A | 1,776,837 | 3/13/2021 | 9/30/2024 | - | - | - | (108,338) | - | (108,338) | - | - |
| Subtotal COVID-19 - Education Stabilization Fund | | | | | | | (141,199) | - | - | (767,836) | - | (909,035) | - | - |
| Total U.S. Department of Education | | | | | | | (141,199) | - | 290,290 | (1,197,151) | - | (1,048,060) | - | - |
| U.S. Department of Agriculture | | | | | | | | | | | | | | |
| Passed-through New Jersey State Department of Agriculture | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | | | | | | |
| COVID-19 - School Breakfast Program - SSO | 10.553 | 221NJ304N1099 | N/A | 90,748 | 7/1/2021 | 6/30/2022 | - | - | 84,556 | (90,748) | - | (6,192) | - | - |
| COVID-19 - School Breakfast Program - SSO | 10.553 | 201NJ304N1099 | N/A | 76,767 | 7/1/2019 | 6/30/2020 | 1,030 | - | - | - | - | - | - | 1,030 |
| COVID-19 - National School Lunch Program - SSO | 10.555 | 221NJ304N1099 | N/A | 227,288 | 7/1/2021 | 6/30/2022 | - | - | 208,326 | (227,288) | - | (18,962) | - | - |
| COVID-19 - National School Lunch Program - SSO | 10.555 | 201NJ304N1099 | N/A | 148,746 | 7/1/2019 | 6/30/2020 | 1,968 | - | - | - | - | - | - | 1,968 |
| COVID-19 - National School Snack Program - SSO | 10.555 | 221NJ304N1099 | N/A | 2,647 | 7/1/2021 | 6/30/2022 | - | - | 2,515 | (2,647) | - | (132) | - | - |
| COVID-19 - School Programs Emergency Operational Costs Reimbursement Program | 10.555 | Not yet available | N/A | 51,146 | 7/1/2021 | 6/30/2022 | - | - | 51,146 | (51,146) | - | - | - | - |
| Subtotal Child Nutrition Cluster | | | | | | | 2,998 | - | 346,543 | (371,829) | - | (25,286) | - | 2,998 |
| COVID-19 - Pandemic EBT Administrative Costs | 10.649 | 211NJ304S9009 | N/A | 1,242 | 10/1/2020 | 3/31/2022 | - | - | 1,242 | (1,242) | - | - | - | - |
| Total U.S. Department of Agriculture | | | | | | | 2,998 | - | 347,785 | (373,071) | - | (25,286) | - | 2,998 |
| Total Expenditures of Federal Awards | | | | | | | \$ (138,201) | \$ - | \$ 638,075 | \$ (1,570,222) | \$ - | \$ (1,073,346) | \$ - | \$ 2,998 |

PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

EXHIBIT K-4
SCHEDULE B

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance at June 30, 2021 | | | Cash Received | Budgetary Expenditures Pass-through Funds | Adjustments Repayment Prior Year's Balances | Balance at June 30, 2022 | | | MEMO | |
|--|-------------------------------|----------------|--------------|--|----------------|------------------------------|---------------|---|---|---|-------------------------------------|----------------|----------------------|------------------------------|
| | | | | Deferred Revenue (Accounts Receivable) | Due to Grantor | Carryover/ (Walkover) Amount | | | | Intergovernmental (Accounts Receivable) | Deferred Revenue/ Interfund Payable | Due to Grantor | Budgetary Receivable | Cumulative Total Expenditure |
| New Jersey State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Equalization Aid | 22-495-034-5120-078 | 7/1/21-6/30/22 | \$ 4,272,585 | \$ - | \$ - | \$ - | \$ 4,334,535 | \$ (4,272,585) | \$ - | \$ (27,333) | \$ - | \$ 89,283 | \$ 27,333 | \$ 4,272,585 |
| Equalization Aid | 21-495-034-5120-078 | 7/1/20-6/30/21 | 4,042,347 | (101,753) | 35,523 | - | 78,442 | - | - | (4,389) | - | 16,601 | 4,389 | - |
| Equalization Aid | 20-495-034-5120-078 | 7/1/19-6/30/20 | 6,208,117 | - | 15,606 | - | - | - | - | - | - | 15,606 | - | - |
| Special Education Categorical Aid | 22-495-034-5120-089 | 7/1/21-6/30/22 | 206,370 | - | - | - | 207,494 | (206,370) | - | - | - | 1,124 | - | 206,370 |
| Security Aid | 22-495-034-5120-084 | 7/1/21-6/30/22 | 238,752 | - | - | - | 243,751 | (238,752) | - | (78) | - | 5,077 | 78 | 238,752 |
| Reimbursed Social Security Tax On-Behalf Teachers' | 22-495-034-5094-003 | 7/1/21-6/30/22 | 180,792 | - | - | - | 162,954 | (180,792) | - | (17,838) | - | - | - | 180,792 |
| Pension and Annuity Fund On-Behalf Teachers' | 22-495-034-5094-002 | 7/1/21-6/30/22 | 728,463 | - | - | - | 728,463 | (728,463) | - | - | - | - | - | 728,463 |
| Pension and Annuity Fund – Post Retirement Medical On-Behalf Teachers' Pension & Annuity | 22-495-034-5094-001 | 7/1/21-6/30/22 | 170,198 | - | - | - | 170,198 | (170,198) | - | - | - | - | - | 170,198 |
| Fund – Non-contributory Insurance | 22-495-034-5094-004 | 7/1/21-6/30/22 | 735 | - | - | - | 735 | (735) | - | - | - | - | - | 735 |
| Total General Fund | | | | (101,753) | 51,129 | - | 5,926,572 | (5,797,895) | - | (49,638) | - | 127,691 | 31,800 | 5,797,895 |
| Special Fund: | | | | | | | | | | | | | | |
| Charter and Renaissance School Project Emergent and Capital Maintenance | N/A | 7/1/21-6/30/22 | 38,519 | - | - | - | 38,519 | (38,519) | - | - | - | - | - | 38,519 |
| Enterprise Fund: | | | | | | | | | | | | | | |
| State School Lunch Program | 22-100-010-3350-023 | 7/1/21-6/30/22 | 5,339 | - | - | - | 4,903 | (5,339) | - | (436) | - | - | - | 5,339 |
| State School Lunch Program | 21-100-010-3350-023 | 7/1/20-6/30/21 | 3,063 | (681) | - | - | 681 | - | - | - | - | - | - | - |
| State School Lunch Program | 20-100-010-3350-023 | 7/1/19-6/30/20 | 2,531 | - | 3 | - | - | - | (3) | - | - | - | - | - |
| Total Enterprise Fund | | | | (681) | 3 | - | 5,584 | (5,339) | (3) | (436) | - | - | - | 5,339 |
| Total Expenditures of State Financial Assistance | | | | \$ (102,434) | \$ 51,132 | \$ - | \$ 5,970,675 | (5,841,753) | \$ (3) | \$ (50,074) | \$ - | \$ 127,691 | \$ 31,800 | \$ 5,841,753 |
| Less: On-Behalf TPAF Pension System Contributions | | | | | | | | | | | | | | |
| On-Behalf Teachers' Pension and Annuity Fund On-Behalf Teachers' | 22-495-034-5094-002 | | | | | | | 728,463 | | | | | | |
| Pension and Annuity Fund – Post Retirement Medical On-Behalf Teachers' Pension & Annuity | 22-495-034-5094-001 | | | | | | | 170,198 | | | | | | |
| Fund – Non-contributory Insurance | 22-495-034-5094-004 | | | | | | | 735 | | | | | | |
| | | | | | | | | 899,396 | | | | | | |
| Total for State Financial Assistance-Major Program Determination | | | | | | | | \$ (4,942,357) | | | | | | |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

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

FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------|---------------------|---------------------|---------------------|
| General Fund | \$ - | \$ 4,898,499 | \$ 4,898,499 |
| Special Revenue Fund | 1,197,151 | 38,519 | 1,235,670 |
| Enterprise Fund | <u>373,071</u> | <u>5,339</u> | <u>378,410</u> |
| Total | <u>\$ 1,570,222</u> | <u>\$ 4,942,357</u> | <u>\$ 6,512,579</u> |

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents reimbursements in the amount of \$180,792 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2022. The State had also made on-behalf TPAF pension, post-retirement medical benefits and long-term disability insurance contributions totaling \$899,396.

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

On-behalf State Programs for TPAF pension, post-retirement medical benefits and long-term disability insurance contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's financial statements and the amount subject to State single audit and major program determination.

NOTE 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.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes ✓ None reported

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

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards

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

Auditee qualified as low-risk auditee? Yes ✓ No

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

Internal control over compliance:

Material weakness(es) identified? Yes ✓ No

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

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

Identification of Major Programs:

| <u>Assistance Listing No.</u> | <u>Name of Federal Program</u> |
|-------------------------------|--|
| 84.825 | COVID-19, Emergency Stabilization Fund |
| 84.425D | CRRSA Elementary and Secondary School Emergency Relief (ESSER) II |
| 84.425D | CRRSA ESSER II – Learning Acceleration |
| 84.425D | CRRSA ESSER II – Mental Health |
| 84.425U | American Rescue Plan (ARP) - ESSER |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

FISCAL YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

State Financial Assistance

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

Auditee qualified as low-risk auditee? Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes No

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

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

Identification of Major Programs:

| <u>State or Project No.</u> | <u>Name of State Program</u> |
|-----------------------------|------------------------------|
| State Aid Public Cluster: | |
| 22-495-034-5120-078 | Equalization Aid |
| 22-495-034-5120-084 | Security Aid |
| 22-495-034-5120-089 | Special Education Aid |

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control over Financial Reporting

None noted.

Compliance and other Matters

None.

SECTION III - FEDERAL AWARDS

None noted.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION IV STATE FINANCIAL ASSISTANCE

None noted.

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS
PREPARED BY MANAGEMENT**

FISCAL YEAR ENDED JUNE 30, 2022

There was no prior year finding.