

***UNITY CHARTER SCHOOL***  
***ANNUAL COMPREHENSIVE***  
***FINANCIAL REPORT***  
***FISCAL YEAR ENDED JUNE 30, 2022***

***UNITY CHARTER SCHOOL***

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

***Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2022***

***ANNUAL COMPREHENSIVE  
FINANCIAL REPORT  
OF THE  
UNITY CHARTER SCHOOL  
MORRIS TOWNSHIP, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022***

***Prepared By***

***Unity Charter School  
Finance Department***

***And***

***Barre & Company LLC, CPA's***

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***INTRODUCTORY SECTION***



## TEACHING CAPABLE, CONFIDENT KIDS FOR A HEALTH PLANET

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

February 24, 2023

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

Dear Board Members:

The Annual Comprehensive Financial Report (ACFR) of the Unity Charter School (Charter School) for the fiscal year ended June 30, 2022, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

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

## Charter School Organization

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

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

### 1. REPORTING ENTITY AND ITS SERVICES:

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

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

#### Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment-ADE</u>	<u>Percent Change-ADE</u>
2021-2022	260.2	9.82%
2020-2021	236.9	0.64%
2019-2020	235.4	-0.51%
2018-2019	236.6	-1.36%
2017-2018	239.9	2.94%

### 2. ECONOMIC CONDITION AND OUTLOOK:

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

### **3. MAJOR ACCOMPLISHMENTS:**

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

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

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

**4. INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The primary control is that the Board President and one other Board member sign all general account checks, that all Purchase Orders are reviewed and that the Board President signs all payroll checks. In addition, the Treasurer verifies the payees on the checks and confirms the check register.

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

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

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

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

**6. ACCOUNTING SYSTEM AND REPORTS:**

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

**7. FINANCIAL INFORMATION AT FISCAL YEAR END:**

Unity Charter School has continued its positive financial position as compared to last year. Detailed information can be found in the Management Discussion and Analysis. The Charter School has been aggressive in collecting tuition owed for sending districts, and insuring that the sending districts update the enrollment records in the D.O.E. Charter School Enrollment System. However, even with these efforts tuition payments from the sending districts are historically slow. Unity Charter School ended the 2021-2022 year meeting all of its obligations.

**8. CASH MANAGEMENT:**

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

**9. RISK MANAGEMENT:**

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

**10. OTHER INFORMATION:**

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

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

**11. ACKNOWLEDGEMENTS:**

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

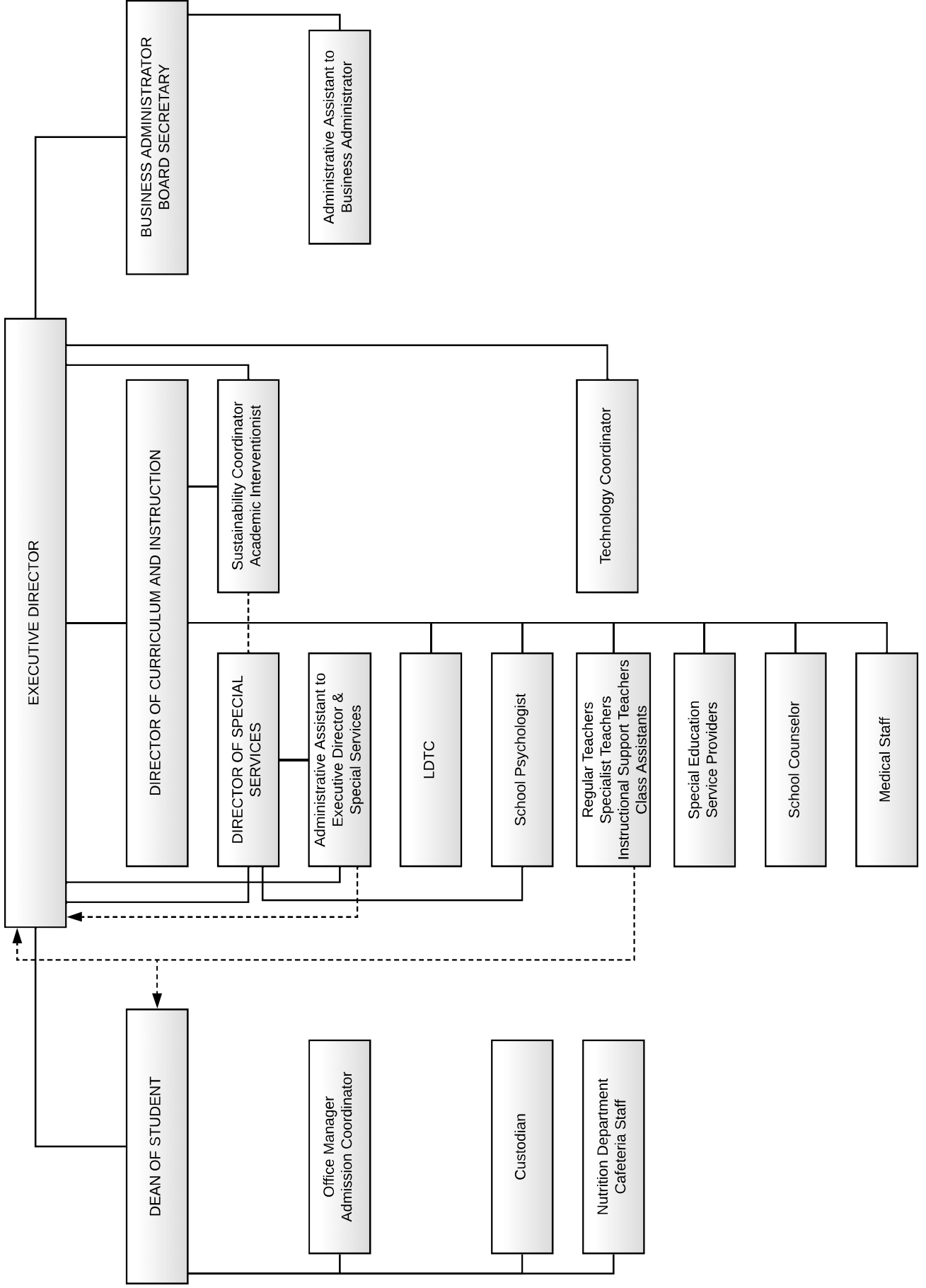
Respectfully submitted,

A handwritten signature in black ink that reads "Donald Goncalves". The signature is written in a cursive, flowing style with a large, prominent 'D' at the beginning.

Donald Goncalves  
Business Administrator / Board Secretary  
Unity Charter School

# Unity Charter School

## ORGANIZATION CHART



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

**ROSTER OF OFFICIALS  
JUNE 30, 2022**

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

<b>Brina Stang</b> President	2022
<b>Owen Lipnick</b> ..... Vice President	2023

**Members:**

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

**Connie Sanchez** - Executive Director

**Donald Goncalves** - Business Administrator / Board Secretary

**Christopher Lessard** - Treasurer



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

**CONSULTANTS AND ADVISORS**

***Audit Firm***

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

***Attorney***

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

***Official Depository***

Peapack-Gladstone Bank  
South Street  
Morristown, New Jersey 07960

***FINANCIAL SECTION***

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*(908) 686-3484*  
*FAX – (908) 686-6055*  
*www.cpa-bc.com ♦ info@cpa-bc.com*

**Independent Auditor’s Report**

Honorable President  
Members of the Board of Trustees  
Unity Charter School

Morris Township, New Jersey

**Report on the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Unity Charter School (Charter School), in the county of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 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 and each major fund of the Unity Charter School, in the, State of New Jersey, as of June 30, 2022, and the respective changes in the financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. 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 Unity Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

**Adoption of New Accounting Principle**

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2022, the Charter School adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

### Consistency of Financial Statements

As a result of the adoption of GASB Statement No. 87, leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the School. Our opinion is not modified with respect to this matter.

### *Prior Period Restatement*

In addition, because of the implementation of GASB Statement No. 87, net position and fund balance as of July 1, 2021 on the statement of activities and statement of revenues, expenditures, and changes in fund balances, have been restated. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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 International Charter School of Trenton'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 GAAS and Government Auditing Standards 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 GAAS and Government Auditing Standards, 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 Unity 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 Unity Charter School's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

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

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

*Other Information*


Management is responsible for the other information included in the annual report. The other information comprises the introductory 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.

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 and the Office of School Finance, Department of Education, State of New Jersey***

In accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey, we have also issued our report dated February 24, 2023 on our consideration of the Unity Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey and the Office of School Finance, Department of Education, State of New Jersey in considering the Charter School's internal control over financial reporting and compliance.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

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

Union, New Jersey  
February 24, 2023

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022  
UNAUDITED**

The discussion and analysis of Unity Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

**Financial Highlights**

Key financial highlights for 2022 are as follows:

- ❖ General revenues accounted for \$5,304,609 or 94% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$312,188 or 6% of total revenues of \$5,616,797.
- ❖ The Charter School had \$5,778,750 in expenses; only \$312,188 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,304,609 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$6,862,900 in revenues and \$6,713,060 in expenditures. The General Fund's fund balance increased \$149,840 over 2021. This increase was anticipated by the Board of Trustees.

**Using this Annual Comprehensive Financial Report (ACFR)**

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

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

**Reporting the Charter School as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2022?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022  
UNAUDITED  
(CONTINUED)**

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

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

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

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

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

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022  
UNAUDITED  
(CONTINUED)**

**Enterprise Fund**

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

**Notes to the Financial Statements**

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

**The Charter School as a Whole**

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

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

The Charter School's combined Net Position were \$303,648 for 2022 and \$817,387 for 2021.

**Governmental Activities**

The Charter School's total revenues were \$5,353,260 for 2022 and \$4,756,026 for 2021, this includes \$143,874 for 2022 and \$111,135 for 2021 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$5,588,452 for 2022 and \$4,464,202 for 2021. Instruction comprises 52% for 2022 and 53% for 2021 of Charter School expenses.

**Business-Type Activities**

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

**FOOD SERVICE**

- ❖ Food service revenues exceeded expenses by \$30,152 for 2022 while expenses exceeded revenues by (\$27,851) for 2021.
- ❖ Charges for services represent \$7,774 for 2022 and \$2,277 for 2021 of revenue. This represents amounts paid by patrons for daily food.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022  
UNAUDITED  
(CONTINUED)**

**Business-Type Activities (Continued)**

**FOOD SERVICE**

- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and breakfast were \$127,842 for 2022 and \$61,973 for 2021.

**AFTER CARE**

- ❖ Revenues exceeded expenses by \$43,086 for 2022 and by \$35,089 for 2021.
- ❖ Charges for services represent \$127,920 for 2022 and \$96,423 for 2021 of revenue. This represents amounts paid by patrons for after care.

**Governmental Activities**

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

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

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

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

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

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$7,238,411 for 2022 and \$4,756,026 for 2021 and expenditures were \$7,104,764 for 2022 and \$4,398,921 for 2021. The net change in fund balance was most significant in the general fund, an increase of \$133,647 in 2022 and an increase of \$353,611 in 2021.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2022, and the amount and percentage of increases and decreases in relation to prior year revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2021	Percent of Increase/ (Decrease)
Local Sources	\$ 3,536,947	48.86%	\$ 120,299	3.52%
State Sources	1,489,454	20.58%	261,642	21.31%
Federal Sources	326,859	4.52%	215,293	192.97%
Other Financing Sources	1,885,151	26.04%	1,885,151	100.00%
<b>Total</b>	<b>\$ 7,238,411</b>	<b>100.00%</b>	<b>\$ 2,482,385</b>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2022, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2021	Percent of Increase/ (Decrease)
Instruction	\$ 2,202,612	31.00%	\$ 457,274	26.20%
Administration	1,275,255	17.95%	325,882	34.33%
Support Services	2,093,532	29.47%	389,322	22.84%
Capital Outlay	1,533,365	21.58%	1,533,365	100.00%
<b>Total</b>	<b>\$ 7,104,764</b>	<b>100.00%</b>	<b>\$ 2,705,843</b>	

**General Fund Budgeting Highlights**

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

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

**Capital Assets (Net of Depreciation) and Debt Administration**

The Charter School had \$94,040 for 2022 and \$102,803 for 2021 invested in building improvements and equipment. At the end of fiscal years 2022 and 2021 there is no debt outstanding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2022  
UNAUDITED  
(CONTINUED)**

**For the Future**

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

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

**Contacting the Charter School's Financial Management**

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

***BASIC FINANCIAL STATEMENTS***

**SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

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

**UNITY CHARTER SCHOOL**  
Statement of Net Position  
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 598,157	\$ 118,212	\$ 716,369
Internal Balances	102,928	(102,928)	-
Other Receivables	337,389	9,566	346,955
Right of Use Asset, Net of Amortization	1,314,313		1,314,313
Capital Assets, Net	94,040		94,040
	<u>2,446,827</u>	<u>24,850</u>	<u>2,471,677</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions Deferred Outflows	602,864		602,864
	<u>602,864</u>	<u>-</u>	<u>602,864</u>
<b>LIABILITIES:</b>			
Accounts Payable	60,787		60,787
Deferred Revenue	24,003		24,003
Other Current Liabilities			-
Noncurrent Liabilities:			
Due Within One Year	66,104		66,104
Due Beyond One Year:			
Other Long Term Liabilities	1,584,578		1,584,578
Net Pension Liability	634,681		634,681
	<u>2,370,153</u>	<u>-</u>	<u>2,370,153</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions Deferred Inflows	400,740		400,740
	<u>400,740</u>	<u>-</u>	<u>400,740</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets			-
Restricted for:			
Student Activities	(12,385)		(12,385)
Unrestricted (Deficit)	291,183	24,850	316,033
	<u>\$ 278,798</u>	<u>\$ 24,850</u>	<u>\$ 303,648</u>

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



**UNITY CHARTER SCHOOL**

Statement of Activities  
For The Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
Instruction	1,991,442	\$ 910,472	\$ -	\$ -	\$ -	\$ (2,901,914)	\$ -	\$ (2,901,914)
Administration	221,060	233,322				(454,382)		(454,382)
Support Services	1,759,585	145,278	48,652			(1,856,211)		(1,856,211)
Interest on Long Term Debt	99,478					(99,478)		(99,478)
Unallocated Amortization and Depreciation	227,815					(227,815)		(227,815)
Total Governmental Activities	4,299,380	\$ 1,289,072	48,652	-	-	(5,539,800)	-	(5,539,800)
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Food Service and After Care	190,298		135,694	127,842		73,238		73,238
Total Business-Type Activities	190,298		135,694	127,842		73,238		73,238
Total Primary Government	\$ 4,489,678		\$ 184,346	\$ 127,842	\$ -	\$ (5,539,800)	\$ 73,238	\$ (5,466,562)
<b>GENERAL REVENUES</b>								
General Purposes					\$ -	\$ -	\$ -	\$ -
Federal and State Aid Not Restricted					1,816,313			1,816,313
Miscellaneous Income					3,488,296			3,488,296
Total General Revenues					5,304,609			5,304,609
Change in Net Position					(235,191)	73,238		(161,953)
Net Position - Beginning of Year					865,775	(48,388)		817,387
Prior Period Adjustments					(351,786)			(351,786)
Net Position - July 1 (Restated)					513,989	(48,388)		465,601
Net Position - Ending					\$ 278,798	\$ 24,850	\$ -	\$ 303,648

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

**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***

**UNITY CHARTER SCHOOL**  
 Governmental Funds  
 Balance Sheet  
 June 30, 2022

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 589,394	\$ 8,763	\$ 598,157
Receivables:			
Interfund Receivables	332,807		332,807
Receivables From Other Governments	162,692	174,697	337,389
Total Current Assets	1,084,893	183,460	1,268,353
Total Assets	<u>\$ 1,084,893</u>	<u>\$ 183,460</u>	<u>\$ 1,268,353</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ 58,037	\$ 171,842	\$ 229,879
Accounts Payable	60,787		60,787
Unearned Revenue		24,003	24,003
Total Current Liabilities	118,824	195,845	314,669
Total Liabilities	118,824	195,845	314,669
Fund Balances:			
Restricted For:			
Student Activities		(12,385)	(12,385)
Unassigned:			
General Fund	966,069		966,069
Total Fund Balances	966,069	(12,385)	953,684
Total Liabilities and Fund Balances	<u>\$ 1,084,893</u>	<u>\$ 183,460</u>	

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

Right of use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds

The cost of the assets is \$2,409,573 and the accumulated depreciation is \$1,095,260.

1,314,313

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds  
 Long-term debt included as net position from lease liabilities

(1,650,682)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$289,379 and the accumulated depreciation is \$195,339.

94,040

Net pension liability of \$634,681, deferred inflows of resources of \$400,740 less deferred outflows of resources of \$602,864 related to pensions are not reported in the governmental funds

(432,557)

Net Position of Governmental Activities

\$ 278,798

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

**UNITY CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ -	\$ -	\$ -
Transportation Fees	3,455,404		3,455,404
Miscellaneous	32,891	48,652	81,543
<b>Total Local Sources</b>	<b>3,488,295</b>	<b>48,652</b>	<b>3,536,947</b>
Intermediate Sources			
State Sources	1,489,454		1,489,454
Federal Sources		326,859	326,859
<b>Total Revenues</b>	<b>4,977,749</b>	<b>375,511</b>	<b>5,353,260</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction	1,991,386	211,226	2,202,612
Administration	1,275,255		1,275,255
Support Services	1,913,054	180,477	2,093,531
Capital Outlay	1,533,365		1,533,365
<b>Total Expenditures</b>	<b>6,713,060</b>	<b>391,703</b>	<b>7,104,763</b>
Excess (Deficiency) of Revenues over Expenditures	(1,735,311)	(16,192)	(1,751,503)
<b>OTHER FINANCING SOURCES (USES):</b>			
Tranfers	1,885,151	-	1,885,151
<b>Total Other Financing Sources and Uses</b>	<b>1,885,151</b>	<b>-</b>	<b>1,885,151</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>149,840</b>	<b>(16,192)</b>	<b>133,648</b>
FUND BALANCES, JULY 1	1,168,015	3,807	1,171,822
PRIOR PERIOD ADJUSTMENT	(351,786)	-	(351,786)
FUND BALANCE, JULY 1, RESTATED	816,229	3,807	820,036
FUND BALANCES, JUNE 30	<u>\$ 966,069</u>	<u>\$ (12,385)</u>	<u>\$ 953,684</u>

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

**UNITY CHARTER SCHOOL**  
 Reconciliation of the Statement of Revenues, Expenditures  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Fiscal Year Ended June 30, 2022

Total net change in fund balances - governmental fund (from B-2) \$ 133,648

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, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation Expense	(8,763)	
Amortization	(219,052)	
Capital Outlay	<u>1,533,365</u>	1,305,550

Repayment of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

New long-term debt issued	(1,885,151)	
Principal payment on long-term debt	234,469	
Increase in accrued interest payable		

Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.

(23,707)

Change in net position of governmental activities \$ (235,191)

***PROPRIETARY FUNDS***

**UNITY CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Net Position  
 June 30, 2022

	Business-Type Activities Enterprise Fund		Totals
	Food Service	After School	
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 79,689	38,523	\$ 118,212
Interfund Accounts Receivable		58,037	58,037
Receivables From Other Governments	9,566	-	9,566
Total Current Assets	<u>89,255</u>	<u>96,560</u>	<u>185,815</u>
Total Assets	<u>\$ 89,255</u>	<u>\$ 96,560</u>	<u>\$ 185,815</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Interfund Accounts Payable	\$ 160,965	-	\$ 160,965
Total Current Liabilities	<u>160,965</u>	<u>-</u>	<u>160,965</u>
Total Liabilities	<u>160,965</u>	<u>-</u>	<u>160,965</u>
<b>NET POSITION:</b>			
Unrestricted (Deficit)	<u>(71,710)</u>	<u>96,560</u>	<u>24,850</u>
Total Net Assets	<u>(71,710)</u>	<u>96,560</u>	<u>24,850</u>
Total Liabilities and Net Assets	<u>\$ 89,255</u>	<u>\$ 96,560</u>	<u>\$ 185,815</u>

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



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

	Business-Type Activities Enterprise Fund			Totals
	Food Service	Fixed Price Contract	After Care	
<b>OPERATING REVENUES:</b>				
Charges for Services:				
Daily Sales - Program (Reimbursable Program) Meals	\$ 7,774	\$ -	\$ 127,920	\$ 135,694
Daily Sales - Non-Program (Non-reimbursable Program) Meals	-			-
<b>Total Operating Revenues</b>	<b>7,774</b>	<b>-</b>	<b>127,920</b>	<b>135,694</b>
<b>OPERATING EXPENSES:</b>				
Salaries	62,591	-	51,573	114,164
Cost of Sales - Program (Reimbursable Program) Meals	42,873	-		42,873
Miscellaneous Expenses	-		33,261	33,261
<b>Total Operating Expenses</b>	<b>105,464</b>	<b>-</b>	<b>84,834</b>	<b>190,298</b>
<b>OPERATING LOSS</b>	<b>(97,690)</b>	<b>-</b>	<b>43,086</b>	<b>(54,604)</b>
<b>NONOPERATING REVENUES:</b>				
State Lunch Program	2,796	-		2,796
Federal Source:				
Federal Breakfast Program	3,804			3,804
Federal Lunch Program	121,242			121,242
<b>Total Nonoperating Revenues</b>	<b>127,842</b>	<b>-</b>	<b>-</b>	<b>127,842</b>
<b>CHANGE IN NET POSITION</b>	<b>30,152</b>	<b>-</b>	<b>43,086</b>	<b>73,238</b>
<b>CHANGE IN NET POSITION</b>	<b>30,152</b>	<b>-</b>	<b>43,086</b>	<b>73,238</b>
<b>TOTAL NET POSITION, JULY 1</b>	<b>(101,862)</b>	<b>-</b>	<b>53,474</b>	<b>(48,388)</b>
<b>TOTAL NET POSITION, JUNE 30</b>	<b>\$ (71,710)</b>	<b>\$ -</b>	<b>\$ 96,560</b>	<b>\$ 24,850</b>

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

**UNITY CHARTER SCHOOL**  
Proprietary Funds  
Statement of Cash Flows  
For The Fiscal Year Ended June 30, 2022

	Business-Type Activities		Total
	Food Service	After Care	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 7,773	\$ 127,921	\$ 135,694
Cash Payments to Suppliers and Employees	<u>(55,926)</u>	<u>(135,270)</u>	<u>(191,196)</u>
Net Cash Used by Operating Activities	<u>(48,153)</u>	<u>(7,349)</u>	<u>(55,502)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash Received from State and Federal Reimbursements	<u>127,842</u>		<u>127,842</u>
Net Cash Provided by Noncapital Financing Activities	<u>127,842</u>	<u>-</u>	<u>127,842</u>
Net Increase (Decrease) in Cash and Cash Equivalents	79,689	(7,349)	72,340
Cash and Cash Equivalents, July 1	<u>-</u>	<u>45,872</u>	<u>45,872</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 79,689</u></u>	<u><u>\$ 38,523</u></u>	<u><u>\$ 118,212</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating Loss Used for Operating Activities	\$ (97,690)	43,087	(54,603)
Changes in Assets and Liabilities:			
Decrease in Interfund Accounts Receivable		(50,436)	(50,436)
Increase in Intergovernmental Accounts Receivable	(2,263)		(2,263)
Increase in Interfund Accounts Payable	<u>51,800</u>		<u>51,800</u>
Net Cash Used by Operating Activities	<u><u>\$ (48,153)</u></u>	<u><u>\$ (7,349)</u></u>	<u><u>\$ (55,502)</u></u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**NOTE 1: DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY**

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

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

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

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

**FUND FINANCIAL STATEMENTS**

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

**GOVERNMENTAL FUNDS**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

The following fund types are used by the Charter School:

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

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

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

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

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

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

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

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

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

**B. Measurement Focus**

**District-wide Financial Statement**

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

**Fund Financial Statements**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements (Continued)**

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

**C. Basis of Accounting**

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

**Revenues – Exchange and Non-Exchange Transactions**

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

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

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



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Expenses / Expenditures**

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

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

**D. Budgets / Budgetary Control**

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

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

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

Total Revenues & Expenditures (Budgetary Basis)	\$ 391,703
Adjustments:	
Less Encumbrances at June 30, 2022	-
Plus Encumbrances at June 30, 2021	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 391,703</u>

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets / Budgetary Control (Continued)**

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

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

**E. Encumbrances**

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

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

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

**F. Cash, Cash Equivalents and Investments**

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

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

Additionally, the Board has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit.

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**G. Tuition Revenues / Receivable**

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

**H. Tuition Payable**

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

**I. Inventories**

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

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

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**K. Short-Term Interfund Receivables / Payables**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Capital Assets**

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

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

Land and Construction in Progress are not depreciated.

**M. Compensated Absences**

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

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

**N. Unearned Revenue**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Accrued Liabilities and Long-Term Obligations**

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

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

**P. Accounting and Financial Reporting for Pensions**

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

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting and Financial Reporting for Pensions (Continued)**

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

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

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

**Q. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflows of resources (expense / expenditure) until then. Currently, the Charter School has only one item that qualifies for reporting in this category, which is deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Charter School has one item that qualifies in this category, deferred amounts related to pension.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Fund Balances**

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

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

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

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

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

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

**S. Net Position**

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allocation of Indirect Expenses (Continued)**

**T. Operating Revenues and Expenses**

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

**U. Extraordinary and Special Items**

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

**V. Allocation of Indirect Expenses**

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

**W. Use of Estimates**

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



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**X. Impact of Recently Issued Accounting Principles**

During fiscal years 2022 through 2023, the School adopted the following GASB statements as required:

**a) The Charter School has adopted the following as of June 30, 2022:**

As a result of the adoption of GASB 87, leases are recognized as a right-of-use asset and a corresponding lease liability in other financial liabilities at the date at which the leased asset is available for use by the School. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

The lease liability is measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the School and payment of penalties for termination of a lease when the lease term reflects the lessee exercising a termination option. Each lease payment is allocated between the repayment of the principal portion of lease liability and the interest portion. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is recorded in financing expense. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income.

**b) Impact of Recently Issued Accounting Principles**

- GASB Statement No. 91, Conduit Debt Obligations, effective for the year ending June 30, 2023.
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for the year ending June 30, 2023.
- GASB Statement No. 99, Omnibus 2022, effective for the year ending June 30, 2023.
- GASB Statement No. 100, Accounting Changes and Error Corrections, effective for the year ending June 30, 2024
- GASB Statement No. 101, Compensated Absences, effective for the year ending June 30, 2025.

The Charter School will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material

**NOTE 3: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES**

A. Deposits and Investments

Deposits

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

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

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

The carrying amount of the Board's cash and cash equivalents at June 30, 2022 was \$716,369 and the bank balance was \$873,043. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA. The Charter School had no investments at June 30, 2022.

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Total</u>
Operating Account	<u>\$ 589,394</u>	<u>\$ 8,763</u>	<u>\$ 118,212</u>	<u>\$ 716,369</u>

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

As of June 30, 2022, none of the cash and cash equivalents for Unity Charter School were exposed to custodial credit risk.

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

A. Deposits and Investments (Continued)

Deposits (Continued)

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

Investments

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

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

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

Deposits and Investments (Continued)

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2022.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2022.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2022.

Receivables

Receivables at June 30, 2022, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Funds		Total Governmental Activities	Proprietary Fund	Total Business Type Activities	Total
	General Fund	Special Revenue Fund		Food Service Fund		
State Aid	\$ 155,382	\$ -	\$ 155,382	\$ -	\$ -	\$ 155,382
Federal Aid	7,310	174,697	182,007	9,566	9,566	191,573
Other	-	-	-	-	-	-
Gross Receivables	162,692	174,697	337,389	9,566	9,566	346,955
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Total Receivables, Net	\$ 162,692	\$ 174,697	\$ 337,389	\$ 9,566	\$ 9,566	\$ 346,955

A. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2022:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 332,807	\$ 58,037
Special Revenue Fund		171,842
Proprietary Fund	58,037	160,965
Total	\$ 390,844	\$ 390,844

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

**B. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 175,266	\$ -	\$ -	\$ 175,266
Machinery and Equipment	114,113	-	-	114,113
Total Capital Assets Being Depreciated	<u>289,379</u>	<u>-</u>	<u>-</u>	<u>289,379</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	72,463	8,763	-	81,226
Machinery and Equipment	114,113	-	-	114,113
Total Accumulated Depreciation	<u>186,576</u>	<u>8,763</u>	<u>-</u>	<u>195,339</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>102,803</u>	<u>(8,763)</u>	<u>-</u>	<u>94,040</u>
Government Activity Capital Assets, Net	<u>\$ 102,803</u>	<u>\$ (8,763)</u>	<u>\$ -</u>	<u>\$ 94,040</u>

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

Depreciation expense was charged to functions as follows:

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

**NOTE 4: LEASES**

**Right of use Lease Assets**

The Charter School has recorded two right of use leased assets. The assets are right of use assets for leased equipment and leased school facility. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right of use lease assets are amortized on a straight-line basis over the terms of the related leases. Right of use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

<b>Leased Assets</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<b>Leased Assets Being Amortized</b>				
Leased - Real Estate Expense	2,409,573	1,133,740	0	3,543,313
<b>Total Leased Assets Being Amortized</b>	<b>2,409,573</b>	<b>1,133,740</b>	<b>0</b>	<b>3,543,313</b>
<b>Less: Accumulated Amortization</b>				
Leased - Real Estate Expense	(876,208)	(408,009)	0	(1,284,217)
<b>Total Accumulated Amortization</b>	<b>(876,208)</b>	<b>(408,009)</b>	<b>0</b>	<b>(1,284,217)</b>
<b>Total, Net of Accumulated Amortization</b>	<b>1,533,364</b>	<b>725,731</b>	<b>0</b>	<b>2,259,096</b>

**NOTE 5: LONG-TERM OBLIGATIONS**

The School operates under a Business Lease (“Lease”) agreement to lease classroom and office space. The original Lease Agreement between The Evergreen Cemetery, Landlord, and Unity Charter School, Tenant, for the premises located at One Evergreen Place, Morris Township, New Jersey, was for a two-year term, beginning July 1, 2010, through June 30, 2012. The Lease Agreement provided for two subsequent five-year Renewal Terms. Unity is currently operating under the Third Renewal Term, which expires June 30, 2027.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<b>Maturity Analysis</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>07/01/2022 - 06/30/2023</b>	409,045	157,939	566,984
<b>07/01/2023 - 06/30/2024</b>	436,440	130,545	566,984
<b>07/01/2024 - 06/30/2025</b>	465,669	101,315	566,984
<b>07/01/2025 - 06/30/2026</b>	496,855	70,129	566,984
<b>07/01/2026 - 06/30/2027</b>	530,131	36,854	566,984
<b>07/01/2027 - 06/30/2032</b>	324,227	9,720	333,947
<b>Total</b>	<b>2,662,367</b>	<b>506,501</b>	<b>3,168,868</b>

**NOTE 5: LONG-TERM OBLIGATIONS (Continued)**

Long-Term Deb Rollforward

	Balance			Balance	Due Within
	July 01, 2021	Additions	Reductions	June 30, 2022	One Year
<b><i>Governmental Activities:</i></b>					
Lease Liabilities	\$ -	1,650,682	\$ -	\$ 1,650,682	66,104
Net Pension Liability	633,153	1,528	-	634,681	-
Governmental Activity long-term liability	\$ 633,153	\$ 1,652,210	\$ -	\$ 2,285,363	\$ 66,104

**NOTE 6: PENSION PLANS**

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

**A. Public Employees' Retirement System (PERS)**

**Plan Description**

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

**Benefits Provided**

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

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

**NOTE 6: PENSION PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

**Benefits Provided (Continued)**

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

**Basis of Presentation**

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

**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ration of the contributions of an individual employer to the total contributions to PERS during the measurement period July 01, 2020 through June 30, 2021. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.



**NOTE 6: PENSION PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

**Allocation Methodology and Reconciliation to Financial Statements (Continued)**

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2021 measurement date are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2022.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The state's pension contributions is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2021 measurement date, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment amounts certified for payments due not be included in their unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$ 62,743 for fiscal year 2022.

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

At June 30, 2022, the Charter School reported a liability of \$ 634,681 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 which was rolled forward to June 30, 2022. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021 measurement date, the Charter School's proportion was 0.00535754%, which was an

**NOTE 6: PENSION PLANS (CONTINUED)**

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

increase of 0.00119574% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the Charter School recognized pension expense of \$ 45,528 . At June 30, 2022, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 3,305	\$ 225,950
Difference Between Expected and Actual Experience	\$ 10,010	\$ 4,544
Changes in Proportion	\$ 589,549	\$ 3,054
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ -	167,192
	<u>\$ 602,864</u>	<u>\$ 400,740</u>

*Changes in Proportion*

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively

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

Fiscal Year Ending June 30,	Total
2023	\$ 475,563.14
2024	12,477
2025	8,507
2026	6,395
2027	(2)
	<u>\$ 502,940</u>

**NOTE 6: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions**

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 01, 2020 which was rolled forward to June 30, 2021. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 01, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is like that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected future real rates of return (expected returns, net of pension plan investments expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of the June 30, 2021 measurement date are summarized in the following table:

**NOTE 6: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return (Continued)**

			Long Term
			Expected Real
		Target	Rate of
Asset Class		Allocation	Return
US Equity		27.00%	8.09%
Non-U.S. Developed Markets Equity		13.50%	8.71%
Emerging Markets Equity		5.50%	10.96%
Private Equity		13.00%	11.30%
Real Assets		3.00%	7.40%
Real Estate		8.00%	9.15%
High Yield		2.00%	3.75%
Private Credit		8.00%	7.60%
Investment Grade Credit		8.00%	1.68%
Cash Equivalents		4.00%	0.50%
U.S. Treasuries		5.00%	0.95%
Risk Mitigation Strategies		3.00%	3.35%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of the 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 the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of the June 30, 2021 measurement date calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**NOTE 6: PENSION PLANS (CONTINUED)**

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

Measurement Date June 30, 2021			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Charter School proportionate share of the Net Pension Liability	\$ 873,574	\$ 641,446	\$ 444,499

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

**Pension Plan Fiduciary Net Position**

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

**A. Teacher’s Pension Annuity Fund (TPAF)**

**Pension Description**

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

**Benefit Provided**

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

**NOTE 6: PENSION PLANS (CONTINUED)**

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

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

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

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2021. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contributions policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2021 measurement date, the State's pension contribution was less than the actuarial determined amount.

**NOTE 6: PENSION PLANS (CONTINUED)**

**Special Funding Situation**

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2022, the State of New Jersey contributed \$ 54,509 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 411,018 .

As June 30, 2022, the State's proportionate share of the net pension liability associated with the Charter School was \$ 6,742,766 . The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021.

The Charter School's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, Charter School's proportion was 0.0140255%, which was an increase of 0.0003845% from its proportion measured as of June 30, 2020.

Charter School's Proportionate Share of the Net Pension Liability	\$	-
State's Proportionate Share of the Net Pension Liability Associated with the Charter School		6,742,766
Total	\$	6,742,766

For the fiscal year ended June 30, 2021, the State recognized pension expense on behalf of the Charter School in the amount of \$ 411,018 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2022 financial statements.

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

**NOTE 6: PENSION PLANS (CONTINUED)**

**Special Funding Situation (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 5,289,559,561	\$ 24,224,281,713
Difference Between Expected and Actual Experience	941,265,828	142,774,569
Changes in Proportion and differences between employer contributions and proportionate share of contributions	142,705,445	142,705,445
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	2,854,036,178
	<u>\$ 6,373,530,834</u>	<u>\$ 27,363,797,905</u>

The \$ 6,373,530,834 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years.

The \$ 27,363,797,905 reported as a deferred inflow of resources resulting from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2023	\$ (2,914,282,899)
2024	(3,500,098,875)
2025	(4,665,036,366)
2026	(4,192,375,542)
2027	(2,350,648,872)
Thereafter	(3,367,824,517)
	<u>\$ (20,990,267,071)</u>

**Actuarial Assumptions**

The total pension liability for 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.



**NOTE 6: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

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

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 01, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

**Long Term Expected Rate of Return**

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

**NOTE 6: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The single blended discount rate was based on the long-term expected rate of return on pension plan investment of 7.00% and a municipal bond rate of 2.21% as of June 30, 2021 based on the Bond Buyer Go 20-Bond Municipal Bond index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through 2062. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**NOTE 6: PENSION PLANS (CONTINUED)**

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

The following presents the net pension liability of the State as of the June 30, 2021 measurement date calculated using the discount rate as disclosed above, as well as what the State’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Measurement Date June 30, 2021			
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.40%)	(5.40%)	(6.40%)
Charter School's proportionate share of the Net Pension Liability	\$ 7,992,887	\$ 6,755,501	\$ 5,716,176

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

**Pension Plan Fiduciary Net Position – TPAF**

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

**C. Defined Contribution Retirement Program (DCRP)**

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

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

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

**NOTE 6: PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (DCRP) (Continued)**

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

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

For DCRP, the Charter School recognized no pension expense for the fiscal year ended June 30, 2022. There were no employee contributions to DCRP for the fiscal year ended June 30, 2022.

**NOTE 7: POST-RETIREMENT BENEFITS**

**General Information about the OPEB Plan**

**Plan Description and Benefits Provided**

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

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

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

**NOTE 7: POST-RETIREMENT BENEFITS (CONTINUED)**

**Plan Description and Benefits Provided (Continued)**

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

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

**Employees covered by benefit terms:**

At June 30, 2021 the OPEB Plan's measurement date, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted for the following members:

Active plan member								213,901
Inactive plan members or beneficiaries currently receiving benefits								150,427
Inactive plan members entitled to but not yet receiving benefit payments								-
Total								364,328

**Total Nonemployer OPEB Liability**

The total nonemployer OPEB liability as of 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.

**Actuarial Assumptions and Other Inputs**

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

Inflation Rate	2.50%			
		<b>TPAF/ABP</b>	<b>PERS</b>	<b>PFRS</b>
Salary Increases				
Through 2026		1.55% to 4.45%	2.00% to 6.00%	3.25% to 15.25%
		based on service years	based on service years	based on service years
Rate thereafter		2.75% to 5.65%	3.00% to 7.00%	NOT
		based on service years	based on service years	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-2022. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully

**NOTE 7: POST-RETIREMENT BENEFITS (CONTINUED)**

**Employees covered by benefit terms (Continued)**

generational mortality improvement projections from the central year using Scale MP-2022. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2022.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies for the periods July 1, 2015- June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013- June 30, 2018 for TPAF, PERS and PFRS, respectively.

**Health Care Trend Assumptions**

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

**Discount rate**

The discount rate for the June 30, 2021 measurement date 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**

<u>Changes in the State's Total OPEB Liability</u>			
			Total OPEB Liability
Balance at June 30, 2020			\$ 3,564,664
Service cost			581,590
Interest on Total OPEB Liability			84,755
Effect on Changes of Benefit Terms			(3,478)
Difference between expected and actual experience			(898,958)
Effect of Changes of Assumptions			3,223
Contributions - Employee			2,167
Gross Benefits Paid by the State			(66,763)
	Net Changes		(297,464)
Balance at June 30, 2021			\$ 3,267,200

**NOTE 7: POST-RETIREMENT BENEFITS (CONTINUED)**

**Employees covered by benefit terms (Continued)**

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

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

	Measurement Date Ended June 30, 2021		
	At 1%	At current	At 1%
	Decrease (1.16%)	discount rate (2.16%)	Increase (3.16%)
Total OPEB Liability	\$ 3,913,593	\$ 3,267,200	\$ 2,758,205

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

The following presents the total nonemployer OPEB liability measured as of June 30, 2021 calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date Ended June 30, 2021		
	At 1%	Trend Rate	At 1%
	decrease		Increase
Total OPEB Liability	\$ 2,644,809	\$ 3,267,200	\$ 4,103,025

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

For the fiscal year ended June 30, 2022 the Charter School recognized OPEB revenue and expense of \$ 632,030 in the government-wide financial statements for the State's proportionate share of the OPEB Plan's OPEB expenses, associated with the Charter School. This expense and revenue was based on the OPEB Plan's June 30, 2021 measurement date.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$3,267,200 , there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2021 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NOTE 7: POST-RETIREMENT BENEFITS (CONTINUED)**

**Employees covered by benefit terms (Continued)**

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	\$ 492,516	\$ 980,545
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	\$ 554,239	350,540
Sub Total	1,046,755	1,331,085
Contributions Made in Fiscal Year 2021 after June 30, 2020 Measurement Date	TBD	N/A
Total	TBD	\$ 1,331,085

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

Measurement Period Ending June 30	
2022	\$ (64,372)
2023	\$ (64,372)
2024	\$ (64,372)
2025	\$ (64,372)
2026	\$ (45,768)
Total Thereafter	\$ 18,926
	\$ (284,330)

**NOTE 8: RISK MANAGEMENT**

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

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



**NOTE 8: RISK MANAGEMENT (CONTINUED)**

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

**New Jersey Unemployment Compensation Insurance**

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

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2021-2022	\$ -	\$ -	\$ -	\$ -
2020-2021	5,164	4,559	9,723	-
2019-2020	1,385	12,072	13,457	20

**NOTE 9: CONTINGENT LIABILITIES**

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

**NOTE 10: FUND BALANCE**

**General Fund**

The General Fund surplus in the financial statements at June 30, 2022, was \$966,069.

**NOTE 11: IMPLEMENTATION OF NEW ACCOUNTING STANDARD AND RESTATEMENT OF NET POSITION**

In June of 2017, the GASB issued Statement no. 87, Leases. GASB Statement No.87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of GASB Statement No. 87 were effective for reporting periods beginning after June 15, 2021.

**NOTE 11: IMPLEMENTATION OF NEW ACCOUNTING STANDARD AND RESTATEMENT OF NET POSITION (CONTINUED)**

The School adopted GASB Statement No. 87 effective July 1, 2021. The implementation of GASB Statement No. 87 required retrospective application to prior periods resulting in the restatement of net position and fund balance as of the beginning of the year.

**NOTE 11: SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 24, 2023, the date the financial statements were available to be issued.

**NOTE 12: IMPACT OF COVID-19**

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

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

Although the Charter School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Charter School’s results of future operations, financial position, and liquidity in fiscal year 2023.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULE***

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Equalization Aid-Local	\$ 3,396,909	\$ -	\$ 3,396,909	\$ 3,455,404	58,495
<b>Total Local Sources</b>	<b>3,396,909</b>	<b>-</b>	<b>3,396,909</b>	<b>3,455,404</b>	<b>58,495</b>
Categorical Aid:					
Equalization Aid-State	368,691		368,691	368,691	-
Special Education			-	209,958	209,958
Security Aid			-	30,852	30,852
Payroll Tax			-	6,428	6,428
<b>Total Categorical Aid</b>	<b>368,691</b>	<b>-</b>	<b>368,691</b>	<b>615,929</b>	<b>247,238</b>
Revenues From Other Sources:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				590,978	590,978
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				138,076	138,076
On-Behalf TPAF Long Term Disability Contributions (Non-Budgeted)				597	597
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				143,874	143,874
Miscellaneous Revenue	20,000		20,000	32,891	12,891
<b>Total Revenues From Other Sources</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>	<b>906,416</b>	<b>886,416</b>
<b>Total Revenues</b>	<b>3,785,600</b>	<b>-</b>	<b>3,785,600</b>	<b>4,977,749</b>	<b>1,192,149</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	1,476,985		1,476,985	1,843,303	(366,318)
Other Salaries for Instruction	188,104		188,104	57,786	130,318
Purchased Prof/Tech Services	136,330		136,330	53,177	83,153
General Supplies	57,500		57,500	22,092	35,408
Miscellaneous	20,300		20,300	15,028	5,272
<b>Total Instruction</b>	<b>1,879,219</b>	<b>-</b>	<b>1,879,219</b>	<b>1,991,386</b>	<b>(112,167)</b>
Administration:					
Salaries - General Administration	264,232		264,232	317,717	(53,485)
Salaries - Technical	68,332		68,332	68,332	-
Salaries of Secretarial/Clerical Assistants	143,099		143,099	178,953	(35,854)
Total Benefits Cost	716,435		716,435	554,220	162,215
Purchases Prof/Tech Services	74,250		74,250	98,833	(24,583)
Other Purchased Services	6,250		6,250	13,878	(7,628)
Communications/Telephone	14,100		14,100	55,883	(41,783)
Insurance	12,150		12,150	1,098	11,052
Supplies and Materials	22,200		22,200	22,350	(150)
Miscellaneous Expenses	27,905		27,905	32,267	(4,362)
<b>Total Administration</b>	<b>1,348,953</b>	<b>-</b>	<b>1,348,953</b>	<b>1,275,199</b>	<b>73,754</b>

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

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 86,910		\$ 86,910	\$ 151,142	(64,232)
Salaries - Nurse					
Salaries - Improvement of Instruction	308,166		308,166	187,145	121,021
Purchased Prof/Tech Services	73,100		73,100	52,867	20,233
Cleaning, Repair, and Maintenance Services	61,500		61,500	42,813	18,687
Rental of Land and Buildings	395,155		395,155	165,980	229,175
Debt Service - Principal & Interest				333,947	(333,947)
Transportation-Other Than To/From School	36,955		36,955	38,688	(1,733)
Insurance for Property, Liability and Fidelity	33,220		33,220	25,012	8,208
Supplies and Materials	25,200		25,200	26,853	(1,653)
Energy Costs (Heat and Electricity)	43,700		43,700	9,125	34,575
Miscellaneous Expenses	550		550	6,013	(5,463)
<b>Total Support Services</b>	<b>1,064,456</b>	<b>-</b>	<b>1,064,456</b>	<b>1,039,585</b>	<b>24,871</b>
Capital Outlay:					
Non-Instructional Equipment	50,000		50,000		50,000
Building Purchases Other Than Lease Purchases	10,000		10,000		10,000
Lease Purchase Agreements-Principal				1,533,365	(1,533,365)
<b>Total Capital Outlay</b>	<b>60,000</b>	<b>-</b>	<b>60,000</b>	<b>1,533,365</b>	<b>(1,473,365)</b>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				590,978	(590,978)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				138,076	(138,076)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				143,874	(143,874)
On Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				597	(597)
<b>Total Expenditures</b>	<b>4,352,628</b>	<b>-</b>	<b>4,352,628</b>	<b>6,713,060</b>	<b>(2,221,759)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(567,028)</b>	<b>-</b>	<b>(567,028)</b>	<b>(1,735,311)</b>	<b>(1,168,283)</b>
Other Financing Sources (Uses)					
Lease Liabilities Issued				1,885,151	1,885,151
Food Service	550		550		550
<b>Total Other Financing Sources (Uses)</b>	<b>550</b>	<b>-</b>	<b>550</b>	<b>1,885,151</b>	<b>1,885,701</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(566,478)</b>	<b>-</b>	<b>(566,478)</b>	<b>149,840</b>	<b>717,418</b>
<b>FUND BALANCE, JULY 1</b>	<b>1,168,015</b>	<b>-</b>	<b>1,168,015</b>	<b>1,168,015</b>	<b>-</b>
<b>PRIOR PERIOD ADJUSTMENT</b>				<b>(351,786)</b>	<b>351,786</b>
<b>FUND BALANCE, JULY 1, RESTATED</b>	<b>1,168,015</b>	<b>-</b>	<b>1,168,015</b>	<b>816,229</b>	<b>351,786</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 601,537</b>	<b>\$ -</b>	<b>\$ 601,537</b>	<b>\$ 966,069</b>	<b>\$ 717,418</b>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 601,537	\$ -	601,537	\$ 966,069	\$ 364,532
<b>Total</b>	<b>\$ 601,537</b>	<b>\$ -</b>	<b>\$ 601,537</b>	<b>\$ 966,069</b>	<b>\$ 364,532</b>

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

**UNITY CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Federal Sources	\$ 657,375	\$ -	\$ 657,375	\$ 326,858	\$ (330,517)
Local Sources	2,000		2,000	48,652	46,652
<b>Total Revenues</b>	<b>659,375</b>	<b>-</b>	<b>659,375</b>	<b>375,510</b>	<b>(283,865)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	245,703		245,703	100,543	145,160
Other Purchased Services	4,600		4,600	4,600	-
General Supplies	251,072		251,072	106,082	144,990
<b>Total Instruction</b>	<b>501,375</b>	<b>-</b>	<b>501,375</b>	<b>211,225</b>	<b>290,150</b>
Support Services:					
Salaries of Supervisors of Instruction	52,000		52,000	52,000	-
Personal Services - Employee Benefits	10,800		10,800	10,800	-
Other Purchased Professional Services	63,901		63,901	48,277	15,624
Other Purchased Professional Services	9,299		9,299	4,556	4,743
Supplies and Materials	22,000		22,000		22,000
Miscellaneous Expenditures			-	64,844	(64,844)
<b>Total Support Services</b>	<b>158,000</b>	<b>-</b>	<b>158,000</b>	<b>180,477</b>	<b>(22,477)</b>
<b>Total Expenditures</b>	<b>659,375</b>	<b>-</b>	<b>659,375</b>	<b>391,702</b>	<b>267,673</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (16,192)</b>	<b>\$ 16,192</b>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***



**UNITY CHARTER SCHOOL**  
 Budgetary Comparison Schedule  
 Budget-To-GAAP Reconciliation  
 Note to RSI  
 For the Fiscal Year Ended June 30, 2022

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

		General Fund		Special Revenue Fund
<b>Sources/Inflows of Resources</b>				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	<b>[C-1]</b>	\$ 4,977,749	<b>[C-2]</b>	\$ 375,511
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	<b>[B-2]</b>	\$ 4,977,749	<b>[B-2]</b>	\$ 375,511
 <b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<b>[C-1]</b>	\$ 6,713,060	<b>[C-2]</b>	\$ 391,703
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<b>[B-2]</b>	\$ 6,713,060	<b>[B-2]</b>	\$ 391,703

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***

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

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

	Fiscal Year Ending June 30,					
	2017	2018	2019	2020	2021	2022
Charter School's proportion of the net pension liability	0.00619008%	0.00171623%	0.00117833%	0.00140792%	0.004161801%	0.005357538%
Charter School's proportionate share of the net pension liability	\$ 1,183,048	\$ 385,260	\$ 274,297	\$ 277,069	\$ 678,681	\$ 634,681
Charter School's covered payroll (plan measurement period)	\$ 1,080,422	\$ 106,432	\$ 133,471	\$ 660,006	\$ 366,685	\$ 348,925
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	109%	362%	206%	42%	185%	182%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	45.37%	51.55%	51.55%	53.60%	58.32%

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

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

	Fiscal Year Ending June 30,					
	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 46,641	\$ 14,755	\$ 10,916	\$ 21,220	\$ 45,528	62,743
Contributions in relation to the contractually required contribution	(48,449)	(14,755)	(10,916)	(21,220)	(45,528)	(62,743)
Contribution deficiency/(excess)	<u>\$ (1,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 1,080,422	\$ 106,432	\$ 133,471	\$ 660,006	\$ 366,685	\$ 348,925
Contributions as a percentage of covered employee payroll	4.32%	13.86%	8.18%	3.22%	12.42%	17.98%

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

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

	Fiscal Year Ending June 30,					
	2017	2018	2019	2020	2021	2022
State's proportion of the net pension liability attributable of the Charter School	0.0129349%	0.01130112%	0.01084543%	0.01301906%	0.01364094%	0.01402546%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,537,215	\$ 7,142,792	\$ 7,312,382	\$ 8,536,151	\$ 8,982,396	\$ 6,742,766
Charter School's covered payroll (plan measurement period)	\$ 4,209,720	\$ 1,202,738	\$ 1,337,635	\$ 1,351,235	\$ 1,351,235	\$ 1,514,068
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	155.29%	593.88%	546.66%	631.73%	664.75%	445.34%
Plan fiduciary net position as a p ercentage of the total pension liability	28.71%	22.33%	25.41%	25.41%	22.33%	26.95%

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

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

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

	Measurement Date Ending					
	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
<b>Total Non-Employer OPEB Liability- States's Proportionate Share of the Total OPEB Liability Associated with the Charter School</b>						
OPEB Liability at Beginning of Measurement Period		\$ 2,638,802	\$ 2,555,894	\$ 2,079,992	\$ 2,295,933	\$ 3,564,664
Service cost		274,182	228,433	210,205	305,485	581,590
Interest on Total OPEB Liability		82,213	98,726	87,320	90,006	84,755
Effect on Changes of Benefit Terms		-	-	-	-	(3,478)
Difference between expected and actual experience	NOT AVAILABLE	-	(510,676)	(47,428)	282,275	(898,958)
Effect of Changes of Assumptions		(382,283)	(238,689)	34,233	651,142	3,223
Contributions - Employee		2,180	1,922	2,089	1,881	2,167
Gross Benefits Paid by the State		(59,200)	(55,618)	(70,478)	(62,058)	(66,763)
Net Change in Total OPEB Liability		(82,908)	(475,902)	215,941	1,268,731	(297,464)
OPEB Liability at Beginning of Measurement Period	NOT AVAILABLE	2,638,802	2,555,894	2,079,992	2,295,933	3,564,664
Total OPEB Liability at End of Measurement Period	<u>2,638,802</u>	<u>2,555,894</u>	<u>2,079,992</u>	<u>2,295,933</u>	<u>3,564,664</u>	<u>3,267,200</u>

**Notes to Schedule:**

*Changes in benefit terms:* The \$63,870,842 decrease in liability from June 20,2020 to June 30, 2021 is due to employers adopting Chapter 44 provisions.

*Differences Between Expected and Actual Experiences:* The \$11,385,071,658 decrease in the liability from June 30, 2020 to June 30, 2021 is due to changes in the census claims

Update in census information	\$ (591,982,074)
Premium and Claims Experience	(10,793,089,584)
Total	<u>\$ (11,385,071,658)</u>

*Changes in Assumptions:*

The \$59,202,105 increase in the liability from June 30, 2020 to June 30, 2021 is due to the combined effect of the following:

Trend Update	\$ 141,651,103
Mortality Projection Scale Update	270,835,004
Discount Rate Change	536,297,378
Salary Scale	(889,581,380)
Total Changes in Assumption	<u>\$ 59,202,105</u>



***NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III***

**UNITY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**FOR FISCAL YEAR ENDED JUNE 30, 2022**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 7.00% as of June 30, 2020 to 7.00% as of June 30, 2021 in accordance with Paragraph 44 of GASB Statement No. 67.

**UNITY CHARTER SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHER'S PENSION AND ANNUITY FUND**  
**FOR FISCAL YEAR ENDED JUNE 30, 2022**

**A. Benefit Changes**

There were none.

**B. Changes in Assumptions**

The discount rate changed from 5.40% as of June 30, 2020 to 7.00% as of June 30, 2021 in accordance with Paragraph 44 of GASB Statement No. 67.

***OTHER SUPPLEMENTARY INFORMATION***

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

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

**UNITY  
CHARTER SCHOOL**  
Special Revenue Fund  
Combining Schedule of Revenues and Expenditures  
Budgetary Basis  
For the Fiscal Year Ended June 30, 2022

	Title I	Title IV	Title II Part A	IDEA Part B	CRRSA Act ESSER II	CRRSA Act Learning Accel Grant	CRRSA Act Mental Health Grant	ARP ESSER Compreh Beyond Grant	ARP ESSER NJTS Mental Health Grant	Local Grants	Total
Revenues:											
Federal Sources	\$ 21,571	\$ 10,000	\$ 4,556	\$ 80,136	\$ 64,519	\$ 25,000	\$ 25,000	\$ 60,412	\$ 20,050	\$ -	\$ 314,116
Local Sources										48,652	48,652
<b>Total Revenues</b>	<b>\$ 21,571</b>	<b>\$ 10,000</b>	<b>\$ 4,556</b>	<b>\$ 80,136</b>	<b>\$ 64,519</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 60,412</b>	<b>\$ 20,050</b>	<b>\$ 48,652</b>	<b>\$ 362,768</b>
Expenditures:											
Instruction:											
Salaries of Teachers	\$ 21,571	\$ -	\$ -	\$ -	\$ 17,658	\$ 20,400	\$ -	\$ 5,250	\$ -	\$ -	\$ 67,751
Other Salaries for Instruction									20,050		20,050
Purchased Prof/Tech Services					44,061	4,600					4,600
General Supplies				6,859				55,162			99,223
Textbooks											6,859
Other Objects											-
<b>Total Instruction</b>	<b>21,571</b>	<b>-</b>	<b>-</b>	<b>6,859</b>	<b>61,719</b>	<b>25,000</b>	<b>-</b>	<b>60,412</b>	<b>20,050</b>	<b>-</b>	<b>198,483</b>
Support Services:											
Salaries of Other Professional Staff											25,000
Other Salaries				27,000							27,000
Personal Services/Employee Benefits				10,800							10,800
Purchased Prof/Ed Services	10,000		4,556	35,477	2,800						48,277
Other Purchased Services											4,556
Student Activities										64,844	64,844
<b>Total Support Services</b>	<b>-</b>	<b>10,000</b>	<b>4,556</b>	<b>73,277</b>	<b>2,800</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64,844</b>	<b>180,477</b>
<b>Total Expenditures</b>	<b>21,571</b>	<b>10,000</b>	<b>4,556</b>	<b>80,136</b>	<b>64,519</b>	<b>25,000</b>	<b>25,000</b>	<b>60,412</b>	<b>20,050</b>	<b>64,844</b>	<b>378,960</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (16,192)	\$ (16,192)

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

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

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

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

**STATISTICAL SECTION  
(UNAUDITED)**

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



**Contents**

**Financial Trends**

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

**Revenue Capacity (Not Applicable To Charter School)**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

***FINANCIAL TRENDS***

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Governmental Activities</b>										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ 94,040	\$ 102,803	\$ 108,435	\$ 141,391	\$ 141,391	\$ 157,868	\$ 168,990	\$ 175,132	\$ 119,325	\$ 103,262
Restricted	-	-	-	45,000	40,752	46,626	40,752	46,626	40,266	-
Unrestricted	184,758	762,972	465,203	242,700	(78,575)	(221,387)	(216,441)	(240,621)	(254,234)	241,306
<b>Total Governmental Activities Net Assets/ Position</b>	<b>\$ 278,798</b>	<b>\$ 865,775</b>	<b>\$ 573,638</b>	<b>\$ 384,091</b>	<b>\$ 62,816</b>	<b>\$ (18,519)</b>	<b>\$ (6,699)</b>	<b>\$ (18,863)</b>	<b>\$ (94,643)</b>	<b>\$ 344,568</b>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ -	\$ -	\$ 237	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	\$ 24,850	\$ (48,388)	\$ (55,626)	\$ (26,701)	\$ (16,380)	\$ 16,551	\$ 27,708	\$ 27,510	\$ 24,676	\$ 18,198
<b>Total Business-Type Activities Net Assets/Position</b>	<b>\$ 24,850</b>	<b>\$ (48,388)</b>	<b>\$ (55,389)</b>	<b>\$ (26,462)</b>	<b>\$ (16,380)</b>	<b>\$ 16,551</b>	<b>\$ 27,708</b>	<b>\$ 27,510</b>	<b>\$ 24,676</b>	<b>\$ 18,198</b>
<b>Charter School-Wide</b>										
Net Investment in Capital Assets/ Invested in capital assets, net of related debt	\$ 94,040	\$ 102,803	\$ 108,672	\$ 141,630	\$ 141,391	\$ 157,868	\$ 168,990	\$ 175,132	\$ 119,325	\$ 103,262
Restricted	-	-	-	45,000	40,752	46,626	40,752	46,626	40,266	-
Unrestricted	209,608	714,584	409,577	215,999	(94,955)	(204,836)	(188,733)	(213,111)	(229,557)	259,504
<b>Total Charter School Net Position</b>	<b>\$ 303,648</b>	<b>\$ 817,387</b>	<b>\$ 518,249</b>	<b>\$ 357,629</b>	<b>\$ 46,436</b>	<b>\$ (1,968)</b>	<b>\$ 21,009</b>	<b>\$ 8,647</b>	<b>\$ (69,966)</b>	<b>\$ 362,766</b>

**Source: Annual Comprehensive Financial Report**

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 2,901,914	\$ 2,344,935	\$ 2,101,786	\$ 2,027,110	\$ 2,161,922	\$ 2,446,726	\$ 1,879,182	\$ 2,624,767	\$ 1,518,652	\$ 1,480,970
Administration	454,382	273,960	404,737	413,578	788,327	788,327	-	-	(1)	(1)
Support Services	1,904,863	1,836,544	1,863,888	1,701,681	1,438,763	2,017,249	1,696,949	1,942,088	1,399,705	1,231,429
Capital Outlay	99,478	-	27,437	30,172	37,058	-	-	-	-	-
Interest on Long-Term Debt	227,815	8,763	16,478	16,478	16,478	-	-	-	-	-
Unallocated Amortization and Depreciation	5,588,452	4,464,202	4,414,326	4,189,019	4,442,548	4,463,975	3,576,131	4,566,855	2,918,356	2,712,398
Total Governmental Activities Expenses	105,464	153,435	94,339	237	93,375	91,423	38,579	25,485	22,108	31,437
Business-Type Activities:	84,834	153,435	94,339	46,954	59,525	64,765	63,018	57,013	35,822	33,441
Food Service	190,298	153,435	94,339	47,191	152,900	156,208	101,597	82,498	57,930	64,878
After School	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	\$ 5,778,750	\$ 4,617,637	\$ 4,508,665	\$ 4,236,210	\$ 4,595,448	\$ 4,620,183	\$ 3,677,728	\$ 4,649,353	\$ 2,976,286	\$ 2,777,276
Total Charter School Expenses										
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	\$ 48,652	\$ 13,254	\$ -	\$ -	\$ -	\$ 1,056,483	\$ 839,833	\$ 2,191,474	\$ 638,300	\$ 595,322
Operating Grants and Contributions	-	-	-	-	193	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	193	-	-	-	-	-
Total Governmental Activities Expenses	48,652	13,254	-	-	193	1,056,483	839,833	2,191,474	638,300	595,322
Business-Type Activities:	135,694	2,277	8,329	28,286	40,527	145,050	101,795	85,332	64,408	77,519
Charges for Services	127,842	158,396	57,085	68,010	79,442	145,050	101,795	85,332	64,408	77,519
Operating Grants and Contributions	263,536	160,673	65,414	96,296	119,969	145,050	101,795	85,332	64,408	77,519
Total Business-Type Activities Expenses	\$ 312,188	\$ 173,927	\$ 65,414	\$ 96,296	\$ 120,162	\$ 1,201,533	\$ 941,628	\$ 2,276,806	\$ 702,708	\$ 672,841
Total Charter School Program Revenue										
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (5,539,800)	\$ (4,450,948)	\$ (4,414,326)	\$ (4,189,019)	\$ (4,442,355)	\$ (3,407,492)	\$ (2,736,298)	\$ (2,375,381)	\$ (2,280,056)	\$ (2,117,076)
Business-Type Activities	73,238	7,238	(28,925)	49,105	(32,931)	(11,158)	198	2,834	6,478	12,641
Total Charter School Net Expense	\$ (5,466,562)	\$ (4,443,710)	\$ (4,443,251)	\$ (4,139,914)	\$ (4,475,286)	\$ (3,418,650)	\$ (2,736,100)	\$ (2,372,547)	\$ (2,273,578)	\$ (2,104,435)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
General Purposes	\$ 1,816,313	\$ 1,339,378	\$ 1,258,452	\$ 4,392,633	\$ 4,382,217	\$ 3,370,368	\$ 2,735,424	\$ 2,446,841	\$ 2,283,175	\$ 2,070,346
Federal and State Aid Not Restricted	-	-	-	-	-	-	-	-	-	-
Investment Earnings	-	-	-	-	-	1	2	4	3	13
Miscellaneous Income	3,488,296	3,403,394	3,361,899	101,183	141,472	25,305	13,037	4,316	4,869	11,256
Special Item - Disposal of Assets	-	-	-	-	-	-	-	-	-	(43,355)
Transfers	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	5,304,609	4,742,772	4,620,351	4,493,816	4,523,689	3,395,674	2,748,463	2,451,161	2,288,047	2,038,260
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	-	-	-	-	-	-	-	-	-	-
Total Charter School Wide	\$ 5,353,261	\$ 4,756,026	\$ 4,620,351	\$ 4,493,816	\$ 4,523,689	\$ 3,395,674	\$ 2,748,463	\$ 2,451,161	\$ 2,288,047	\$ 2,038,260
<b>Change in Net Position</b>										
Governmental Activities	\$ (235,191)	\$ 291,824	\$ 206,025	\$ 304,797	\$ 81,334	\$ (1,818)	\$ 12,165	\$ 75,780	\$ 7,991	\$ (78,816)
Business-Type Activities	73,238	7,238	(28,925)	49,105	(32,931)	(11,158)	198	2,834	6,478	12,641
Total Charter School	\$ (161,953)	\$ 299,062	\$ 177,100	\$ 353,902	\$ 48,403	\$ (22,976)	\$ 12,363	\$ 78,614	\$ 14,469	\$ (66,175)

Source: Annual Comprehensive Financial Report

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund	\$ -	\$ -	\$ 385	\$ -	\$ -	\$ 45,000	\$ 40,752	\$ 46,626	\$ 40,266	\$ -
Restricted	966,069	1,168,015	814,019	605,715	319,439	208,310	222,468	193,772	192,965	241,306
Unassigned	\$ 966,069	\$ 1,168,015	\$ 814,404	\$ 605,715	\$ 319,439	\$ 253,310	\$ 263,220	\$ 240,398	\$ 233,231	\$ 241,306
Total General Fund	\$ 966,069	\$ 1,168,015	\$ 814,404	\$ 605,715	\$ 319,439	\$ 253,310	\$ 263,220	\$ 240,398	\$ 233,231	\$ 241,306

Source: Annual Comprehensive Financial Report



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

Fiscal Year Ending June 30,	Interest	Prior Year Refunds	Miscellaneous Revenue	Total
2022	\$ -	\$ -	\$ 32,891	\$ 32,891
2021	-	-	199,367	199,367
2020	-	-	264,434	264,434
2019	-	-	98,807	98,807
2018	193	-	15	208
2017	1	7,442	-	7,443
2016	2	5,033	455	5,490
2015	4	-	14	18
2014	3	3,998	-	4,001
2013	13	1,274	-	1,287

**Source: Charter School records**

***OPERATING INFORMATION***



**UNITY CHARTER SCHOOL**  
 Operating Statistics  
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil / Teacher Ratio	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2022	263	\$ 5,571,398	\$ 21,184	18.25%	19.00	13.8:1	260.17	254.32	9.82%	97.75%
2021	245	4,389,161	17,915	-2.75%	-	N/A	236.9	231.3	0.64%	97.64%
2020	238	4,384,225	18,421	4.51%	-	N/A	235.4	227.9	-0.51%	96.81%
2019	237	4,177,368	17,626	2.99%	-	N/A	236.6	231.0	-1.36%	97.64%
2018	239	4,090,121	17,113	-10.68%	-	N/A	239.9	231.0	2.94%	96.31%
2017	233	4,463,975	19,159	17.33%	-	N/A	233.0	N/A	6.39%	0.00%
2016	219	3,576,131	16,329	-27.41%	-	N/A	219.0	N/A	7.88%	0.00%
2015	203	4,566,855	22,497	0.00%	-	N/A	203.0	N/A	0.00%	0.00%
2014	N/A	2,918,356	-	0.00%	-	N/A	N/A	N/A	0.00%	0.00%
2013	N/A	2,712,398	-	0.00%	-	N/A	N/A	N/A	0.00%	0.00%

**UNITY CHARTER SCHOOL**  
 School Building Information  
 Last Ten Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Charter School Building</b>										
<u>Primary/Intermediate/Middle</u>										
Square Feet	16,000	16,000	27,349	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity (students)	255	240	240	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Enrollment	255	245	238	237	239	233	N/A	N/A	N/A	N/A

Number of Schools at June 30, 2022  
 Primary/Intermediate/Middle = 1  
 High = 1

**Source: Charter School Facilities Office**

**UNITY CHARTER SCHOOL**  
Insurance Schedule  
June 30, 2022

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

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

	2020 Audit	2021 Audit	2022 Audit	Source
Cash	168,167	678,382	716,369	Audit: Exhibit A-1
Current Assets (include cash)	832,654	1,192,879	1,121,361	Audit: Exhibit A-1
Current Liabilities	73,876	69,445	142,827	Audit: Exhibit A-1
Total Expenses	4,508,665	4,617,637	5,778,749	Audit: Exhibit A-2
Change in Net Position	177,100	299,062	(161,953)	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	235.00	237.00	254.00	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	235	237	260	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	16,478	8,763	8,763	Auditor/Workpapers
Interest Expense	-	-	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

		3 YR CUM			Target****	
Performance Indicators		2020	2021	2022	Calculation****	
<b>Near Term Indicators</b>						
1a.	Current Ratio (working capital ratio)	11.27	17.18	7.85	Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b.	Unrestricted days cash on hand	14	54	45	Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c.	Enrollment Variance	100%	100%	98%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.**	Default on loans or delinquent in debt payments	NO	NO	NO	Auditor	not in default
<b>Sustainability Indicators</b>						
2a***	3 Year Cumulative Cash Flow	(85,378)	510,215	37,987	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b	Debt Service Coverage Ratio	N/A	N/A	N/A	N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

\* For renaissance schools: use Oct 15 count; if no final count, use head count if ADE not available  
 \*\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\*\* 2022 =2022 Cash; 2021 =2021 Cash; 2020 =2020 Cash; 2020 =2020 Cash -2019 Cash  
 \*\*\*\* Refer to NJ Performance Framework

Meets Standard  
 Does Not Meet Standard  
 Falls Far Below Standard

***SINGLE AUDIT SECTION***

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

***INDEPENDENT AUDITOR'S REPORT***

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

Morris Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and each major fund Unity Charter School (Charter School), State of New Jersey, as of and for the fiscal year ended June 30, 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 February 24, 2023, which contains an emphasis of matter paragraph describing the adoption of a new accounting principle, consistency of financial statements, and prior period adjustment.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as #2022-001 that we consider to be significant deficiency.


### ***Reporting on Compliance and Other Matters***

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

### ***Purpose of this Report***

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

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

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

Union, New Jersey  
February 24, 2023

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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

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

***Report on Compliance for Each Major State Program***

***Opinion on Each Major State Program***

We have audited the Unity Charter School’s compliance with the types of compliance requirements described in the New Jersey Circular 15-08- OMB State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2022. The Unity Charter School’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.



We are required to be independent of Unity 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 state program. Our audit does not provide a legal determination of Unity Charter School's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Unity Charter School's 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 Unity 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 the New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid 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 Unity Charter School's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Office of School Finance, Department of Education, State of New Jersey; and New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, 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 Unity 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 Unity 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 New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid but not for the purpose of expressing an opinion on the effectiveness of Unity Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**


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

Our consideration of internal control over compliance was for the limited purpose described in the 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 New Jersey Circular 15-08 OMB. Accordingly, this report is not suitable for any other purpose.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

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

Union, New Jersey  
February 24, 2023

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

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Additional Award Identification	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2021	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Pass-Through To Subrecipients	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2022		
						From	To								Accounts Receivable	Unearned Revenue	Due to Grantor
<b>U.S. Department of Education</b>																	
<b>Passed-through State Department of Education</b>																	
Special Revenue Fund: No Child Left Behind																	
Title I Part A	84.010A	N/A	S010A190030	NCLB - - 22	\$ 21,571	7/1/21	6/30/22	\$ -	\$ -	\$ 21,571	\$ (21,571)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Title I Part A Carryover	84.010A			NCLB - - 21		7/1/20	6/30/21	(22,084)		22,084							
Title II Part A	84.367	84.367A	S367A190029	NCLB - - 22	4,556	7/1/21	6/30/22			4,556	(4,556)						
Title II Part A Carryover	84.367			NCLB - - 21		7/1/20	6/30/21	(4,743)		4,743							
Title IV Safe & Drug Free	84.186	84.186A	S424A190031	NCLB - - 22	10,000	7/1/21	6/30/22			10,000	(10,000)						
Title IV Safe & Drug Free Carryover	84.186A			NCLB - - 21		7/1/20	6/30/21	(10,000)		10,000							
Total No Child Left Behind								(36,827)		72,954	(36,127)						
Special Education Cluster (IDEA):																	
ID.E.A. Part B Basic	84.027	84.027A	H027A190100	IDEA - - 22	80,136	7/1/21	6/30/22			44,690	(80,136)						(35,446)
ID.E.A. Part B Basic Carryover	84.027		H027A190100	IDEA - - 20		7/1/20	6/30/21	(44,721)		44,721							(35,446)
Total Individuals with Disabilities Cluster								(44,721)		89,411	(80,136)						(35,446)
Other Special Revenue Funds:																	
ARP - ESSER	84.425	COVID-19, 84.425U	S425D210027	N/A	60,412	3/13/21	8/31/23				(60,412)						(60,412)
CRRS Act - ESSER II	84.425	COVID-19, 84.425D	S425D210027	N/A	64,519	3/13/21	8/31/23			36,700	(64,519)						(27,819)
CRRS Act - Learning Acceleration Grant	84.425	COVID-19, 84.425D	S425D210027	N/A	25,000	3/13/21	8/31/23			9,000	(25,000)						(16,000)
CRRS Act - Mental Health	84.425	COVID-19, 84.425D	S425D210027	N/A	25,000	3/13/21	8/31/23			15,000	(25,000)						(10,000)
ARP ESSER Evidence Based Comprehensive Beyond the School Day	84.425	COVID-19, 84.425U	S425D210027	N/A	2,872	9/1/20	8/31/21				(2,872)						(2,872)
ARP ESSER NJTS Mental Health Supporting Staffing	84.425	COVID-19, 84.425U	S425D210027	N/A	20,050	9/1/20	8/31/21				(20,050)						(20,050)
Total Other Special Revenue Funds										60,700	(197,853)						(137,153)
Total Special Revenue Fund								(81,548)		223,065	(314,116)						(172,599)
<b>U.S. Department of Agriculture</b>																	
<b>Passed-through State Department of Agriculture</b>																	
Enterprise Fund:																	
Child Nutrition Cluster:																	
COVID-19: National School Lunch Program	10.555	COVID-19	211NJ304N1099	N/A	54,269	7/1/21	6/30/22			47,560	(54,269)						(6,709)
COVID-19: National School Lunch Program	10.555	COVID-19	201NJ304N1099	N/A	18,307	7/1/20	6/30/21	(1,270)		1,270							
Child Care Food Program	10.558	N/A	211NJ304N1099	N/A	817	7/1/21	6/30/22			817	(817)						
Total Child Nutrition Cluster								(1,270)		49,647	(55,086)						(6,709)
Total Enterprise Fund								(1,270)		49,647	(55,086)						(6,709)
Total Federal Financial Awards								\$ (82,818)	\$ -	\$ 272,712	\$ (369,202)	\$ -	\$ -	\$ -	\$ -	\$ (179,308)	\$ -

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

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2021					Adjustments/ Repayment of Prior Year's Balance	Balance at June 30, 2022			MEMO		
			From	To	Unearned Revenue (Accounts Receivable)	Due to Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures		Unearned Revenue (Accounts Receivable)	Revenue Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
<b>State Department of Education</b>																
General Fund:																
State Aid-Public																
Equalization Aid- State Share	22-495-034-5120-078	\$ 368,691	7/1/21	6/30/22	\$ -	\$ -	\$ -	\$ 368,691	\$ (368,691)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,691
Special Education Categorical Aid	22-495-034-5120-089	209,958	7/1/21	6/30/22				209,958	(209,958)							209,958
Security Aid	22-495-034-5120-084	30,852	7/1/21	6/30/22				30,852	(30,852)							30,852
Other State Aid	21-495-034-5120-071	6,428	7/1/20	6/30/21				6,428	(6,428)							6,428
Total State Aid-Public								615,929	(615,929)							615,929
TPAF Post-Retirement Medical Contribution:	22-495-034-5094-001	138,076	7/1/21	6/30/22				138,076	(138,076)							138,076
On-Behalf TPAF Pension Contributions:	22-495-034-5094-002	590,978	7/1/21	6/30/22				590,978	(590,978)							590,978
TPAF Long Term Disability Insurance Premium	22-495-034-5094-004	597	7/1/21	6/30/22				597	(597)							597
Reimbursed TPAF - Social Security	22-495-034-5094-003	143,874	7/1/21	6/30/22				136,564	(143,874)		(7,310)			7,310		143,874
Reimbursed TPAF - Social Security	21-495-034-5094-003	117,066	7/1/20	6/30/21	(5,767)			5,767								
Total Reimbursed TPAF-Social Security					(5,767)			142,331	(143,874)		(7,310)			7,310		143,874
Total General Fund					(5,767)	-	-	1,487,911	(1,489,454)	-	(7,310)	-	-	7,310	-	1,489,454
<b>State Department of Agriculture</b>																
Enterprise Fund:																
National School Lunch Program (State Share)	22-100-010-3350-023	2,621	7/1/21	6/30/22				2,143	(2,621)		(478)				478	2,621
National School Lunch Program (State Share)	21-100-010-3350-023	650	7/1/20	6/30/21	(20)			20								
Total Enterprise Fund					(20)	-	-	2,163	(2,621)	-	(478)	-	-	478	-	2,621
Total State Financial Assistance Subject to Major Program Determination for State Single Au					\$ (5,787)	\$ -	\$ -	\$ 1,490,074	\$ (1,492,075)	\$ -	\$ (7,788)	\$ -	\$ -	\$ 7,788	\$ -	\$ 1,492,075
State Financial Assistance Not Subject to Major Program Determination																
General Funds (Non-Cash Assistance)																
TPAF Post-Retirement Medical Contribution:	22-495-034-5094-001	138,076	7/1/21	6/30/22				(138,076)	138,076							(138,076)
On-Behalf TPAF Pension Contributions:	22-495-034-5094-002	590,978	7/1/21	6/30/22				(590,978)	590,978							(590,978)
TPAF Long Term Disability Insurance Premium	22-495-034-5094-004	597	7/1/21	6/30/22				(597)	597							(597)
Total General Funds (Non-Cash Assistance)								(729,651)	729,651							(729,651)
Total State Financial Assistance					\$ (5,787)	\$ -	\$ -	\$ 760,423	\$ (762,424)	\$ -	\$ (7,788)	\$ -	\$ -	\$ 7,788	\$ -	\$ 762,424

## UNITY CHARTER SCHOOL

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance  
June 30, 2022

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### **NOTE 1. GENERAL**

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

### **NOTE 2. BASIS OF ACCOUNTING**

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

### **NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

**UNITY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2022

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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

	Federal	State	Total
General Fund	\$ -	\$ 1,489,454	\$ 1,489,454
Special Revenue Fund	326,859	-	326,859
Food Service Fund	125,046	2,796	127,842
Total Awards & Financial Assistance	<u>\$ 451,905</u>	<u>\$ 1,492,250</u>	<u>\$ 1,944,155</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING**

Unity Charter School has no loan balances outstanding at June 30, 2022.

**NOTE 6. OTHER INFORMATION**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2022. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2022.

**UNITY CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2022

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

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

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

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

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 21,571
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	4,556
Title IV, Part A: <i>Safe and Drug-Free Schools and Communities</i>	<hr/>
Total	<u>\$ 26,127</u>

**NOTE 9. MAJOR PROGRAMS**

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

**UNITY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2022

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

**Federal Awards**

**N/A**

**State Awards**

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

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
22-495-034-5120-071	STATE AID – PUBLIC
22-495-034-5120-089	Equalization Aid
22-495-034-5120-084	Special Education Aid
22-495-034-5120-084	Security Aid
22-495-034-5120-084	Non Public Aid



**UNITY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2022

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***Section II – Schedule of Financial Statement Findings***

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

**Item #2022-001 – Separate accounting was not maintained for each grant**

**Criteria:** The entity selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. To accomplish this in part, the school keeps records for all approved grants and charges expenditures associated with grants to their specific accounts.

**Context:**

**Condition:** Separate recording keeping for grants related expenditures and revenues were not being maintained.

**Cause:** Per the grant awards, board secretary report and cash receipts analysis there were inconsistencies, which were cause by not maintaining proper bookkeeping.

**Effect:** Improper bookkeeping of grants can lead to improper allocation of expenditure and revenues.

**Recommendations:** School should properly keep track of all grant related expenditures and only those should be charged to the grant. Revenue should be booked on correct grant accounts and periodically reconciliation on the grants should be done to insure proper reporting.

**Views of the responsible official and planned corrective actions:** Management agrees with the finding and will implement better internal controls in this area as described in the recommendation.

**UNITY CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2022

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

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

**CURRENT YEAR FEDERAL AWARDS**

No Current Year Findings

**CURRENT YEAR STATE AWARDS**

No Current Year Findings

**UNITY CHARTER SCHOOL**  
Summary Schedule Prior Year Audit Findings and Questioned Costs as prepared by  
Management  
For the Fiscal Year Ended June 30, 2022

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**STATUS OF PRIOR-YEAR FINDINGS**

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

No Prior Year Findings