



Discovery Charter School
**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

PREPARED BY

DISCOVERY CHARTER SCHOOL

DISCOVERY CHARTER SCHOOL

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Discovery Charter School, 240 Halsey Street, Newark, New Jersey 07102, Tel: (973) 623-0222

November 30, 2023

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

Dear Commissioner:

We hereby submit the Annual Comprehensive Financial Report of the Discovery Charter School (the “Charter School”) for the fiscal year ended June 30, 2023.

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

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

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

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

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

1) Reporting Entity and Its Services

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

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

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

By the end of 2022-2023 school year, the Charter School had a student enrollment of 100.

2) Economic Condition and Outlook

The Charter School is located in the City of Newark, which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

2) Economic Condition and Outlook – *continued*

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company.

Newark is the site of the Rutgers University School of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

The City of Newark has been obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of the redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. As our enrollment increases we plan to lease additional facilities at our current location and possibly in surrounding areas in the City.

3) Charter School Enrollment, Demographics and Other Highlights

The Charter School understands its responsibility to serve all students, including special education students, English Language Learners, students who qualify for free or reduced-price lunch, and other underserved or at-risk populations.

The Charter School is a data driven school environment, focused on providing quality instruction for all learners with varied needs, abilities, and strengths. As a tool to allow the school to focus on building quality instruction we rely heavily on data and its implications for needs of students, staff, parents, community, as well as external stakeholders. For this reason, we are survey driven and much of our information is provided through surveys, evaluations from workshops, PTA meetings, professional development sessions, and staff meetings. Upon receiving the data, it is then broken down and placed in various categories. As a Data Team we work collectively to discuss the data and refine our SMART goals, literacy and professional development goals to support our students, teachers, parents, and the school community.

3) **Charter School Enrollment, Demographics and Other Highlights** – *continued*

Our learning environment uses Positive Discipline, and we have policies and procedures that support a safe and healthy learning environment, which is what parents admire most, based on survey data. Second to our safe and healthy learning environment, we have developed a learning environment where learners are valued and challenged beyond normal limits, supporting our Gifted and Talented Program. Moreover, exceptional learners are provided with support based on their IEPs as well as individualized lesson plans, one and small group support to facilitate the development and mastery of benchmark goals and assessments. Secondly, our School Based Support Team and Guidance staff works diligently to ensure compliance with the IDEA (Individual With Disability Education Act) and its framework. Furthermore, as a school community we have implemented and applied a curriculum that is rigorous, relevant, and respective of the students we serve.

Additionally, teachers use pacing guides to ensure material is covered carefully and applying appropriate resources and tools.

In order to increase student achievement we have taken a number of measures to ensure student success by adding additional programs as well refining programs that are currently in place. As a learning community, we will have students partake in more service learning projects that are tightly aligned to the curriculum; allowing students to problem solve and think critically.

We will continue to conduct workshops that foster greater student achievement and parent participation. Our Guidance Counselor facilitates the operation of a middle school transition program, thereby allowing smooth transitioning into the middle grades.

Therefore, as teachers are learning and processing the information, and maintaining intellectual accountability for their own development and student achievement, they have recorded their reflections. Thus, by educators reflecting on their professional experiences this will consistently build a formidable repertoire of skills that can be contributed to valuable learning experiences given to our students.

As an example, the Parent Academy is bridging the gap between home and school, by educating parents and pupils. In fact, this outreach program engages and empowers parents, sets academic expectations, and together as a team, parents, staff, and students work together as a collective unit. This program provides parents with a toolkit, designed to educate parents about their child's academic development, strategies, resources, helpful homework hints, and suggestions for promoting high academic standards. Thus, this program is mission centered, and illustrates a marked concern for our students to perpetuate a cycle of successful learning experiences, that promote life-long learning.

3) **Charter School Enrollment, Demographics and Other Highlights** – *continued*

For this purpose, our professional development program centers on building competencies of staff, that will allow them to continuously utilize an inquiry based approach to developing comprehensive themes and interdisciplinary units of study. With attention to the cohort analysis, the staff will utilize the data to effectively create this hands-on minds on curriculum that will manifest itself into a relevant, rigorous, and rich curriculum. The school utilizes several strategies to assess the progress toward the attainment of its goals and objectives.

Pursuing this further, the staff carefully applied their competencies learned in professional development by developing learning on display, academic exhibits that display and carefully connect pieces of the curriculum while increasing student skill sets. Recently, within this school year the entire staff immersed themselves in seamlessly integrated interdisciplinary thematic units of study, that addressed multiple facets of the curriculum such as media literacy, measurement, multi- genre writing, elements of probative inquiry, questioning, engaging in research, and drafting articulate pieces of writing that followed a process driven approach for the development and execution of the academic exhibits. Following this further, the staff continued to work together collectively in cohort analysis and apply strategic approaches learned in professional development to advance the academic outcomes for student progress.

With this in mind, the Charter School we are continually refining our programs to meet the needs of our learners, their families, and the greater community which we serve in Newark, New Jersey.

4) **Internal Accounting Controls**

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

4) Internal Accounting Controls - *continued*

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

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

5) Budgetary Controls

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. The final budget amount, as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriations of fund balance in the subsequent year.

During the 2022-2023 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

6) Accounting System and Report

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the fiscal year ended June 30, 2023:

**Summary of the General Fund
and Special Revenue Fund Revenues**

| Revenue | 2023 | 2022 | Increase/ (decrease) | % Change |
|-----------------|---------------------|---------------------|---------------------------------|-----------------|
| Local sources | \$ 265,936 | \$ 226,936 | \$ 39,000 | 17.19% |
| State sources | 1,816,011 | 1,644,746 | 171,265 | 10.41% |
| Federal sources | 507,549 | 476,632 | 30,917 | 6.49% |
| | <u>\$ 2,589,496</u> | <u>\$ 2,348,314</u> | <u>\$ 241,182</u> | <u>10.27%</u> |

The Charter School experienced a 10.27% increase in revenue due to significant COVID-19 spending.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2023:

**Summary of the General Fund
and Special Revenue Fund Expenditures**

| Expenditures | 2023 | 2022 | Increase/ (decrease) | % Change |
|---------------------|---------------------|---------------------|---------------------------------|-----------------|
| Instruction | \$ 1,205,170 | \$ 1,045,100 | \$ 160,070 | 15.32% |
| Administrative | 778,745 | 744,663 | 34,082 | 4.58% |
| Support | 446,315 | 431,110 | 15,205 | 3.53% |
| Capital outlay | 6,457 | 17,930 | (11,473) | 0.00% |
| | <u>\$ 2,436,687</u> | <u>\$ 2,238,803</u> | <u>\$ 197,884</u> | <u>8.84%</u> |

The Charter School's expenditures increased by about 8.84%. The significant increase in expenditures was due to significant COVID-19 related expenditures.

8) Cash Management

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

9) Risk Management

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

10) Other Information

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”.

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

The 2022-2023 school-year was one of modest academic achievement at the Discovery Charter School. However, the Charter School continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

11) Acknowledgments

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

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

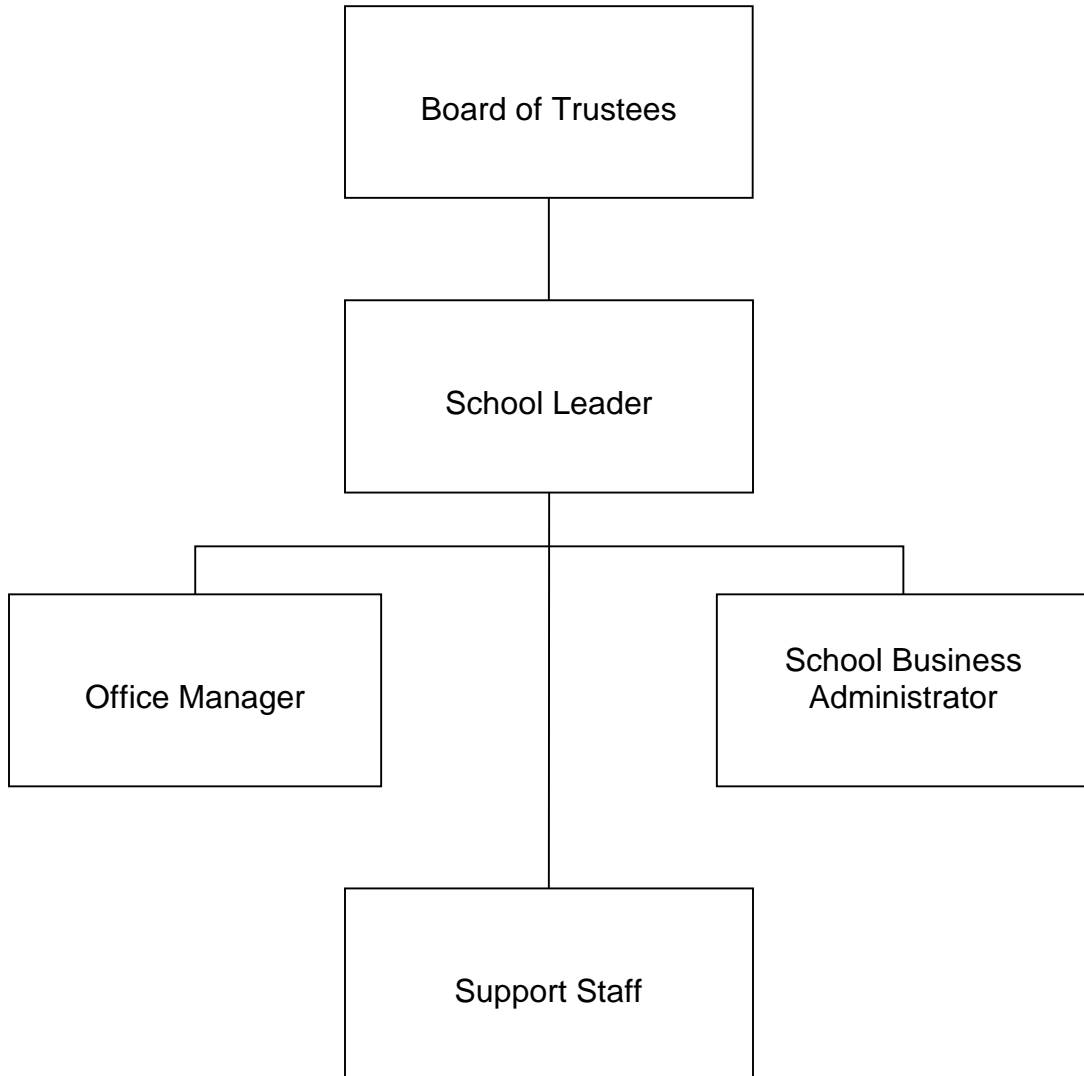
Respectfully Submitted

Denis Cretinon

Denis Cretinon
School Leader

DISCOVERY CHARTER SCHOOL

Organizational Chart



DISCOVERY CHARTER SCHOOL
ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2023

Members of Board of Trustees

| | |
|---------------|-----------|
| Adam Padla | President |
| Resa Drasin | Trustee |
| Tracey McNair | Trustee |
| Michael Cruz | Trustee |
| Seth Hiler | Trustee |
| Chidi Ugwu | Trustee |

Administration

Denis Cretinon, School Leader

Albert Barre, School Business Administrator/Board Secretary

DISCOVERY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

Olugbenga Olabintan
Certified Public Accountant/Consultant
137 Camden Street
Newark, NJ 07103

Attorney

None

Official Depository

Provident Bank
222 Halsey Street
Newark, NJ 07102

Financial Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Discovery Charter School
Newark, New Jersey
County of Essex

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Discovery Charter School, in the County of Essex, State of New Jersey (the "Charter School") as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Charter School as of June 30, 2023, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, we:

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

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Olugbenga Olabintan, CPA

November 30, 2023
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
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Required Supplementary Information

Part I

Management's Discussion and Analysis

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

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)

Introduction

This section of the Discovery Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

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

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- Net position of governmental activities ended the fiscal year with a deficit of (\$77,670). Net position of business-type activities, which represent food service operations ended the fiscal year with a surplus of \$23,631.
- General revenues accounted for \$2,066,425 in revenue or 76 percent of total revenues of \$2,717,810. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$651,385 or 24 percent of total revenues.
- The Charter School had \$2,422,354 in expenses related to governmental activities; \$523,071 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$2,066,425 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2023, of \$714,912.

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Using the Basic Financial Statements

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

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

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Position and Statements of Activities

While this report contains the fund used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2023?" The Statement of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
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Statement of Net Position and Statement of Activities-continued

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

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, liabilities exceeded assets by \$54,039 at the close of 2023. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

| | Governmental Activities | | Business Type Activities | | Total | |
|--|----------------------------|---------------------|--------------------------------|------------------|--------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets and deferred outflows of resources | | | | | | |
| Current assets | \$ 942,431 | \$ 795,392 | \$ 44,920 | \$ 35,460 | \$ 987,351 | \$ 830,852 |
| Capital assets, net | 15,924 | 14,344 | - | - | 15,924 | 14,344 |
| Right-of-use assets, net | 1,335,144 | 1,468,658 | - | - | 1,335,144 | 1,468,658 |
| Deferred outflows of resources | 77,796 | 128,286 | - | - | 77,796 | 128,286 |
| Total assets and deferred outflows of resources | <u>2,371,295</u> | <u>2,406,680</u> | <u>44,920</u> | <u>35,460</u> | <u>2,416,215</u> | <u>2,442,140</u> |
| Liabilities and deferred outflows of resources: | | | | | | |
| Current liabilities | 226,083 | 228,853 | 21,289 | (42) | 247,372 | 228,811 |
| Long term liabilities | 392,828 | 298,389 | - | - | 392,828 | 298,389 |
| Lease liabilities | 1,661,493 | 1,789,480 | - | - | 1,661,493 | 1,789,480 |
| Deferred outflows of resources | 168,561 | 334,770 | - | - | 168,561 | 334,770 |
| Total liabilities and deferred inflows of resources | <u>2,448,965</u> | <u>2,651,492</u> | <u>21,289</u> | <u>(42)</u> | <u>2,470,254</u> | <u>2,651,450</u> |
| Net position | | | | | | |
| Invested in | | | | | | |
| Capital assets | | | | | | |
| (net of related debt) | 15,924 | 14,344 | | | 15,924 | 14,344 |
| Capital assets | | | | | - | - |
| (net of related debt) | (326,349) | (320,822) | | | (326,349) | (320,822) |
| Other - Student Activity | 1,436 | 1,436 | | | 1,436 | 1,436 |
| Unrestricted | 231,319 | 60,230 | 23,631 | 35,502 | 254,950 | 95,732 |
| Total net position | <u>\$ (77,670)</u> | <u>\$ (244,812)</u> | <u>\$ 23,631</u> | <u>\$ 35,502</u> | <u>\$ (54,039)</u> | <u>\$ (209,310)</u> |

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Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)

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

The total net position of the Charter School increased by \$155,271 during the current fiscal year ended June 30, 2023. The majority of the increase is attributable to a surplus of \$167,142 in the Governmental Activities.

The table that follows reflects the change in net position for fiscal year 2023.

| | Governmental Activities | | Business Type Activities | | Total | |
|---------------------------------------|------------------------------------|---------------------|---|------------------|-------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charge for services | | | \$73 | \$0 | \$73 | \$0 |
| Operating grants and contributions | \$523,071 | \$495,949 | 128,241 | 145,282 | 651,312 | 641,231 |
| Total program revenues | <u>523,071</u> | <u>495,949</u> | <u>128,314</u> | <u>145,282</u> | <u>651,385</u> | <u>641,231</u> |
| General revenues: | | | | | | |
| Local aid | 203,809 | 203,552 | | | 203,809 | 203,552 |
| Federal and state aid | 1,800,489 | 1,626,816 | | | 1,800,489 | 1,626,816 |
| Miscellaneous | 62,127 | 23,379 | | | 62,127 | 23,379 |
| Transfers | - | - | - | - | - | - |
| Total general revenues | <u>2,066,425</u> | <u>1,853,747</u> | <u>-</u> | <u>-</u> | <u>2,066,425</u> | <u>1,853,747</u> |
| Total revenues | <u>2,589,496</u> | <u>2,349,696</u> | <u>128,314</u> | <u>145,282</u> | <u>2,717,810</u> | <u>2,494,978</u> |
| Expenses: | | | | | | |
| Instructions | 1,205,170 | 1,045,100 | | | 1,205,170 | 1,045,100 |
| Administrative & support services | 1,078,793 | 1,486,078 | | | 1,078,793 | 1,486,078 |
| Capital outlay | - | - | | | - | - |
| Undistributed depreciation | 4,877 | 3,586 | | | 4,877 | 3,586 |
| Undistributed amortization | 133,514 | - | | | 133,514 | - |
| Food service | - | - | 140,185 | 110,455 | 140,185 | 110,455 |
| Total expenses | <u>2,422,354</u> | <u>2,534,764</u> | <u>140,185</u> | <u>110,455</u> | <u>2,562,539</u> | <u>2,645,219</u> |
| Change in net position | <u>\$ 167,142</u> | <u>\$ (185,068)</u> | <u>\$ (11,871)</u> | <u>\$ 34,827</u> | <u>\$ 155,271</u> | <u>\$ (150,241)</u> |

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2023.

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Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)

Governmental Activities - *continued*

| | Total Cost of Services | Net Cost of Services |
|---|-----------------------------------|---------------------------------|
| Instruction | \$ 1,205,170 | \$ 868,567 |
| Administrative & support services | 1,078,793 | 898,782 |
| Unallocated depreciation and amortization | 138,391 | 131,934 |
| Total Expenses | \$ 2,422,354 | \$ 1,899,283 |

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation. This program had revenues of \$128,314 and operating expenses of \$140,185 for fiscal year 2023. The Charter School intended to have food services be self- operating without assistance from the General Fund. During the year ended June 30, 2023, the food service operation ended with a current year deficit of \$11,871 which was adequately covered by the accumulated surplus of \$35,502 brought forward.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$2,589,496 and expenditures of \$2,436,687 resulting in a current year's surplus of \$152,809.

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

During the course of fiscal 2023, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$1,818,009, which included a local tax levy of \$202,939. Expenditures and other financing uses were budgeted at \$1,832,924. The Charter School anticipated budgeted fund balance of \$547,188 in its 2022-2023 budget year.

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Year Ended June 30, 2023
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The State of New Jersey reimbursed the Charter School \$32,463 during the year ended June 30, 2023 for the employer's share of social security contributions for TPAF members. The State also paid \$201,468 into the TPAF pension representing on-behalf employer's portion of the Pension System Contributions, Post-Retirement Medical Benefits Contributions and Long Term Disability Insurance Premium Contributions. These unbudgeted amounts were included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2023, the Charter School had \$15,924 invested in capital assets in its governmental activities.

The Charter School's 2023-2024 budget does not anticipate any spending on capital projects.

Long-term debt

At June 30, 2023, the Charter School had \$488,350 and \$623,558 at June 30, 2023 and 2022, respectively, in net pension liability regarding the Public Employees Retirement System. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2023-2024. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials, supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

DISCOVERY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2023
(Unaudited)

COVID-19 and Paycheck Protection Program Loan

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 21, 2020, New Jersey State Governor Phil Murphy ordered the closure of the physical location of every “non-life sustaining” and “non-essential” business for what may be an extended period of time. The Charter School had to close its physical locations. Future potential impacts may include continued disruptions or restrictions on its employees’ ability to work and impairment of its ability to obtain grants and contributions. Though the impact on the Charter School’s operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund and other state aid and the local tax levy. Nonetheless, the degree of any future impact to the Charter School's operations and finances is difficult to predict due to the dynamic nature of the COVID-19 pandemic and any additional actions that may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

To date, the overall finances and operations of the Charter School have not been materially adversely affected by the COVID-19 pandemic.

During the fiscal year ended June 30, 2023, the Charter School did NOT apply for and was NOT approved a loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration.

Contacting the Charter School’s Financial Management

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

DISCOVERY CHARTER SCHOOL
Business Office
240 Halsey Street
Newark, New Jersey 07102
Tel: (973) 623-0222

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2023.

DISCOVERY CHARTER SCHOOL

A-1

Statement of Net Position

June 30, 2023

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 724,977 | \$ 20,753 | \$ 745,730 |
| Restricted cash and cash equivalents | 75,613 | - | 75,613 |
| Accounts receivable | 120,687 | 24,167 | 144,854 |
| Other current assets | - | - | - |
| Interfund receivables | 21,154 | - | 21,154 |
| Capital assets (net of accum deprec of \$8,463) | 15,924 | - | 15,924 |
| Right-of-use lease asset, (net of accumulated amortization of \$1,335,143) | 1,335,144 | - | 1,335,144 |
| Total assets | <u>2,293,499</u> | <u>44,920</u> | <u>2,338,419</u> |
| Deferred outflows of resources | | | |
| Pension deferred outflows | <u>77,796</u> | <u>-</u> | <u>77,796</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,371,295</u> | <u>\$ 44,920</u> | <u>\$ 2,416,215</u> |
| Liabilities | | | |
| Accounts payable | \$ 192,293 | \$ 7,681 | \$ 199,974 |
| Interfunds payables | - | 13,608 | 13,608 |
| Intergovernmental payable | - | - | - |
| Payroll deductions and withholdings | 33,707 | - | 33,707 |
| Deferred revenue | 83 | - | 83 |
| Net pension liability | 392,828 | - | 392,828 |
| Lease liabilities | 1,661,493 | - | 1,661,493 |
| Total liabilities | <u>2,280,404</u> | <u>21,289</u> | <u>2,301,693</u> |
| Deferred inflows of resources | | | |
| Pension deferred inflows | <u>168,561</u> | <u>-</u> | <u>168,561</u> |
| Total liabilities and deferred inflows of resources | <u>2,448,965</u> | <u>21,289</u> | <u>2,470,254</u> |
| Net position | | | |
| Invested in capital assets, net | 15,924 | - | 15,924 |
| Invested in right-of-use assets, net | (326,349) | - | (326,349) |
| Restricted - student activities | 1,436 | 1,436 | 2,872 |
| Unrestricted, undesignated | 231,319 | 22,195 | 253,514 |
| Total net position | <u>(77,670)</u> | <u>23,631</u> | <u>(54,039)</u> |
| Total liabilities, deferred inflows of resources & net position | <u>\$ 2,371,295</u> | <u>\$ 44,920</u> | <u>\$ 2,416,215</u> |

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | Totals |
|---|---------------------|----------------------|------------------------------------|---|--------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 1,205,170 | \$ - | \$ 336,603 | \$ (868,567) | \$ - | \$ (868,567) |
| Administrative & support services: | | | | | | |
| General administration | 632,478 | - | - | (632,478) | - | (632,478) |
| Support services | 446,315 | - | 180,011 | (266,304) | - | (266,304) |
| Capital outlay | - | - | 6,457 | 6,457 | - | 6,457 |
| Unallocated depreciation | 4,877 | - | - | (4,877) | - | (4,877) |
| Unallocated amortization | 133,514 | - | - | (133,514) | - | (133,514) |
| Total governmental activities | <u>2,422,354</u> | <u>-</u> | <u>523,071</u> | <u>(1,899,283)</u> | <u>-</u> | <u>(1,899,283)</u> |
| Business-type activities: | | | | | | |
| Food service | 140,185 | 73 | 128,241 | - | (11,871) | (11,871) |
| After care/summer programs | - | - | - | - | - | - |
| Total business-type activities | <u>140,185</u> | <u>73</u> | <u>128,241</u> | <u>-</u> | <u>(11,871)</u> | <u>(11,871)</u> |
| Total primary government | <u>\$ 2,562,539</u> | <u>\$ 73</u> | <u>\$ 651,312</u> | <u>(1,899,283)</u> | <u>(11,871)</u> | <u>(1,911,154)</u> |
| General revenues and transfers: | | | | | | |
| Local sources | | | | 203,809 | - | 203,809 |
| Federal and state sources | | | | 1,800,489 | - | 1,800,489 |
| Miscellaneous | | | | 62,127 | - | 62,127 |
| Transfers | | | | - | - | - |
| Total general revenues and transfers | | | | <u>2,066,425</u> | <u>-</u> | <u>2,066,425</u> |
| Change in net position | | | | 167,142 | (11,871) | 155,271 |
| Net position - beginning | | | | (244,812) | 35,502 | (209,310) |
| Net position - ending | | | | <u>\$ (77,670)</u> | <u>\$ 23,631</u> | <u>\$ (54,039)</u> |

See accompanying notes to financial statements.

Funds Financial Statements

Governmental Funds

DISCOVERY CHARTER SCHOOL
Governmental Funds

B-1

Balance Sheet

June 30, 2023

| | General Fund | Special Revenue Fund | Totals Governmental Funds |
|--------------------------------------|-----------------|----------------------------|---------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 680,699 | \$ 44,278 | \$ 724,977 |
| Restricted cash and cash equivalents | 75,613 | - | 75,613 |
| Accounts receivable: | - | - | - |
| State | 2,836 | 9,514 | 12,350 |
| Federal | - | 101,145 | 101,145 |
| Other | 7,192 | - | 7,192 |
| Other current assets | - | - | - |
| Interfund receivable | 155,941 | - | 155,941 |
| Total assets | \$ 922,281 | \$ 154,937 | \$ 1,077,218 |
| Liabilities and fund balances | | | |
| Interfund accounts payables | \$ - | \$ 134,787 | \$ 134,787 |
| Accounts payable | 173,662 | 18,631 | 192,293 |
| Intergovernmental payable | - | - | - |
| Payroll deductions and withholdings | 33,707 | - | 33,707 |
| Deferred revenue | - | 83 | 83 |
| Total liabilities | 207,369 | 153,501 | 360,870 |
| Fund balances: | | | |
| Restricted - student activity | - | 1,436 | 1,436 |
| Undesignated | 714,912 | - | 714,912 |
| Total fund balances | 714,912 | 1,436 | 716,348 |
| Total liabilities and fund balances | \$ 922,281 | \$ 154,937 | |

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

| | | |
|---|-----------|--------|
| Cost of capital assets | \$ 24,387 | |
| Accumulated depreciation | (8,463) | |
| Cost of capital assets, net of accumulated depreciation | \$ 15,924 | 15,924 |

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)

77,796

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

(168,561)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(392,828)

Right-of-use assets used in governmental activities are not financial resources and therefore are not reported in the funds (see Note 4):

| | | |
|--|--------------|-----------|
| Cost of right-of-use assets | \$ 2,670,287 | |
| Accumulated amortization | (1,335,143) | |
| Cost of right-of-use assets, net of accumulated amortization | \$ 1,335,144 | 1,335,144 |

Lease liabilities used in governmental activities are not financial resources and therefore are not reported in the funds (see Note 5).

(1,661,493)

Net position of governmental activities - A-1

\$ (77,670)

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2023

| | General Fund | Special Revenue Fund | Total |
|---|-------------------------|-------------------------------------|--------------|
| Revenues: | | | |
| Local Sources: | | | |
| Local Tax Levy | \$ 203,809 | \$ - | \$ 203,809 |
| Miscellaneous | 62,127 | - | 62,127 |
| Total Revenues - Local Sources | 265,936 | - | 265,936 |
| Federal Sources | - | 507,549 | 507,549 |
| State Sources | 1,566,558 | 15,522 | 1,582,080 |
| Reimbursed TPAF-Social Security (non-budgeted) | 32,463 | - | 32,463 |
| TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted) | 201,468 | - | 201,468 |
| Total Revenues | 2,066,425 | 523,071 | 2,589,496 |
| | | | |
| Current expense: | | | |
| Instruction | 868,567 | 336,603 | 1,205,170 |
| Administrative | 544,814 | - | 544,814 |
| Support services | 266,304 | 180,011 | 446,315 |
| Capital outlay | - | 6,457 | 6,457 |
| Reimbursed and on-behalf payments: | | | |
| Reimbursed TPAF-Social Security (non-budgeted) | 32,463 | - | 32,463 |
| TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted) | 201,468 | - | 201,468 |
| Total expenditures | 1,913,616 | 523,071 | 2,436,687 |
| Excess (deficiency) of revenues over (under) expenditures | 152,809 | - | 152,809 |
| Other financing sources (uses): | | | |
| operating transfer out: | | | |
| Transfer to food service fund | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | 152,809 | - | 152,809 |
| Fund balances, beginning of year | 562,103 | 1,436 | 563,539 |
| Prior period adjustment | - | - | - |
| Fund balances, beginning of year (restated) | 562,103 | 1,436 | 563,539 |
| Fund balances, end of year | \$ 714,912 | \$ 1,436 | \$ 716,348 |

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2023

B-3

Total net change in fund balances - governmental funds (B-2) \$ 152,809

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

| | | |
|----------------------|--------------|-------|
| Depreciation expense | \$ (4,877) | |
| Capital outlays | <u>6,457</u> | 1,580 |

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

| | |
|----------------------|-----------|
| Amortization expense | (133,514) |
|----------------------|-----------|

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

| | |
|--------------------|---------|
| Principal payments | 124,987 |
|--------------------|---------|

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

| | |
|--|--------|
| | 21,280 |
|--|--------|

| | |
|--|--------------------------|
| Change in net position of governmental activities (A-2) | <u><u>\$ 167,142</u></u> |
|--|--------------------------|

See accompanying notes to financial statements.

Proprietary Funds

**DISCOVERY CHARTER SCHOOL
Proprietary Funds**

B-4

Statement of Net Position

June 30, 2023

Assets

Current assets:

| | |
|-------------------------------------|------------------|
| Cash and cash equivalents | \$ 20,753 |
| Accounts receivable: | |
| Federal | 23,389 |
| State | 778 |
| Interfund receivable - general fund | - |
| Total current assets | <u>\$ 44,920</u> |

Liabilities

Current liabilities:

| | |
|----------------------------------|------------------|
| Interfund payable - general fund | 13,608 |
| Accounts payable | 7,681 |
| Total current liabilities | <u>\$ 21,289</u> |

Net position

| | |
|--------------------|-------------------------|
| Unrestricted | 23,631 |
| Total net position | <u>\$ 23,631</u> |
| Total net position | <u><u>\$ 23,631</u></u> |

See accompanying notes to financial statements.

**DISCOVERY CHARTER SCHOOL
Proprietary Funds**

B-5

Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2023

| | <u>Food Services</u> |
|---|---------------------------------|
| Operating revenues: | |
| Charges for services: | |
| Daily sales - reimbursable program | \$ - |
| Daily sales - non-reimbursable program | - |
| Miscellaneous revenue | 73 |
| Total Operating revenues | <u>73</u> |
| Operating expenses: | |
| Cost of sales - reimbursable program | 82,795 |
| Cost of sales - non-reimbursable program | - |
| Salaries | - |
| Employee benefits | - |
| Professional /technical service | 50,117 |
| Supplies and materials | 7,273 |
| Depreciation | - |
| Miscellaneous | - |
| | <u>140,185</u> |
| Operating income (loss) | <u>(140,112)</u> |
| Nonoperating revenues: | |
| State sources: | |
| State school lunch program | 1,692 |
| State school breakfast program | 1,919 |
| Federal sources: | - |
| National school lunch program | 68,657 |
| Healthy, Hunger Free Kids, Act (HHFKA) | 1,327 |
| National school breakfast program | 39,022 |
| Summer food program | 3,107 |
| School Programs Emergency Operational Costs Reimbursement Program | 12,517 |
| Total nonoperating revenues | <u>128,241</u> |
| Net income/(loss) before contributions & transfers | (11,871) |
| Other financing sources: | |
| Operating transfer in/(out) - board contribution | - |
| | <u>-</u> |
| Change in net position | (11,871) |
| Total net position-beginning of year | <u>35,502</u> |
| Total net position-end of year | <u>\$ 23,631</u> |

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL
Proprietary Fund

B-6

Statement of Cash Flows

Year ended June 30, 2023

Cash flows from operating activities:

| | |
|--|------------------|
| Operating loss | \$ (140,112) |
| Adjustment to reconcile operating loss to net cash used in operating activities: | |
| Changes in assets and liabilities: | |
| Accounts receivable | (10,724) |
| Due to/due from general fund | 21,839 |
| Accounts payable | (508) |
| Net cash used in operating activities | <u>(129,505)</u> |

Cash flows from noncapital financing activities:

| | |
|--|----------------|
| Cash received from state reimbursements | 3,611 |
| Cash received from federal reimbursements | 124,630 |
| Operating subsidies and transfers from other funds | - |
| Net cash provided by noncapital financing activities | <u>128,241</u> |

Cash flows from investing activities:

| | |
|---|------------------|
| Net change in cash and cash equivalents | (1,264) |
| Cash and cash equivalents, beginning | 22,017 |
| Cash and cash equivalents, ending | <u>\$ 20,753</u> |

See accompanying notes to financial statements.

Fiduciary Funds

DISCOVERY CHARTER SCHOOL
Fiduciary Funds

B-7

Statement of Fiduciary Net Position

June 30, 2023

| | <u>Teachers Trust Fund Account</u> | <u>Students Scholarship Trust Fund</u> | <u>TOTAL</u> |
|-------------------------------------|--|--|-----------------|
| Assets | | | |
| Cash and cash equivalents | \$ 3,349 | \$ 3,458 | \$ 6,807 |
| Interfund receivables | - | - | - |
| Total assets | <u>\$ 3,349</u> | <u>\$ 3,458</u> | <u>\$ 6,807</u> |
| Liabilities | | | |
| Payroll deductions and withholdings | \$ - | \$ - | \$ - |
| Interfund payables | 1,544 | 6,002 | 7,546 |
| Due to students group | - | - | - |
| Total liabilities | <u>1,544</u> | <u>6,002</u> | <u>7,546</u> |
| Net Position | | | |
| Held in trust for claims | 1,805 | (2,544) | (739) |
| Total net position | <u>\$ 1,805</u> | <u>\$ (2,544)</u> | <u>\$ (739)</u> |

See accompanying notes to financial statements.

DISCOVERY CHARTER SCHOOL
Fiduciary Funds

B-8

Combining Statement of Changes in Fiduciary Net Position
Trust Funds

Year ended June 30, 2023

| | Teachers Trust Fund Account | Students Scholarship Trust Fund | Total Trust Fund |
|----------------------------|-----------------------------------|---------------------------------------|---------------------|
| Additions: | | | |
| Fundraising income | \$ 102 | \$ 15 | \$ 117 |
| General fund appropriation | - | - | - |
| Total additions | <u>102</u> | <u>15</u> | <u>117</u> |
| Deductions: | | | |
| Fundraising expenses | - | - | - |
| Total deductions | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net position | 102 | 15 | 117 |
| Net position, beginning | <u>1,703</u> | <u>(2,559)</u> | <u>(856)</u> |
| Net position, ending | <u>\$ 1,805</u> | <u>\$ (2,544)</u> | <u>\$ (739)</u> |

See accompanying notes to financial statements.

Notes to Basic Financial Statements

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

1 Description of the Charter School and Reporting Entity

Discovery Charter School (the “Charter School”) was incorporated in the State of New Jersey in June 1999 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Principal/Chief School Administrator is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies

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

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

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

A Basis of Presentation

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

Charter School Government-wide Financial Statements

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

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

Fund Financial Statements

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

B Fund Accounting

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

Governmental Funds

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - continued

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2023 there was no Capital Projects Fund.

Proprietary Funds

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

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

Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

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

C Measurement Focus and Basis of Accounting

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

Measurement Focus

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

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

Basis of Accounting

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

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

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year-end.

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

E Cash, Cash Equivalent and Investments

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

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

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

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

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

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

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

Description of Capital Assets

Estimated Lives (Years)

Equipment

5-10

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

I Compensated Absences

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

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2023.

J Accrued Liabilities and Long-Term Obligations

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

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

K Deferred Revenue

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity

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

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

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

M Net Position

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

N Management Estimates

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

O On-Behalf Payments

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

P GASB Pronouncements

Adoption of New Accounting Standard

Adoption of New Accounting Standard

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

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

During the prior year ended June 30, 2022 the Charter School adopted **GASB Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

2 Summary of Significant Accounting Policies - *continued*

Q Fair Value of Financial Instruments

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

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

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

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

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

Level 3 – inputs that are unobservable and which require significant judgement or estimation.

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

3 Deposits and Investments

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

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

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

The Charter School’s cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School’s deposits and investments are exposed to custodial credit risk. As of June 30, 2023, the Charter School’s carrying amount of deposits and investments are as follows:

| | General Fund | Special Revenue | Enterprise Funds | Agency Funds | Total |
|-------------------|-------------------|--------------------|---------------------|-----------------|-------------------|
| Operating A/C | \$ 680,699 | \$ 44,278 | \$ 20,753 | \$ 6,807 | \$ 752,537 |
| Restricted Escrow | 75,613 | - | - | - | 75,613 |
| Total | <u>\$ 756,312</u> | <u>\$ 44,278</u> | <u>\$ 20,753</u> | <u>\$ 6,807</u> | <u>\$ 828,150</u> |

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2023, the Charter School’s carrying amount of deposits was \$828,150 and the bank balance was \$800,337. Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2023 were secured by federal deposit insurance and \$550,337 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act (“GUDPA”).

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

3 Deposits and Investments - *continued*

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

Category 1 - Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name. **Category 2** - Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name. **Category 3** - Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School's name.

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

Investments

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

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

As of June 30, 2023, the Charter School did not hold any investments.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

4 Capital Assets and Right-of-Use Lease Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2023:

| Governmental activities: | Beginning Balance | Net Additions (Deletions) | Ending Balance |
|---|------------------------------|--------------------------------------|---------------------------|
| Capital assets not depreciated: | \$ - | \$ - | \$ - |
| Capital assets, being depreciated: | | | |
| Leasehold improvements | 17,930 | 6,457 | 24,387 |
| | <u>17,930</u> | <u>6,457</u> | <u>24,387</u> |
| Less accumulated depreciation | | | |
| Leasehold improvements | 3,586 | 4,877 | 8,463 |
| | <u>3,586</u> | <u>4,877</u> | <u>8,463</u> |
| Total capital assets net | <u>\$ 14,344</u> | <u>\$ 1,580</u> | <u>\$ 15,924</u> |

Depreciation expense of \$4,877 was charged to an unallocated function.

Changes in right-of-use lease assets are as follows for the fiscal year ended June 30, 2023:

| Governmental Activities | Beginning Balance June 30, 2022 | Net Additions | Ending Balance June 30, 2023 |
|--|--|----------------------|---|
| Right-of-use lease assets | | | |
| Premises | \$ 2,670,287 | \$ - | \$ 2,670,287 |
| Total cost | <u>2,670,287</u> | <u>-</u> | <u>2,670,287</u> |
| Less - accumulated depreciation | | | |
| Premises | 1,201,629 | 133,514 | 1,335,143 |
| Total accumulated depreciation | <u>1,201,629</u> | <u>133,514</u> | <u>1,335,143</u> |
| Right-of-use lease assets - net | <u>\$ 1,468,658</u> | <u>\$ (133,514)</u> | <u>\$ 1,335,144</u> |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

5 Lease Obligations

Lease Agreements – Implementation of GASB 87

| Lease Liabilities | Outstanding Balance June 30, 2022 | Acquired Current Year | Retired Current Year | Ending Balance June 30, 2023 |
|------------------------------|--|--------------------------------------|-------------------------------------|---|
| Facilities lease liabilities | \$ 1,786,480 | \$ - | \$ (124,987) | \$ 1,661,493 |
| Total lease liabilities | <u>\$ 1,786,480</u> | <u>\$ -</u> | <u>\$ (124,987)</u> | <u>1,661,493</u> |
| Current portion | | | | 131,382 |
| Non-current portion | | | | 1,530,111 |
| Total lease liabilities | | | | <u>\$ 1,661,493</u> |

The Charter School leases its premises and equipment under the terms of a non-cancelable lease.

The lease requires aggregate annual cash payments of approximately \$213,251 during the year ended June 30, 2023. Interest expense on the leases was \$86,486 for the year ended June 30, 2023 which is reflected as lease interest expense on the accompanying budgetary comparison schedule – general fund (exhibit C-1).

The net value of the right-of-use assets was \$1,335,144 as of June 30, 2023 which was calculated using a discount rate of 5% (the Charter School’s estimated incremental borrowing rate).

The net value of the lease liabilities at June 30, 2023 was \$1,661,493. Amortization of the related right-of-use lease assets was \$133,514 for the year ended June 30, 2023.

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

| Year ending June 30: | Principal | Interest | Amortization |
|---------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 131,382 | \$ 80,091 | \$ 133,514 |
| 2025 | 138,103 | 73,369 | 133,514 |
| 2026 | 145,169 | 66,304 | 133,514 |
| 2027 | 152,596 | 58,876 | 133,514 |
| 2028 | 160,403 | 51,069 | 133,514 |
| Thereafter | 933,840 | 123,523 | 667,574 |
| | <u>\$ 1,661,493</u> | <u>\$ 453,232</u> | <u>\$ 1,335,144</u> |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

5 Lease Obligations

Lease Agreements – Implementation of GASB 87

Description of Lease Terms

Facility Lease

The Charter School moved into its new premises (located at 240 Halsey Street, Newark, New Jersey) in late June 2013. The effective commencement date of the lease is June 30, 2013, and the said lease and it runs for a term of twenty (20) years. Total lease payments for the year ended June 30, 2023 amounted to \$213,251.

Equipment Lease

The Charter School leases an item of office equipment (Konica Minolta Copier) under an operating lease agreement. The commencement date of the equipment lease is September 18, 2013, for a five year period. The lease expired during the year ended June 30, 2019. For the year ended June 30, 2023, the Charter School incurred \$26,598 in equipment lease expenditures.

Future minimum lease payments required under both operating leases are as follows:

| <u>Year Ending June 30:</u> | <u>Space Lease</u> | <u>Equipment Lease</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------------|----------------------------|
| 2024 | 211,535 | - | 211,535 |
| 2025 | 217,881 | - | 217,881 |
| 2026 | 224,418 | - | 224,418 |
| 2027 | 231,150 | - | 231,150 |
| 2028 | 238,085 | - | 238,085 |
| Thereafter | 1,301,944 | - | 1,301,944 |
| | <u>\$ 2,425,013</u> | <u>\$ -</u> | <u>\$ 2,425,013</u> |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

6 Pension Plans

Description of Plans

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

Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

6 Pension Plans - *continued*

Defined Contribution Retirement Program (DCRP)

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

Vesting and Benefit Provisions

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

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

Significant Legislation

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

Pension Plan Design Changes

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

6 Pension Plans - *continued*

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2021 actuarial valuation (July 1, 2019 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

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

Contribution Requirements

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

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

Contribution Requirements— *continued*

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

6 Pension Plans – *continued*

Annual Pension Costs (APC)

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

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The Charter School's contribution to PERS for the year ended June 30, 2023 was \$32,825.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$32,463 during the year ended June 30, 2023 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also the State paid \$201,468 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the Charter School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures

Teachers Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

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

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity.

Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$1,922,339 as measured on June 30, 2022 and \$2,634,459 as measured on June 30, 2021.

For the year ended June 30, 2023, the Charter School recognized pension expense of \$51,736 and revenue of \$51,736 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2023 is based upon changes in the collective net pension liability with a measurement period of June 30, 2021 through June 30, 2022. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2021 and June 30, 2022.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - *continued*

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

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

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|--|----------------------|----------------------|
| Collective deferred outflows of resources | \$ 4,885,289,911 | \$ 6,230,825,389 |
| Collective deferred inflows of resources | \$19,563,805,393 | \$27,221,092,460 |
| Collective net pension liability (non-employer State of New Jersey) | \$51,594,415,806 | \$48,075,188,642 |
| State's portion of the net pension liability that was associated with the Charter School | \$ 1,922,339 | \$ 2,634,459 |
| State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability | 0.003726% | 0.005480% |

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

| | |
|------------------------------|---|
| Inflation rate - price | 2.75% |
| Inflation rate - wage | 3.25% |
| Salary increases: 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.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - *continued*

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

Actuarial Assumptions - continued

Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2022.

Long-Term Expected Rate of Return - continued

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2022 are summarized in the following table:

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - continued

Teachers' Pension and Annuity Fund (TPAF) - continued

Long-Term Expected Rate of Return - continued

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---------------------------------|------------------------------|---|
| US Equity | 27.00% | 8.12% |
| Non-US Developed Markets Equity | 13.50% | 8.38% |
| Emerging Markets Equity | 5.50% | 10.33% |
| Private Equity | 13.00% | 11.80% |
| Real Estate | 8.00% | 11.19% |
| Real Assets | 3.00% | 7.60% |
| High Yield | 4.00% | 4.95% |
| Private Credit | 8.00% | 8.10% |
| Investment Grade Credit | 7.00% | 3.38% |
| Cash Equivalents | 4.00% | 1.75% |
| U.S. Treasuries | 4.00% | 1.75% |
| Risk Mitigation Strategies | 3.00% | 4.91% |

Discount Rate

The discount rate used to measure the State's total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments in determining the total pension liability.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - *continued*

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

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <https://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-tpaf22.pdf>

Pension Plan Fiduciary Net Position

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2023, the Charter School reported a liability of \$392,828 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2022 and 2021. At June 30, 2022, the Charter School's proportion was 0.0026029937% which was an increase of 0.0000842001% from its proportion measured as of June 30, 2021 which was 0.0025187936%.

For the year ended June 30, 2022, the Charter School recognized pension expense of \$32,825. At June 30, 2022, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 2,835 | \$ 2,500 |
| Changes in assumptions | 1,217 | 58,822 |
| Net difference between projected and actual earnings on pension plan investments | 16,259 | - |
| Changes in proportion and differences between Charter School's contributions and proportionate share of contributions | 57,485 | 107,239 |
| Subtotal | 77,796 | 168,561 |
| Charter School's contributions subsequent to the measurement date | 32,825 | - |
| Total | \$ 110,621 | \$ 168,561 |

\$32,825 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2023, the plan measurement date is June 30, 2022) will be recognized as a reduction of the net pension liability measured as of June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30: | Pension Expense |
|-----------------------------|----------------------------|
| 2023 | \$ (74,576) |
| 2024 | (37,994) |
| 2025 | (18,529) |
| 2026 | 40,423 |
| 2027 | (89) |
| Thereafter | - |
| | \$ (90,765) |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - *continued*

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

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

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|---|----------------------|----------------------|
| Collective deferred outflows of resources | \$ 1,715,543,211 | \$ 1,164,739,169 |
| Collective deferred inflows of resources | \$ 4,112,583,758 | \$ 8,339,123,762 |
| Collective net pension liability (Non-State Local Group) | \$ 15,091,376,611 | \$ 11,846,499,172 |
| Charter School's portion of the net pension liability | \$ 392,828 | \$ 298,389 |
| Charter School's proportion (percentage) | 0.00260300% | 0.00251879% |

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

| | |
|------------------------------|---------------------------------------|
| Inflation rate - price | 2.75% |
| Inflation rate - wage | 3.25% |
| Salary increases: thereafter | 2.75%-6.55% based on years of service |
| Investment rate of return | 7.00% |

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

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - *continued*

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---------------------------------|------------------------------|---|
| US Equity | 27.00% | 8.12% |
| Non-US Developed Markets Equity | 13.50% | 8.38% |
| Emerging Markets Equity | 5.50% | 10.33% |
| Private Equity | 13.00% | 11.80% |
| Real Estate | 8.00% | 11.19% |
| Real Assets | 3.00% | 7.60% |
| High Yield | 4.00% | 4.95% |
| Private Credit | 8.00% | 8.10% |
| Investment Grade Credit | 7.00% | 3.38% |
| Cash Equivalents | 4.00% | 1.75% |
| U.S. Treasuries | 4.00% | 1.75% |
| Risk Mitigation Strategies | 3.00% | 4.91% |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - *continued*

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

The following presents the collective net pension liability of the participating employers as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

| | 2022 | | |
|---|--------------------------------|--|--------------------------------|
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Charter School's proportionate share of the pension liability | \$ 508,942 | \$ 392,828 | \$ 300,167 |
| | 2021 | | |
| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
| Charter School's proportionate share of the pension liability | \$ 410,677 | \$ 298,389 | \$ 208,977 |

Pension Plan Fiduciary Net Position

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8 Post Retirement Benefits

Plan Description and Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms.

At June 30, 2022, the following employees were covered by the benefit terms:

Active plan member = 213,148

Inactive plan members entitled to but not yet receiving benefits = 151,669

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

Total plan members = 364,817

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8 Post Retirement Benefits – continued

Total Non-employer OPEB Liability

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

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The total nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of 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% | TPAF/ABP | PERS |
|-----------------------|-------|---|---|
| Salary increases: | | | |
| Through 2029 | | 2.75 to 5.65% based on years of service | 2.75 to 6.55% based on years of service |
| Thereafter | | 2.75 to 5.65% based on years of service | 2.75 to 6.55% based on years of service |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8 Post Retirement Benefits – *continued*

Actuarial Assumptions and Other Inputs - *continued*

Preretirement mortality rates were based on the Pub-2010 Health "Teachers" (TP AF) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees was based on the Pub-2010 "General" (PERS) and "Teachers" (TPAF) classification headcount weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the TP AF and PERS actuarial experience studies for the period July 1, 2018 to June 30, 2021. 100% of active members are considered to participate in the plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially-1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023 increasing to 15.19% in fiscal year 2026 and decreases to 4.5% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2022 was 3.54%. 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.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8 Post Retirement Benefits – continued

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

| | Increase/(Decrease) Total OPEB Liability |
|--|---|
| Balance as of June 30, 2021 measurement date | \$ 60,007,650,970 |
| Changes recognized for the fiscal year: | |
| Service cost | \$ 2,770,618,025 |
| Interest on total OPEB liability | 1,342,187,139 |
| Changes of benefit terms | - |
| Difference between expected and actual experiences | 1,399,200,736 |
| Effect of changes of assumptions | (13,586,368,097) |
| Gross benefits paid by the State | (1,329,476,059) |
| Contributions from the members | 42,650,252 |
| Net changes | \$ (9,361,188,004) |
| Balance as of June 30, 2022 measurement date | \$ 50,646,462,966 |

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

The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.54%; as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current rate:

| | 2022 | | |
|---|---------------------------------------|--|---------------------------------------|
| | At 1% Decrease (2.54%) | At 1% Discount Rate (3.54%) | At 1% Increase (4.54%) |
| Total OPEB liability attributable to the Charter School | \$ 1,087,239 | \$ 924,999 | \$ 794,972 |
| | 2021 | | |
| | At 1% Decrease (1.16%) | At 1% Discount Rate (2.16%) | At 1% Increase (3.16%) |
| Total OPEB liability attributable to the Charter School | \$ 1,259,086 | \$ 1,051,128 | \$ 887,373 |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8 Post Retirement Benefits – continued

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

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2022 and 2021, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a healthcare trend rate that is I-percentage-point lower or I-percentage-point higher than the current rate:

| | 2022 | | |
|---|---------------------------|---------------------------------------|---------------------------|
| | At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| Total OPEB liability attributable to the Charter School | \$ 764,568 | \$ 924,999 | \$ 1,135,735 |
| | 2021 | | |
| | At 1% Decrease | Healthcare Cost Trend Rate | At 1% Increase |
| Total OPEB liability attributable to the Charter School | \$ 850,892 | \$ 1,051,128 | \$ 1,320,031 |

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

For the fiscal year ended June 30, 2023 the Charter School recognized OPEB expense of \$168,143 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2022 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

8 Post Retirement Benefits – continued

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between actual and expected experience | \$ 9,042,402,619 | \$ 15,462,950,679 |
| Net difference between expected and actual earnings on OPEB plan investments | - | - |
| Assumption changes | 8,765,620,577 | 17,237,289,230 |
| Subtotal | 17,808,023,196 | 32,700,239,909 |
| Contributions made in fiscal year 2019 after June 30, 2018 measurement date | TBD | N/A |
| Total | \$ TBD | \$ 32,700,239,909 |

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

| Measurement Period - Fiscal Year Ending June 30: | Total |
|---|---------------------|
| 2023 | \$ (2,517,151,602) |
| 2024 | \$ (2,517,151,602) |
| 2025 | \$ (2,517,151,602) |
| 2026 | \$ (2,175,449,761) |
| 2027 | \$ (1,243,951,140) |
| Thereafter | \$ (3,921,361,006) |
| | \$ (14,892,216,713) |

9 Deferred Compensation

The Charter School does not currently offer its employees a deferred compensation plan.

10 Economic Dependency

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

11 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

12 Risk Management

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

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

13 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2023 is as follows:

| Fund | Interfund Receivable | Interfund Payable |
|-----------------------|---------------------------------|------------------------------|
| General Fund | \$ 155,941 | \$ - |
| Special Revenue Fund | - | 134,787 |
| Enterprise Fund | - | 13,608 |
| Trust and Agency Fund | - | 7,546 |
| | \$ 155,941 | \$ 155,941 |

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

14 Subsequent Events

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

15 Receivables

Receivables as of June 30, 2023 consisted of accounts, intergovernmental, grants and miscellaneous items. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

| | |
|-------------------|-------------------|
| State aid | \$ 13,128 |
| Federal aid | 124,534 |
| Other | 7,192 |
| Total receivables | <u>\$ 144,854</u> |

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

Of the \$714,912 General Fund balance at June 30, 2023, \$-0- is reserved, \$714,912 is unreserved and undesignated.

17 Risk and Uncertainties – COVID-19 and Its Impact

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

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2023

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

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

18 Reconciliation of Government-Wide and Fund Financial Statements

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

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

| | |
|---|---------------------------|
| Fund balance per B-1 | \$ 716,348 |
| Cost of capital assets net accumulated depreciation | 15,924 |
| Pension deferred outflows | 77,796 |
| Pension deferred inflows | (168,561) |
| Deferred pension liability as of June 30, 2023 | (392,828) |
| Right-of-use assets net of accumulated amortization | 1,335,144 |
| Lease liabilities | (1,661,493) |
| Net position (per A-1) as of June 30, 2023 | <u><u>\$ (77,670)</u></u> |

Required Supplementary Information

Part II

Budgetary Comparison

**DISCOVERY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2023

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------|---|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local tax levy | \$ 202,939 | \$ - | \$ 202,939 | \$ 203,809 | \$ 870 |
| Miscellaneous | 54,834 | - | 54,834 | 62,127 | 7,293 |
| Total -local sources | <u>257,773</u> | <u>-</u> | <u>257,773</u> | <u>265,936</u> | <u>8,163</u> |
| State Sources: | | | | | |
| State aids | 1,560,236 | - | 1,560,236 | 1,566,558 | 6,322 |
| Reimbursed TPAF-Social Security (non-budgeted) | - | - | - | 32,463 | 32,463 |
| TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted) | | | | 41,883 | 41,883 |
| Teacher's Pension & Annuity Fund (On-Behalf-Non-Budgeted) | | | | 159,435 | 159,435 |
| Long Term Disability Insurance (On-Behalf-Non-Budgeted) | - | - | - | 150 | 150 |
| Total state sources | <u>1,560,236</u> | <u>-</u> | <u>1,560,236</u> | <u>1,800,489</u> | <u>240,253</u> |
| Total revenues | <u>1,818,009</u> | <u>-</u> | <u>1,818,009</u> | <u>2,066,425</u> | <u>248,416</u> |
| Expenditures | | | | | |
| Current expense: | | | | | |
| Instruction | | | | | |
| Salaries of teachers | 468,682 | (22,400) | 446,282 | 354,834 | 91,448 |
| Other salaries for instruction | 356,642 | 4,100 | 360,742 | 356,221 | 4,521 |
| Purchased professional technical services | 48,513 | 2,000 | 50,513 | 49,856 | 657 |
| Other purchased services | 26,598 | - | 26,598 | 26,598 | - |
| General educational supplies | 46,852 | 27,001 | 73,853 | 72,409 | 1,444 |
| Textbooks | - | - | - | - | - |
| Miscellaneous expenses | 14,300 | - | 14,300 | 8,649 | 5,651 |
| | <u>961,587</u> | <u>10,701</u> | <u>972,288</u> | <u>868,567</u> | <u>103,721</u> |

**DISCOVERY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2023

| | | | | | |
|--|----------------|----------------|----------------|----------------|---------------|
| Administrative cost: | | | | | |
| Salaries | 72,513 | - | 72,513 | 68,013 | 4,500 |
| Total benefit costs | 277,658 | (30,304) | 247,354 | 211,258 | 36,096 |
| Professional /Technical service | 127,494 | 14,312 | 141,806 | 137,934 | 3,872 |
| Other purchased services | 78,368 | 5,298 | 83,666 | 82,482 | 1,184 |
| Communications and Telephones | 28,982 | - | 28,982 | 25,367 | 3,615 |
| Supplies and materials | 8,675 | - | 8,675 | 8,152 | 523 |
| Miscellaneous expenses | 8,500 | 3,108 | 11,608 | 11,608 | - |
| | <u>602,190</u> | <u>(7,586)</u> | <u>594,604</u> | <u>544,814</u> | <u>49,790</u> |
| Support services: | | | | | |
| Salaries | - | - | - | - | - |
| Purchased prof/tech service | - | - | - | - | - |
| Other purchased services | - | - | - | - | - |
| Rent on land and buildings | 220,383 | (3,726) | 216,657 | 213,251 | 3,406 |
| Insurance-fidelity, liability property | 17,064 | - | 17,064 | 16,014 | 1,050 |
| Supplies and materials | 3,000 | - | 3,000 | 1,940 | 1,060 |
| Energy & Utilities | 23,400 | - | 23,400 | 23,125 | 275 |
| Miscellaneous expenses | 5,300 | 611 | 5,911 | 11,974 | (6,063) |
| Transportation other than to/from school | - | - | - | - | - |
| Total support services | <u>269,147</u> | <u>(3,115)</u> | <u>266,032</u> | <u>266,304</u> | <u>(272)</u> |

**DISCOVERY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2023

| | | | | | |
|---|-------------------|-------------|-------------------|-------------------|-------------------|
| Capital outlay: | | | | | |
| Instructional equipment | - | - | - | - | - |
| Non-instructional equipment | - | - | - | - | - |
| Total capital outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | | |
| Reimbursed TPAF-Social Security (non-budgeted) | - | - | - | 32,463 | (32,463) |
| TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted) | | | | 41,883 | (41,883) |
| Teacher's Pension & Annuity Fund (On-Behalf-Non-Budgeted) | | | | 159,435 | (159,435) |
| Long Term Disability Insurance (On-Behalf-Non-Budgeted) | - | - | - | 150 | (150) |
| Total expenditures | <u>1,832,924</u> | <u>-</u> | <u>1,832,924</u> | <u>1,913,616</u> | <u>120,626</u> |
| | | | | | |
| Excess (deficiency) of revenues over (under) expenditures | (14,915) | - | (14,915) | 152,809 | 127,790 |
| | | | | | |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfer Out: | | | | | |
| Transfer to food service fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | | |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (14,915) | - | (14,915) | 152,809 | 127,790 |
| | | | | | |
| Fund balances, beginning of year | <u>562,103</u> | <u>-</u> | <u>562,103</u> | <u>562,103</u> | <u>-</u> |
| | | | | | |
| Fund balances, end of year | <u>\$ 547,188</u> | <u>\$ -</u> | <u>\$ 547,188</u> | <u>\$ 714,912</u> | <u>\$ 127,790</u> |

**DISCOVERY CHARTER SCHOOL
Special Revenue Fund**

C-2

Budget Comparison Schedule

Year ended June 30, 2023

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|-------------------|---|
| Revenues | | | | | |
| Federal sources | \$ 507,549 | \$ - | \$ 507,549 | \$ 507,549 | \$ - |
| State sources | 15,522 | - | 15,522 | 15,522 | - |
| Local sources | - | - | - | - | - |
| Total revenues -all sources | <u>523,071</u> | <u>-</u> | <u>523,071</u> | <u>523,071</u> | <u>-</u> |
| Expenditures | | | | | |
| Current expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | 233,555 | - | 233,555 | 233,555 | - |
| Purchased Prof. and technical services | 76,556 | - | 76,556 | 76,556 | - |
| Other purchased services | 3,330 | - | 3,330 | 3,330 | - |
| General supplies | 13,252 | - | 13,252 | 13,252 | - |
| Miscellaneous expenditures | 9,910 | - | 9,910 | 9,910 | - |
| Total instruction | <u>336,603</u> | <u>-</u> | <u>336,603</u> | <u>336,603</u> | <u>-</u> |
| Support services | | | | | |
| Support services salaries | 4,919 | - | 4,919 | 4,919 | - |
| Employee benefits | 56,236 | - | 56,236 | 56,236 | - |
| Purchased professional services | 67,976 | - | 67,976 | 67,976 | - |
| Other purchased services | 45,065 | - | 45,065 | 45,065 | - |
| Supplies | 5,815 | - | 5,815 | 5,815 | - |
| Miscellaneous expenditures | - | - | - | - | - |
| Total support services | <u>180,011</u> | <u>-</u> | <u>180,011</u> | <u>180,011</u> | <u>-</u> |
| Capital outlay: | | | | | |
| Facilities acquisition and construction services: | | | | | |
| Instructional equipment | - | - | - | - | - |
| Noninstructional equipment | - | - | - | - | - |
| Construction services | 6,457 | - | 6,457 | 6,457 | - |
| Total facilities acquisition and construction services | <u>6,457</u> | <u>-</u> | <u>6,457</u> | <u>6,457</u> | <u>-</u> |
| Total expenditures | <u>\$ 523,071</u> | <u>\$ -</u> | <u>\$ 523,071</u> | <u>\$ 523,071</u> | <u>\$ -</u> |

Notes to Required Supplementary Information

DISCOVERY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Notes to Required Supplementary Schedule
Year ended June 30, 2023

C-3

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

| | | General Fund | Special Revenue Fund |
|---|-------|-----------------|----------------------------|
| Sources/inflows of resources | | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule: | [C-1] | \$ 2,066,425 | |
| | [C-2] | | \$ 523,071 |
| Difference - budget to GAAP: | | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | | - | - |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | [B-2] | \$ 2,066,425 | \$ 523,071 |
| Note 1 | | | |
| Uses/outflows of resources | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-2] | | \$ 523,071 |
| Differences - budget to GAAP | | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | | | - |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. | | | |
| Net transfer (outflows) to general fund | | | - |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] | | \$ 523,071 |

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

DISCOVERY CHARTER SCHOOL

L-1

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS
Last Ten Fiscal Years

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Charter School's proportion of the net pension liability (assets) | 0.0026029937% | 0.0025187936% | 0.0029946536% | 0.0034606571% | 0.0033035853% | 0.0018619524% | 0.0011919372% | 0.0006668359% | 0.0005783701% | 0.0005798432% |
| Charter School's proportionate share of the net pension liability (assets) | 392,828 | 298,389 | 488,350 | 623,558 | 650,459 | 433,433 | 353,018 | 149,691 | 108,287 | 110,820 |
| Charter School's covered employee payroll | \$ 227,386 | \$ 221,840 | \$ 182,334 | \$ 216,710 | \$ 242,060 | \$ 183,400 | \$ 121,830 | \$ 211,790 | \$ 118,978 | \$ 116,598 |
| Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll | 172.76% | 134.51% | 267.83% | 287.74% | 268.72% | 236.33% | 289.76% | 70.68% | 91.01% | 95.04% |
| Plan fiduciary net position as a percentage of the total pension liability - local | 62.91% | 70.33% | 58.32% | 56.27% | 53.60% | 48.10% | 40.14% | 47.93% | 52.08% | 48.72% |

DISCOVERY CHARTER SCHOOL

Schedule of the Charter School's Contributions - PERS
Last Ten Fiscal Years

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Contractually required contribution | \$ 32,825 | \$ 29,662 | \$ 32,915 | \$ 34,192 | \$ 33,497 | \$ 18,431 | \$ 10,750 | \$ 5,733 | \$ 4,768 | \$ 4,369 |
| Contribution in relation to the contractually required contribution | <u>(32,825)</u> | <u>(29,662)</u> | <u>(32,915)</u> | <u>(34,192)</u> | <u>(33,497)</u> | <u>(18,431)</u> | <u>(10,750)</u> | <u>(5,733)</u> | <u>(4,768)</u> | <u>(4,369)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Charter School's covered employee payroll | \$ 227,386 | \$ 221,840 | \$ 182,334 | \$ 216,710 | \$ 242,060 | \$ 183,400 | \$ 121,830 | \$ 211,790 | \$ 118,978 | \$ 116,598 |
| Contributions as a percentage of covered employee payroll | 14.44% | 13.37% | 18.05% | 15.78% | 13.84% | 10.05% | 8.82% | 2.71% | 4.01% | 3.75% |

DISCOVERY CHARTER SCHOOL

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF
Last Ten Fiscal Years

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Charter School's proportion of the net pension liability (assets)** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Charter School's proportionate share of the net pension liability (assets)** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| State's proportionate share of the net pension liability (assets) associated with the Charter School | \$ 1,922,339 | \$ 2,634,459 | \$ 3,647,742 | \$ 3,003,571 | \$ 2,514,578 | \$ 2,178,468 | \$ 3,719,591 | \$ 1,806,800 | \$ 1,614,769 | \$ 2,026,751 |
| Total | <u>\$ 1,922,339</u> | <u>\$ 2,634,459</u> | <u>\$ 3,647,742</u> | <u>\$ 3,003,571</u> | <u>\$ 2,514,578</u> | <u>\$ 2,178,468</u> | <u>\$ 3,719,591</u> | <u>\$ 1,806,800</u> | <u>\$ 1,614,769</u> | <u>\$ 2,026,751</u> |
| Charter School's covered employee payroll | \$ 453,534 | \$ 442,472 | \$ 382,363 | \$ 610,454 | \$ 551,200 | \$ 464,419 | \$ 402,000 | \$ 357,442 | \$ 440,986 | \$ 432,166 |
| Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll** | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 32.29% | 35.52% | 24.60% | 26.95% | 26.49% | 25.41% | 22.33% | 28.71% | 33.64% | 33.76% |

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

DISCOVERY CHARTER SCHOOL

M-1

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

| | Fiscal Year Ending | | | | | |
|--|--------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total OPEB Liability | | | | | | |
| Service cost | \$ 142,606 | \$ 199,406 | \$ 116,713 | \$ 105,834 | \$ 74,579 | \$ 89,147 |
| Interest cost | 24,513 | 27,267 | 32,282 | 27,561 | 24,549 | 19,920 |
| Changes of benefit terms | - | (1,119) | - | - | - | - |
| Difference between expected and actual experiences | (21,607) | (792,915) | 398,300 | 79,712 | (12,840) | - |
| Changes of assumptions | (248,139) | 1,037 | 299,249 | 12,217 | (70,968) | (92,843) |
| Member contributions | 779 | 697 | 864 | 746 | 572 | 528 |
| Gross benefit payments | (24,281) | (21,479) | (28,520) | (25,151) | (16,537) | (14,339) |
| Net change in total OPEB liability | (126,129) | (587,106) | 818,888 | 200,919 | (645) | 2,413 |
| Total OPEB liability - beginning | 1,051,128 | 1,638,234 | 819,346 | 618,427 | 619,072 | 616,659 |
| Total OPEB liability, ending | <u>\$ 924,999</u> | <u>\$ 1,051,128</u> | <u>\$ 1,638,234</u> | <u>\$ 819,346</u> | <u>\$ 618,427</u> | <u>\$ 619,072</u> |
| Covered employee payroll - PERS and TPAF | \$ 269,453 | \$ 252,688 | \$ 344,697 | \$ 273,496 | \$ 182,940 | \$ 155,731 |
| Total OPEB liability as a percentage of covered employee payroll | 343% | 416% | 475% | 300% | 338% | 398% |
| State's proportionate share of the net OPEB liability (asset) associated with the Charter School | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Charter School's contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

** Information not available.

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to Required Supplementary Information
Year Ended June 30, 2023

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

Benefit Changes

There were none.

Changes of Assumptions

None - The discount rate remained at 7% as of June 30, 2022 same as of June 30, 2021.

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

Benefit Changes

There were none.

Changes of Assumptions

None - The discount rate remained at 7% as of June 30, 2022 same as of June 30, 2021.

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

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.16% as of June 30, 2021, to 3.54% as of June 30, 2022.

Other Supplementary Information

School Level Schedules

Special Revenue Fund

DISCOVERY CHARTER SCHOOL
Special Revenue Fund

E-1

Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis

Year ended June 30, 2023

| | Title IA 2021- | Title IIA 2021-2022 | I.D.E.A. 2021-2022 | CRRSA ESSER II 2020-2023 | CRRSA ESSER II Learning Acceleration 2020-2023 | CRRSA ESSER II Mental Health 2020-2023 | ARP ESSER III 2020-2024 | ARP ESSER III Accelerated Coaching 2020-2024 | ARP ESSER III Summer Learning 2020-2024 | ARP ESSER III Beyond School Day 2020-2024 | ARP ESSER III Mental Health 2020-2024 | SDA Emergent Needs Grant | Student Activity Fund | Total |
|--|-------------------|------------------------|-----------------------|--------------------------------|--|--|-------------------------------|--|---|---|---|--------------------------------|-----------------------------|-------------------|
| Revenues | | | | | | | | | | | | | | |
| Federal sources | \$104,804 | \$ 7,578 | \$ 24,176 | \$ 7,237 | \$ 2,976 | \$ 25,177 | \$ 252,042 | \$ 8,030 | \$ 33,799 | \$ 18,839 | \$ 22,891 | \$ - | \$ - | \$ 507,549 |
| State sources | - | - | - | - | - | - | - | - | - | - | - | 15,522 | - | 15,522 |
| Local sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total revenues -all sources | <u>\$104,804</u> | <u>\$ 7,578</u> | <u>\$ 24,176</u> | <u>\$ 7,237</u> | <u>\$ 2,976</u> | <u>\$ 25,177</u> | <u>\$ 252,042</u> | <u>\$ 8,030</u> | <u>\$ 33,799</u> | <u>\$ 18,839</u> | <u>\$ 22,891</u> | <u>\$ 15,522</u> | <u>\$ -</u> | <u>\$ 523,071</u> |
| Expenditures | | | | | | | | | | | | | | |
| Instruction: | | | | | | | | | | | | | | |
| Salaries of teachers | \$ 68,400 | \$ - | \$ 15,686 | \$ 1,299 | \$ - | \$ - | \$ 105,586 | \$ - | \$ 30,956 | \$ 11,628 | \$ - | \$ - | \$ - | \$ 233,555 |
| Purchased Prof. and technical services | 1,520 | - | - | 108 | - | - | 68,357 | - | - | 6,571 | - | - | - | 76,556 |
| Other purchased services | - | - | - | - | - | - | 3,330 | - | - | - | - | - | - | 3,330 |
| General supplies | - | - | 490 | 583 | - | - | 4,715 | - | - | - | - | 7,464 | - | 13,252 |
| Miscellaneous expenditures | - | - | - | - | 80 | - | 9,830 | - | - | - | - | - | - | 9,910 |
| Total instruction | <u>69,920</u> | <u>-</u> | <u>16,176</u> | <u>1,990</u> | <u>80</u> | <u>-</u> | <u>191,818</u> | <u>-</u> | <u>30,956</u> | <u>18,199</u> | <u>-</u> | <u>7,464</u> | <u>-</u> | <u>336,603</u> |
| Support services: | | | | | | | | | | | | | | |
| Support services salaries | - | 4,919 | - | - | - | - | - | - | - | - | - | - | - | 4,919 |
| Employee benefits | 34,884 | 2,659 | 8,000 | 1,138 | - | - | 6,072 | - | 2,843 | 640 | - | - | - | 56,236 |
| Purchased professional services | - | - | - | - | 2,896 | 25,177 | 8,982 | 8,030 | - | - | 22,891 | - | - | 67,976 |
| Other purchased services | - | - | - | - | - | - | 45,065 | - | - | - | - | - | - | 45,065 |
| Supplies | - | - | - | 4,109 | - | - | 105 | - | - | - | - | 1,601 | - | 5,815 |
| Miscellaneous expenditures | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total support services | <u>34,884</u> | <u>7,578</u> | <u>8,000</u> | <u>5,247</u> | <u>2,896</u> | <u>25,177</u> | <u>60,224</u> | <u>8,030</u> | <u>2,843</u> | <u>640</u> | <u>22,891</u> | <u>1,601</u> | <u>-</u> | <u>180,011</u> |
| Capital Outlay: | | | | | | | | | | | | | | |
| Facilities acquisition and construction services | | | | | | | | | | | | | | |
| Instructional equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Noninstructional equipment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Construction services | - | - | - | - | - | - | - | - | - | - | - | 6,457 | - | 6,457 |
| Total facilities acquisition and construction services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,457</u> | <u>-</u> | <u>6,457</u> |
| Total expenditures | <u>\$104,804</u> | <u>\$ 7,578</u> | <u>\$ 24,176</u> | <u>\$ 7,237</u> | <u>\$ 2,976</u> | <u>\$ 25,177</u> | <u>\$ 252,042</u> | <u>\$ 8,030</u> | <u>\$ 33,799</u> | <u>\$ 18,839</u> | <u>\$ 22,891</u> | <u>\$ 15,522</u> | <u>\$ -</u> | <u>\$ 523,071</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fund balances, beginning of year | - | - | - | - | - | - | - | - | - | - | - | - | 1,436 | 1,436 |
| Prior period adjustment | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fund balances, beginning of year (restated) | - | - | - | - | - | - | - | - | - | - | - | - | 1,436 | 1,436 |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,436</u> | <u>\$ 1,436</u> |

Capital Projects Fund

At June 30, 2023, there was no capital project fund.

Enterprise Fund

DISCOVERY CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Position

June 30, 2023

| | <u>Food Services</u> |
|-------------------------------------|--------------------------|
| Assets | |
| Current Assets: | |
| Cash and cash equivalents | \$ 20,753 |
| Accounts receivable: | |
| Federal | 23,389 |
| State | 778 |
| Interfund receivable - general fund | |
| Total current assets | <u>\$ 44,920</u> |
| | |
| Liabilities | |
| Current Liabilities: | |
| Interfund payable - general fund | 13,608 |
| Accounts payable | 7,681 |
| Total current liabilities | <u>\$ 21,289</u> |
| | |
| Net position | |
| Unrestricted | 23,631 |
| Total net position | <u><u>\$ 23,631</u></u> |

DISCOVERY CHARTER SCHOOL
Enterprise Fund

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2023

| | <u>Food Services</u> |
|---|--------------------------|
| Operating revenues: | |
| Charges for services: | |
| Daily sales - reimbursable program | \$ - |
| Daily sales - non-reimbursable program | - |
| Miscellaneous revenue | 73 |
| Total Operating revenues | <u>73</u> |
| Operating expenses: | |
| Cost of sales - reimbursable program | 82,795 |
| Cost of sales - non-reimbursable program | - |
| Salaries | - |
| Employee benefits | - |
| Professional /technical service | 50,117 |
| Supplies and materials | 7,273 |
| Depreciation | - |
| Miscellaneous | - |
| Total operating expenses | <u>140,185</u> |
| Operating income (loss) | <u>(140,112)</u> |
| Nonoperating revenues: | |
| State sources: | |
| State school lunch program | 1,692 |
| State school breakfast program | 1,919 |
| Federal sources: | - |
| National school lunch program | 68,657 |
| Healthy, Hunger Free Kids, Act (HHFKA) | 1,327 |
| National school breakfast program | 39,022 |
| Summer food program | 3,107 |
| School Programs Emergency Operational Costs Reimbursement Program | 12,517 |
| Total nonoperating revenues | <u>128,241</u> |
| Net income/(loss) before contributions & transfers | (11,871) |
| Other financing sources: | |
| Operating transfer in/(out) - board contribution | - |
| | <u>-</u> |
| Change in net position | (11,871) |
| Total net position-beginning of year | <u>35,502</u> |
| Total net position-end of year | <u>\$ 23,631</u> |

DISCOVERY CHARTER SCHOOL
Enterprise Fund

G-3

Statement of Cash Flows

Year ended June 30, 2023

| | <u>Food Services</u> |
|---|--------------------------|
| Cash flows from operating activities: | |
| Operating loss | \$ (140,112) |
| Adjustment to reconcile operating loss to net cash used in operating activities: | |
| Changes in assets and liabilities: | |
| Accounts receivable | (10,724) |
| Due to/due from general fund | 21,839 |
| Accounts payable | (508) |
| Net cash used in operating activities | <u>(129,505)</u> |
| Cash flows from noncapital financing activities: | |
| Cash received from state reimbursements | 3,611 |
| Cash received from federal reimbursements | 124,630 |
| Operating subsidies and transfers from other funds | - |
| Net cash provided by noncapital financing activities | <u>128,241</u> |
| Cash flows from investing activities: | - |
| Net change in cash and cash equivalents | (1,264) |
| Cash and cash equivalents, beginning | 22,017 |
| Cash and cash equivalents, ending | <u><u>\$ 20,753</u></u> |

Fiduciary Fund

**DISCOVERY CHARTER SCHOOL
Fiduciary Funds**

H-1

Combining Statement of Fiduciary Net Position

June 30, 2023

| | Trust | | |
|-------------------------------------|-----------------------------------|---------------------------------------|---------------------|
| | Teachers Trust Fund Account | Students Scholarship Trust Fund | Total Trust Fund |
| Assets | | | |
| Cash and cash equivalents | \$ 3,349 | \$ 3,458 | \$ 6,807 |
| Interfund receivables | | - | - |
| Total assets | \$ 3,349 | \$ 3,458 | \$ 6,807 |
| Liabilities | | | |
| Payroll deductions and withholdings | \$ - | \$ - | \$ - |
| Interfund payables | 1,544 | 6,002 | 7,546 |
| Due to students group | - | - | - |
| Total liabilities | 1,544 | 6,002 | 7,546 |
| Net Position | | | |
| Held in trust for claims | 1,805 | (2,544) | (739) |
| Total net position | \$ 3,349 | \$ 3,458 | \$ 6,807 |

DISCOVERY CHARTER SCHOOL
Fiduciary Funds

H-2

Combining Statement of Changes in Fiduciary Net Position
Trust Funds

Year ended June 30, 2023

| | Teachers Trust Fund Account | Students Scholarship Trust Fund | Total Trust Fund |
|--|-----------------------------------|---------------------------------------|---------------------|
| Additions: | | | |
| Fundraising and miscellaneous income | \$ 102 | \$ 15 | \$ 117 |
| General fund appropriation | - | - | - |
| Total additions | <u>102</u> | <u>15</u> | <u>117</u> |
| Deductions: | | | |
| Fundraising and miscellaneous expenses | - | - | - |
| Total deductions | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in net position | 102 | 15 | 117 |
| Net position, beginning | <u>1,703</u> | <u>(2,559)</u> | <u>(856)</u> |
| Net position, ending | <u>\$ 1,805</u> | <u>\$ (2,544)</u> | <u>\$ (739)</u> |

Pages 104 and 105 intentionally left blank

Long Term Debt
At June 30, 2023, there was no long term debt.

DISCOVERY CHARTER SCHOOL
Long-Term Debt
Schedule of Obligations Under Renovation Loan

1-2

Year ended June 30, 2023

NONE

| <u>Interest Rate Payable</u> | <u>Amount of Original Issue</u> | <u>Amount Outstanding June 30, 2020</u> | <u>Acquired Current Year</u> | <u>Retired Current Year</u> | <u>Amount Outstanding June 30, 2021</u> |
|--------------------------------------|---|---|--------------------------------------|-------------------------------------|---|
| | | _____ | _____ | _____ | _____ |
| | | \$ - | \$ - | \$ - | \$ - |
| | | = | = | = | = |

Statistical Section

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-1

NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>Fiscal Year Ended June 30,</u> | | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------------|------------------|--------------------|--------------------|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | | | <u>2019</u> | <u>2018</u> | | | | |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 231,319 | 57,230 | (59,744) | (35,607) | (172,708) | 108,231 | 238,888 | 118,439 | 134,577 | 175,193 |
| Total governmental activities net position | <u>\$ 231,319</u> | <u>\$ 57,230</u> | <u>\$ (59,744)</u> | <u>\$ (35,607)</u> | <u>\$ (172,708)</u> | <u>\$ 108,231</u> | <u>\$ 238,888</u> | <u>\$ 118,439</u> | <u>\$ 134,577</u> | <u>\$ 175,193</u> |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 22,195 | 35,502 | 675 | 3,438 | - | 856 | 3,604 | 7,553 | 11,491 | 26,595 |
| Total business-type activities | <u>\$ 22,195</u> | <u>\$ 35,502</u> | <u>\$ 675</u> | <u>\$ 3,438</u> | <u>\$ -</u> | <u>\$ 856</u> | <u>\$ 3,604</u> | <u>\$ 7,553</u> | <u>\$ 11,491</u> | <u>\$ 26,595</u> |
| School-wide | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 253,514 | 92,732 | (59,069) | (32,169) | (172,708) | 109,087 | 242,492 | 125,992 | 146,068 | 201,788 |
| Total charter school net position | <u>\$ 253,514</u> | <u>\$ 92,732</u> | <u>\$ (59,069)</u> | <u>\$ (32,169)</u> | <u>\$ (172,708)</u> | <u>\$ 109,087</u> | <u>\$ 242,492</u> | <u>\$ 125,992</u> | <u>\$ 146,068</u> | <u>\$ 201,788</u> |

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 1,205,170 | \$ 1,045,100 | \$ 866,428 | \$ 785,860 | \$ 954,569 | \$ 960,924 | \$ 795,976 | \$ 898,741 | \$ 758,254 | \$ 704,101 |
| Support Services: | | | | | | | | | | |
| General administration | 632,478 | 1,054,968 | 791,073 | 704,315 | 849,917 | 705,331 | 564,349 | 434,405 | 387,807 | 339,281 |
| School administrative services | 413,852 | 392,791 | 342,356 | 291,904 | 291,904 | 335,816 | 306,899 | 281,286 | 220,813 | 223,124 |
| On-behalf TPAF/FICA reimbursements | 32,463 | 38,319 | 32,101 | 28,351 | 43,941 | 40,084 | 33,054 | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - | - |
| Unallocated depreciation | 4,877 | 3,586 | - | - | - | - | - | 7,044 | 27,955 | 15,518 |
| Total governmental activities expenses | <u>2,288,840</u> | <u>2,534,764</u> | <u>2,031,958</u> | <u>1,810,430</u> | <u>2,184,243</u> | <u>2,013,238</u> | <u>1,674,665</u> | <u>1,596,524</u> | <u>1,394,829</u> | <u>1,282,024</u> |
| Business-type activities: | | | | | | | | | | |
| Food service | 140,185 | 110,455 | 60,313 | 81,232 | 106,243 | 114,427 | 116,142 | 99,898 | 80,091 | 42,259 |
| Child Care | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities expense | <u>140,185</u> | <u>110,455</u> | <u>60,313</u> | <u>81,232</u> | <u>106,243</u> | <u>114,427</u> | <u>116,142</u> | <u>99,898</u> | <u>80,091</u> | <u>42,259</u> |
| Total charter school expenses | <u>\$ 2,429,025</u> | <u>\$ 2,645,219</u> | <u>\$ 2,092,271</u> | <u>\$ 1,891,662</u> | <u>\$ 2,290,486</u> | <u>\$ 2,127,665</u> | <u>\$ 1,790,807</u> | <u>\$ 1,696,422</u> | <u>\$ 1,474,920</u> | <u>\$ 1,324,283</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Operating grants and contributions | \$ 523,071 | \$ 495,949 | \$ 167,236 | \$ 123,809 | \$ 102,530 | \$ 107,463 | \$ 75,527 | \$ 43,398 | \$ 25,926 | \$ 12,963 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities program revenues | <u>523,071</u> | <u>495,949</u> | <u>167,236</u> | <u>123,809</u> | <u>102,530</u> | <u>107,463</u> | <u>75,527</u> | <u>43,398</u> | <u>25,926</u> | <u>12,963</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Food service | 73 | - | 243 | 653 | 2,298 | 1,326 | 6,853 | 4,894 | 447 | 899 |
| Child care | - | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 128,241 | 145,282 | 57,307 | 84,017 | 98,030 | 90,353 | 85,340 | 63,912 | 64,540 | 44,797 |
| Capital grants and contributions | - | - | - | - | 5,059 | 20,000 | 20,000 | - | - | - |
| Total business type activities program revenues | <u>128,314</u> | <u>145,282</u> | <u>57,550</u> | <u>84,670</u> | <u>103,387</u> | <u>111,679</u> | <u>112,193</u> | <u>68,806</u> | <u>64,987</u> | <u>45,696</u> |
| Total charter school program revenues | <u>\$ 651,385</u> | <u>\$ 641,231</u> | <u>\$ 224,786</u> | <u>\$ 208,479</u> | <u>\$ 207,917</u> | <u>\$ 219,142</u> | <u>\$ 187,720</u> | <u>\$ 112,204</u> | <u>\$ 90,913</u> | <u>\$ 58,659</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (1,765,769) | \$ (2,038,815) | \$ (1,864,722) | \$ (1,686,621) | \$ (2,081,713) | \$ (1,905,775) | \$ (1,599,138) | \$ (1,553,126) | \$ (1,368,903) | \$ (1,269,061) |
| Business-type activities | (11,871) | 34,827 | (2,763) | 3,438 | (856) | (2,748) | (3,949) | (31,092) | (15,104) | 3,437 |
| Total charter school-wide net expense | <u>\$ (1,777,640)</u> | <u>\$ (2,003,988)</u> | <u>\$ (1,867,485)</u> | <u>\$ (1,683,183)</u> | <u>\$ (2,082,569)</u> | <u>\$ (1,908,523)</u> | <u>\$ (1,603,087)</u> | <u>\$ (1,584,218)</u> | <u>\$ (1,384,007)</u> | <u>\$ (1,265,624)</u> |

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| General revenues and other changes in net position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes levied for general purposes, net | \$ 203,809 | \$ 203,552 | \$ 205,140 | \$ 211,241 | \$ 201,547 | \$ 221,409 | \$ 204,687 | \$ 173,608 | \$ 171,945 | \$ 154,133 |
| Grants and contributions | 1,800,489 | 1,626,816 | 1,621,645 | 1,582,198 | 1,576,237 | 1,552,711 | 1,531,004 | 1,279,541 | 1,238,920 | 1,131,221 |
| Miscellaneous income | 62,127 | 23,379 | 13,800 | 30,283 | 27,959 | 20,998 | 3,758 | 83,839 | 23,474 | 52,908 |
| Transfers | - | - | - | - | (5,059) | (20,000) | (20,000) | - | - | - |
| Total governmental activities | 2,066,425 | 1,853,747 | 1,840,585 | 1,823,722 | 1,800,684 | 1,775,118 | 1,719,449 | 1,536,988 | 1,434,339 | 1,338,262 |
| Business-type activities: | | | | | | | | | | |
| Miscellaneous income | - | - | - | - | 5,059 | 20,000 | 20,000 | 27,154 | - | - |
| Total business-type activities | - | - | - | - | 5,059 | 20,000 | 20,000 | 27,154 | - | - |
| Total charter school-wide | \$ 2,066,425 | \$ 1,853,747 | \$ 1,840,585 | \$ 1,823,722 | \$ 1,805,743 | \$ 1,795,118 | \$ 1,739,449 | \$ 1,564,142 | \$ 1,434,339 | \$ 1,338,262 |
| Change in net position | | | | | | | | | | |
| Governmental activities | \$ 300,656 | \$ (185,068) | \$ (24,137) | \$ 137,101 | \$ (275,970) | \$ (110,657) | \$ 140,311 | \$ (16,138) | \$ 65,436 | \$ 69,201 |
| Business-type activities | (11,871) | 34,827 | (2,763) | 3,438 | (856) | (2,748) | (3,949) | (3,938) | (15,104) | 3,437 |
| Total charter school | \$ 288,785 | \$ (150,241) | \$ (26,900) | \$ 140,539 | \$ (276,826) | \$ (113,405) | \$ 136,362 | \$ (20,076) | \$ 50,332 | \$ 72,638 |

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|------------------------------------|----------------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| General Fund | | | | | | | | | | |
| Unreserved | \$ 714,912 | \$ 562,103 | \$ 451,210 | \$ 373,307 | \$162,253 | \$ 333,927 | \$ 402,256 | \$ 236,070 | \$ 246,152 | \$ 175,193 |
| Total general fund | <u>\$ 714,912</u> | <u>\$ 562,103</u> | <u>\$ 451,210</u> | <u>\$ 373,307</u> | <u>\$162,253</u> | <u>\$ 333,927</u> | <u>\$ 402,256</u> | <u>\$ 236,070</u> | <u>\$ 246,152</u> | <u>\$ 175,193</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue fund | - | - | - | - | - | - | - | - | - | - |
| Capital projects fund | - | - | - | - | - | - | - | - | - | - |
| Debt service fund | - | - | - | - | - | - | - | - | - | - |
| Permanent fund | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-4

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

| Function | Fiscal Year Ended June 30, | | | | | | | | | |
|-------------------------------|----------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|--------------------|------------------|------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Revenues | | | | | | | | | | |
| Local tax levy | \$ 265,936 | \$ 226,936 | \$ 218,944 | \$ 241,524 | \$ 229,506 | \$ 242,407 | \$ 208,445 | \$ 257,447 | \$ 195,419 | \$ 207,041 |
| State sources | 1,816,011 | 1,644,746 | 1,621,645 | 1,582,198 | 1,576,327 | 1,552,711 | 1,531,004 | 1,245,999 | 1,189,855 | 1,073,485 |
| Federal sources | 507,549 | 476,632 | 167,236 | 123,809 | 102,530 | 107,463 | 75,527 | 76,940 | 74,991 | 70,699 |
| Total revenue | 2,589,496 | 2,348,314 | 2,007,825 | 1,947,531 | 1,908,363 | 1,902,581 | 1,814,976 | 1,580,386 | 1,460,265 | 1,351,225 |
| Expenditures | | | | | | | | | | |
| Instruction | 1,205,170 | 1,045,100 | 866,428 | 785,860 | 954,569 | 960,924 | 795,976 | 643,540 | 607,582 | 578,192 |
| Administration | 544,814 | 514,303 | 443,545 | 432,202 | 553,614 | 504,561 | 418,514 | 683,550 | 532,956 | 465,190 |
| Support Services | 446,315 | 431,110 | 374,457 | 320,255 | 379,757 | 346,983 | 314,340 | 256,334 | 220,813 | 223,124 |
| Capital Outlay | 6,457 | 17,930 | - | - | - | - | - | 7,044 | 27,955 | 15,518 |
| Total expenditures | 2,202,756 | 2,008,443 | 1,684,430 | 1,538,317 | 1,887,940 | 1,812,468 | 1,528,830 | 1,590,468 | 1,389,306 | 1,282,024 |
| Change in net position | \$ 386,740 | \$ 339,871 | \$ 323,395 | \$ 409,214 | \$ 20,423 | \$ 90,113 | \$ 286,146 | \$ (10,082) | \$ 70,959 | \$ 69,201 |

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-5

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

| Function | Fiscal Year Ended June 30, | | | | | | | | | |
|-----------------------------|----------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Other local revenues | | | | | | | | | | |
| Donations and contributions | \$ 62,127 | \$ 23,379 | \$ 13,800 | \$ 30,283 | \$ 27,959 | \$ 20,998 | \$ 3,758 | \$ 36,769 | \$ 23,455 | \$ 52,762 |
| Miscellaneous | | - | - | - | - | - | - | 47,041 | | 146 |
| Total other local revenue | <u>\$ 62,127</u> | <u>\$ 23,379</u> | <u>\$ 13,800</u> | <u>\$ 30,283</u> | <u>\$ 27,959</u> | <u>\$ 20,998</u> | <u>\$ 3,758</u> | <u>\$ 83,810</u> | <u>\$ 23,455</u> | <u>\$ 52,908</u> |

Source: Charter School's Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Governmental Activities | | | | Type Activities | Total Charter School | Percentage of Personal Income ^a | Per Capita ^a |
|-------------------------------|--|----------------------------------|-------------------|---------------------------------|--------------------|-------------------------|---|----------------------------|
| | General Obligation Bonds ^b | Certificates of Participation | Capital Leases | Anticipation Notes (BANs) | Capital Leases | | | |
| 2014 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 0.00% | - |
| 2015 | - | - | - | - | - | - | 0.00% | - |
| 2016 | - | - | - | - | - | - | 0.00% | - |
| 2017 | - | - | - | - | - | - | 0.00% | - |
| 2018 | - | - | - | - | - | - | 0.00% | - |
| 2019 | | | | | | | 0.00% | |
| 2020 | | | | | | | 0.00% | |
| 2021 | | | | | | | 0.00% | |
| 2022 | | | | | | | 0.00% | |
| 2023 | - | - | - | - | - | - | 0.00% | - |

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

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

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-14

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

| <u>Year</u> | <u>Population ^a</u> | <u>Personal Income ^b</u> | <u>County Per Capita Personal Income ^c</u> | <u>Unemployment Rate ^d</u> |
|-------------|--------------------------------|-------------------------------------|---|---|
| 2014 | 279,499 | \$ 16,300,102,181 | \$ 58,319 | 13.00% |
| 2015 | 280,980 | 16,867,229,400 | 60,030 | 13.00% |
| 2016 | 281,944 | 16,925,098,320 | 60,030 | 13.00% |
| 2017 | 281,764 | 16,914,292,920 | 60,030 | 13.00% |
| 2018 | 281,764 | 16,914,292,920 | 60,030 | 13.00% |
| 2019 | 281,764 | 16,914,292,920 | 60,030 | 7.90% |
| 2020 | 281,764 | 16,914,292,920 | 60,030 | 7.90% |
| 2021 | 281,764 | 16,914,292,920 | 60,030 | 7.90% |
| 2022 | 281,764 | 16,914,292,920 | 60,030 | 7.90% |
| 2023 | 281,764 | 16,914,292,920 | 60,030 | 7.90% |

Source:

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

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

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

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

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-15

Principal Employers
Current Year
(Unaudited)

| | 2023 | | |
|--------------------------------------|-------------------------|--|--|
| <u>Employer</u> | <u>Employees</u> | <u>Rank</u> <u>[Optional]</u> | <u>Total</u> <u>Municipal</u> <u>Employment</u> |
| Newark Liberty International Airport | 24,000 | 1 | 17.14% |
| Verizon Communications | 17,100 | 2 | 12.21% |
| Prudential Financial, Inc. | 16,850 | 3 | 12.04% |
| Continental Airline | 11,000 | 4 | 7.86% |
| University of Medicines/Dentistry | 11,000 | 5 | 7.86% |
| Public Service Enterprise Group | 10,800 | 6 | 7.71% |
| Prudential Insurance | 4,492 | 7 | 3.21% |
| City of Newark | 3,984 | 8 | 2.85% |
| Horizon Blue Cross & Blue Shield | 3,900 | 9 | 2.79% |
| | 103,126 | | 73.67% |

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Newark-Economy.html>

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

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

| <u>Function/Program</u> | <u>Fiscal Year Ended June 30,</u> | | | | | | | | | |
|-------------------------|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Instruction | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 11 | 12 |
| Administrative | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 2 |
| Support Services | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Food Service | - | - | - | - | - | - | - | - | 1 | - |
| Total | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> | <u>15</u> | <u>15</u> |

Source: Charter School Personnel Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-17

Operating Statistics

**Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year | Enrollment | Operating Expenditures^a | Cost Per Pupil | Percentage Change | Teaching Staff^b | Pupil/Teacher Ratio | Average Daily Enrollment (ADE)^c | Average Daily Attendance (ADA)^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|--------------------|-------------------|---|-----------------------|--------------------------|-----------------------------------|----------------------------|---|---|---|--------------------------------------|
| 2014 | 75 | \$ 1,266,506 | \$ 16,887 | -8.44% | 12 | 5:1 | 75.0 | 72 | 0.00% | 96.00% |
| 2015 | 80 | 1,361,351 | 17,017 | 0.77% | 11 | 5:1 | 80.0 | 80 | 6.67% | 100.00% |
| 2016 | 80 | 1,583,424 | 19,793 | 16.31% | 12 | 6:1 | 80.0 | 80 | 0.00% | 100.00% |
| 2017 | 100 | 1,528,830 | 15,288 | -22.76% | 12 | 6:1 | 100.0 | 100 | 25.00% | 100.00% |
| 2018 | 100 | 1,812,468 | 18,125 | 18.55% | 12 | 6:1 | 100.0 | 100 | 0.00% | 100.00% |
| 2019 | 100 | 1,887,940 | 18,879 | 4.16% | 12 | 6:1 | 100.0 | 100 | 0.00% | 100.00% |
| 2020 | 100 | 1,538,317 | 15,383 | -18.52% | 12 | 6:1 | 100.0 | 100 | 0.00% | 100.00% |
| 2021 | 99 | 1,684,430 | 17,014 | 10.60% | 12 | 6:1 | 114.0 | 111 | 14.00% | 97.37% |
| 2022 | 100 | 1,990,513 | 19,905 | 16.99% | 12 | 6:1 | 100.0 | 100 | -12.28% | 100.00% |
| 2023 | 100 | 2,196,299 | 21,963 | 10.34% | 12 | 6:1 | 114.0 | 111 | 14.00% | 97.37% |

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

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

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-18

School Building Information
Last Ten Fiscal Years
(Unaudited)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---------------------|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Square Feet | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 11,243 | 8,250 |
| Capacity (students) | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 80 | 80 | 75 |
| Enrollment | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 80 | 80 |

Source: School Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-19

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

| | |
|-------|----------------------------|
| 2014 | Not Available |
| 2015 | Not Available |
| 2016 | Not Available |
| 2017 | \$ 284,047 |
| 2018 | \$ 298,146 |
| 2019 | \$ 338,442 |
| 2020 | \$ 280,841 |
| 2021 | \$ 328,540 |
| 2022 | \$ 40,271 |
| 2023 | \$ 266,304 |
| | - |
| Total | <u><u>\$ 1,836,591</u></u> |

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

Source: Charter School records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-20

Insurance Schedule

June 30, 2023
(Unaudited)

| | Coverage |
|--|-----------------|
| School Package Policy | |
| Property | |
| Business Personal Property | \$ 300,000 |
| Electronic Data Processing | 200,000 |
| Business Income | 120,000 |
| Crime | |
| Faithful Performance | 50,000 |
| Forgery 7 Alternation | 50,000 |
| Money & Securities | 10,000 |
| Money Order/Counterfeit | 10,000 |
| Board Treasurer | 113,000 |
| Board Secretary | 113,000 |
| General Liability | |
| Single Limit for Bodily Injury and Property Damage | 5,000,000 |
| Products/Completed Operations Aggregate | 5,000,000 |
| Annual Aggregate for Child Molestation/Sexual Abuse | 5,000,000 |
| Each Occurrence for Personal Injury/Advertising Injury | 5,000,000 |
| Each Claim for Employee Benefits Liability | 5,000,000 |
| Premise Medical Payments Per Person | 5,000 |
| Automobile Liability | |
| Hired and Non-Owned Automobile Liability | 5,000,000 |
| Student Accident | |
| Medical Benefit Amount (Full Excee) | 1,000,000 |
| Accidental Medical Excess Benefit (Gold Plan) | 25,000 |
| School Leaders E&O | |
| Coverage A - Each Loss with \$5,000 Deductible | 1,000,000 |
| Coverage B- Each Loss with \$5,000 Deductible | 100,000 |
| Coverage B- Annual Aggregate | 300,000 |
| Workers' Compensation | |
| Each Accident | 1,000,000 |
| Each Employee | 1,000,000 |
| Policy Limit | 1,000,000 |

Source: Charter School Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-21

Charter School Performance Framework Financial Indicators
New Term Indicators

June 30, 2023
(Unaudited)

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|------------------------|-------------------|-------------------|-------------------|
| Cash | \$ 745,730 | \$ 594,119 | \$ 427,606 |
| Current assets | 241,621 | 236,733 | 204,885 |
| Capital assets, net | - | - | - |
| Total assets | <u>987,351</u> | <u>830,852</u> | <u>632,491</u> |
| Current liabilities | 213,665 | 200,249 | 177,788 |
| Long term liabilities | - | - | - |
| Total liabilities | <u>213,665</u> | <u>200,249</u> | <u>177,788</u> |
| Net position | <u>\$ 773,686</u> | <u>\$ 630,603</u> | <u>\$ 454,703</u> |
| Total revenue | \$ 2,717,737 | \$ 2,494,978 | \$ 2,065,128 |
| Total expenses | (2,576,872) | (2,349,258) | (1,990,231) |
| Change in net position | <u>\$ 140,865</u> | <u>\$ 145,720</u> | <u>\$ 74,897</u> |

| | | | |
|--------------------------------|----------|----------|------|
| Depreciation expense | \$ 4,877 | \$ 3,586 | \$ - |
| Interest expense | - | - | - |
| Principal payments | - | - | - |
| Interest payments | - | - | - |
| Final average daily enrollment | 100 | 100 | 100 |
| March 30th budgeted enrollment | 100 | 100 | 100 |

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>Three Year Cumulative</u> |
|------------------------------|-------------|-------------|-------------|----------------------------------|
| NEAR TERM INDICATORS: | | | | |
| Current ratio | 4.62 | 4.15 | 3.56 | 12.33 |
| Unrestricted days cash | 105.63 | 92.31 | 78.42 | 276.36 |
| Enrollment variance | 100% | 100% | 100% | 1.00 |
| Default | N/A | N/A | N/A | N/A |

Source: Charter School Records

DISCOVERY CHARTER SCHOOL
County of Essex, New Jersey

J-22

Charter School Performance Framework Financial Indicators
Sustainability Indicators

June 30, 2023
(Unaudited)

| | 2023 | 2022 | 2021 |
|--------------------------------|-------------------|-------------------|-------------------|
| Cash | \$ 745,730 | \$ 594,119 | \$ 427,606 |
| Current assets | 241,621 | 236,733 | 204,885 |
| Capital assets, net | - | - | - |
| Total assets | <u>987,351</u> | <u>830,852</u> | <u>632,491</u> |
| Current liabilities | 213,665 | 200,249 | 240,636 |
| Long term liabilities | - | - | - |
| Total liabilities | <u>213,665</u> | <u>200,249</u> | <u>240,636</u> |
| Net position | <u>\$ 773,686</u> | <u>\$ 630,603</u> | <u>\$ 391,855</u> |
| Total revenue | \$ 2,717,737 | \$ 2,494,978 | \$ 2,065,128 |
| Total expenses | (2,576,872) | (2,349,258) | (1,990,231) |
| Change in net position | <u>\$ 140,865</u> | <u>\$ 145,720</u> | <u>\$ 74,897</u> |
| Depreciation expense | \$ 4,877 | \$ 3,586 | \$ - |
| Interest expense | - | - | - |
| Principal payments | - | - | - |
| Interest payments | - | - | - |
| Final average daily enrollment | 100 | 100 | 100 |
| March 30th budgeted enrollment | 100 | 100 | 100 |

| | 2023 | 2022 | 2021 | Three Year Cumulative |
|-----------------------------------|-------------|-------------|-------------|----------------------------------|
| SUSTAINABILITY INDICATORS: | | | | |
| Total margin | 5% | 6% | 4% | 5% |
| Debt to asset | N/A | N/A | N/A | N/A |
| Cash flow | \$ 151,611 | \$ 166,513 | \$ 44,512 | \$ 362,636 |
| Debt service coverage ratio | N/A | N/A | N/A | N/A |

Source: Charter School Records

Single Audit Section

Olugbenga Olabintan

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K-1

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

The Honorable Chairperson and
Members of the Board of Trustees
Discovery Charter School
County of Essex
Newark, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Discovery Charter School, in the County of Essex, State of New Jersey, ("the Charter School") as of and for the year ended June 30, 2023, 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 November 30, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Olugbenga Olabintan, CPA

November 30, 2023
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



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

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K-2

Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the State of New Jersey OMB's Circular Letter 15-08

The Honorable Chairperson and
Members of the Board of Trustees
Discovery Charter School
County of Essex,
Newark, New Jersey

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Discovery Charter School's, in the County of Essex, State of New Jersey ("the Charter School") compliance with the types of compliance requirements described in the the *State of New Jersey Department of Treasury Circular 15-08-OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2023. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the fiscal year ended June 30, 2023.

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; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and audit requirements of New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Olugbenga Olabintan, CPA

November 30, 2023
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant

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

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

DISCOVERY CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

| Federal Grant/ Pass-Through Grantor/ Program Title | Assistance Listing (AL) Number | Federal Award Identification Number | Grant Period | Award Amount | (Accounts Receivable) at June 30, 2022 | Deferred Revenue at June 30, 2022 | Due to Grantor at June 30, 2022 | Adjustments | Carryover (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Years' Balances | (Accounts Receivable) at June 30, 2023 | Deferred Revenue at June 30, 2023 | Due to Grantor at June 30, 2023 |
|--|--------------------------------------|--|-----------------|--------------------|---|--|--|-------------|-----------------------------------|---------------------|---------------------------|---|---|--|--|
| Special Revenue Fund: | | | | | | | | | | | | | | | |
| U.S. Department of Education, Pass Through Programs: | | | | | | | | | | | | | | | |
| Passed-Through New Jersey State Department of Education: | | | | | | | | | | | | | | | |
| Title I Part A - FY 2022-2023 | 84.010A | S010A220030 | 7/1/22-9/30/23 | \$ 76,174 | \$ - | \$ - | \$ - | \$ - | \$ 75,220 | \$ (104,804) | \$ - | \$ (29,584) | \$ - | \$ - | \$ - |
| Title II A - FY 2022-2023 | 84.367A | S367A220029 | 7/1/22-9/30/23 | 6,228 | - | - | - | - | 4,999 | (7,578) | - | (2,579) | - | - | - |
| IDEA Part B - FY 2022-2023 | 84.027 | H027A220100 | 7/1/22-9/30/23 | 24,371 | - | - | - | - | 15,932 | (24,176) | - | (8,244) | - | - | - |
| ARP IDEA Basic - FY 2021-2022 | 84.027X | H027X210100 | 7/1/21-9/30/22 | 6,155 | (783) | - | - | - | 783 | - | - | - | - | - | - |
| CRRSA-ESSER II | 84.425D | S425D210027 | 3/13/20-9/30/23 | 215,341 | (33,161) | - | - | - | 36,377 | (7,237) | - | (4,021) | - | - | - |
| CRRSA-Learning Acceleration | 84.425D | S425D210027 | 3/13/20-9/30/23 | 25,000 | (540) | - | - | - | 3,516 | (2,976) | - | - | - | - | - |
| CRRSA-Mental Health | 84.425D | S425D210027 | 3/13/20-9/30/23 | 45,000 | (4,080) | - | - | - | 26,880 | (25,177) | - | (2,377) | - | - | - |
| ARP ESSER III | 84.425U | S425U210027 | 3/13/20-9/30/24 | 483,964 | (5,410) | - | - | - | 203,784 | (252,042) | - | (53,668) | - | - | - |
| ARP ESSER III - Accelerated Learning Coaching and Educator Support Grant | 84.425U | S425U210027 | 3/13/20-9/30/24 | 50,000 | - | - | - | - | 8,030 | (8,030) | - | - | - | - | - |
| ARP ESSER III - Evidence-Based Summer Learning and Enrichment Activities Grant | 84.425U | S425U210027 | 3/13/20-9/30/24 | 40,000 | - | - | - | - | 33,799 | (33,799) | - | - | - | - | - |
| ARP ESSER III - Evidence-Based Comprehensive Beyond the School Day Grant | 84.425U | S425U210027 | 3/13/20-9/30/24 | 40,000 | (1,727) | - | - | - | 20,283 | (18,839) | - | (283) | - | - | - |
| ARP ESSER III - NJTSS Mental Health Support Staffing Grant | 84.425U | S425U210027 | 3/13/20-9/30/24 | 45,000 | (1,856) | - | - | - | 24,358 | (22,891) | - | (389) | - | - | - |
| Title I Part A - FY 2021-2022 | 84.010A | S010A210030 | 7/1/21-9/30/22 | 76,174 | (7,052) | - | - | - | 7,052 | - | - | - | - | - | - |
| Title II A - FY 2021-2022 | 84.367A | S367A210029 | 7/1/21-9/30/22 | 6,228 | (544) | - | - | - | 544 | - | - | - | - | - | - |
| IDEA Part B - FY 2021-2022 | 84.027 | H027A210100 | 7/1/21-9/30/22 | 24,371 | (1,681) | - | - | - | 1,681 | - | - | - | - | - | - |
| Total Special Revenue/U.S. Department of Education - Pass Through Programs | | | | (56,834) | - | - | - | - | 463,238 | (507,549) | - | (101,145) | - | - | - |
| Enterprise Fund: | | | | | | | | | | | | | | | |
| U.S. Department of Agriculture, Pass Through Programs: | | | | | | | | | | | | | | | |
| Passed-Through New Jersey Dept of Agriculture: | | | | | | | | | | | | | | | |
| National School Lunch Program | 10.555 | 231NJ304N199 | 7/1/22-6/30/23 | 68,657 | - | - | - | - | 53,966 | (68,657) | - | (14,691) | - | - | - |
| National School Lunch Program | 10.555 | 221NJ304N1099 | 7/1/21-6/30/22 | 73,248 | (8,495) | - | - | - | 8,495 | - | - | - | - | - | - |
| Healthy, Hunger Free Kids Act (HHFKA) | 10.555 | 231NJ304N199 | 7/1/22-6/30/23 | 1,327 | - | - | - | - | 1,041 | (1,327) | - | (286) | - | - | - |
| Subtotal Assistance Listing # 10.555 | | | | 143,232 | (8,495) | - | - | - | 63,502 | (69,984) | - | (14,977) | - | - | - |
| National School breakfast program | 10.553 | 231NJ304N199 | 7/1/22-6/30/23 | 39,022 | - | - | - | - | 30,610 | (39,022) | - | (8,412) | - | - | - |
| National School breakfast program | 10.553 | 221NJ304N1099 | 7/1/21-6/30/22 | 40,580 | (4,752) | - | - | - | 4,752 | - | - | - | - | - | - |
| Subtotal Assistance Listing # 10.553 | | | | 79,602 | (4,752) | - | - | - | 35,362 | (39,022) | - | (8,412) | - | - | - |
| Summer Food Service Program for Children | 10.559 | 231NJ304N199 | 7/1/22-8/31/23 | 3,107 | - | - | - | - | 3,107 | (3,107) | - | - | - | - | - |
| Subtotal Assistance Listing # 10.559 | | | | 3,107 | - | - | - | - | 3,107 | (3,107) | - | - | - | - | - |
| Total Enterprise Fund/Total U.S. Department of Agriculture, Pass Through Programs | | | | (13,247) | - | - | - | - | 101,971 | (112,113) | - | (23,389) | - | - | - |
| Total Expenditures of Federal Awards | | | | \$ (70,081) | \$ - | \$ - | \$ - | \$ - | \$ 565,209 | \$ (619,662) | \$ - | \$ (124,534) | \$ - | \$ - | \$ - |

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

DISCOVERY CHARTER SCHOOL

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2023

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | (Accounts Receivable) at June 30, 2022 | Deferred Revenue at June 30, 2022 | Due to Grantor at June 30, 2022 | Adjustments | Carryover (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Years' Balances | (Accounts Receivable) at June 30, 2023 | Deferred Revenue at June 30, 2023 | Due to Grantor at June 30, 2023 |
|---|-------------------------------|----------------|--------------------|--|-----------------------------------|---------------------------------|-------------|-----------------------------|---------------------|------------------------|------------------------------------|--|-----------------------------------|---------------------------------|
| New Jersey State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Equalization Aid | 23-495-034-5120-078 | 7/1/22-6/30/23 | \$1,670,699 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,670,699 | \$ (1,663,507) | \$ - | \$ (7,192) | \$ - | \$ - |
| Equalization Aid | 22-495-034-5120-078 | 7/1/21-6/30/22 | 1,496,926 | (82,131) | - | - | - | - | 82,131 | - | - | - | - | - |
| Special Education Aid | 23-495-034-5120-089 | 7/1/22-6/30/23 | 43,074 | - | - | - | - | - | 43,074 | (43,074) | - | - | - | - |
| Security Aid | 23-495-034-5120-084 | 7/1/22-6/30/23 | 56,594 | - | - | - | - | - | 56,594 | (56,594) | - | - | - | - |
| State Adjustment Aid | 23-495-034-5120-085 | 7/1/22-6/30/23 | - | - | - | - | - | - | - | - | - | - | - | - |
| TPAF/FICA Reimbursements | 23-495-034-5094-003 | 7/1/22-6/30/23 | 32,463 | - | - | - | - | - | 29,627 | (32,463) | - | (2,836) | - | - |
| TPAF/FICA Reimbursements | 22-495-034-5094-003 | 7/1/21-6/30/22 | 38,319 | - | - | - | - | - | - | - | - | - | - | - |
| TPAF Post Retirement Medical Contribution | 23-495-034-5094-001 | 7/1/22-6/30/23 | 41,883 | - | - | - | - | - | 41,883 | (41,883) | - | - | - | - |
| TPAF Pension Contribution - Normal & NCGI | 23-495-034-5094-002 | 7/1/22-6/30/23 | 159,435 | - | - | - | - | - | 159,435 | (159,435) | - | - | - | - |
| TPAF Pension Contribution - Long-Term Disability Insurance | 23-495-034-5094-004 | 7/1/22-6/30/23 | 150 | - | - | - | - | - | 150 | (150) | - | - | - | - |
| Total General Fund | | | <u>(82,131)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,083,593</u> | <u>(1,997,106)</u> | <u>-</u> | <u>(10,028)</u> | <u>-</u> | <u>-</u> |
| Special Revenue Fund: | | | | | | | | | | | | | | |
| Preschool and Charter Security Grant | 23-495-034-5120-086 | 7/1/21-9/30/23 | 20,000 | (9,514) | - | - | - | - | - | - | - | (9,514) | - | - |
| Charter & Renaissance School Project Emergent and Capital Maintenance Funds | 23-495-034-5120-071 | 7/1/22-6/30/23 | 15,605 | - | - | - | - | - | 15,605 | (15,522) | - | - | 83 | - |
| Total Special Revenue Fund | | | <u>(9,514)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,605</u> | <u>(15,522)</u> | <u>-</u> | <u>(9,514)</u> | <u>83</u> | <u>-</u> |
| Total New Jersey State Department of Education | | | | | | | | | | | | | | |
| | | | <u>(91,645)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,099,198</u> | <u>(2,012,628)</u> | <u>-</u> | <u>(19,542)</u> | <u>83</u> | <u>-</u> |
| New Jersey State Department of Agriculture | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | |
| State School Lunch Program | 23-100-010-3350-023 | 7/1/22-6/30/23 | 1,692 | - | - | - | - | - | 1,331 | (1,692) | - | (361) | - | - |
| State School Lunch Program | 22-100-010-3350-023 | 7/1/22-6/30/23 | 12,043 | (196) | - | - | - | - | 196 | - | - | - | - | - |
| State School Breakfast Program | 23-100-010-3350-023 | 7/1/22-6/30/23 | 1,919 | - | - | - | - | - | 1,502 | (1,919) | - | (417) | - | - |
| Total Enterprise Fund | | | <u>(196)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,029</u> | <u>(3,611)</u> | <u>-</u> | <u>(778)</u> | <u>-</u> | <u>-</u> |
| Total Expenditures of State Financial Assistance | | | | | | | | | | | | | | |
| | | | <u>\$ (91,841)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,102,227</u> | <u>(2,016,239)</u> | <u>\$ -</u> | <u>\$ (20,320)</u> | <u>\$ 83</u> | <u>\$ -</u> |
| Less Amounts Not Subject to Single Audit: | | | | | | | | | | | | | | |
| TPAF Post Retirement Medical Contribution | | | | | | | | | | 41,883.00 | | | | |
| TPAF Pension Contribution - Normal & NCGI | | | | | | | | | | 159,435.00 | | | | |
| TPAF Pension Contribution - Long-Term Disability Insurance | | | | | | | | | | 150.00 | | | | |
| Total Expenditures of State Financial Assistance Subject to Single Audit | | | | | | | | | | | | | | |
| | | | | | | | | | | <u>\$ (1,814,771)</u> | | | | |

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

DISCOVERY CHARTER SCHOOL
(County of Essex)

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2023

1. General

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

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made. The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

DISCOVERY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2023

3. Relationship to Basic Financial Statements - *continued*

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

| | Federal | State | Total |
|----------------------|-------------------|---------------------|---------------------|
| General Fund | \$ - | \$ 1,997,106 | \$ 1,997,106 |
| Special Revenue Fund | 507,549 | 15,522 | 523,071 |
| Enterprise Fund | 112,113 | 3,611 | 115,724 |
| Total | <u>\$ 619,662</u> | <u>\$ 2,016,239</u> | <u>\$ 2,635,901</u> |

4. Relationship to Federal and State Financial Reports

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

5. Other Information

TPAF Social Security contribution in the amount of \$32,463 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2023. The amount reported as TPAF Pension System Contributions and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$201,468 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2023.

6. On Behalf Programs Not Subject to State Single Audit

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

7. De Minimis Indirect Cost

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

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards:

In accordance with the new 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), the audit threshold was raised from \$500,000 to \$750,000. Thus, for fiscal years ending after December 26, 2015, organizations that expend less than \$750,000 in federal awards during a year are exempt from the single audit requirement for that year.

For the fiscal year ended June 30, 2023, the Charter School was determined to expend less than \$750,000 in federal awards and was therefore exempt from the federal single audit requirements for 2023.

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Part I Summary of Auditors' Results

State Financial Assistance Section

State Financial Assistance Section

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

Auditee qualifies as low-risk auditee? yes No

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

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

Identification of Major Programs:

| <u>State Grant/Program Number(s)</u> | <u>Name of State Program or Cluster</u> |
|--------------------------------------|---|
| 23-495-034-5120-078 | Equalization Aid |
| 23-495-034-5120-089 | Special Education Aid |
| 23-495-034-5120-084 | Security Aid |

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Part II – Schedule of Financial Statement Findings

NONE

DISCOVERY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Part III –Federal Awards Findings and Questioned Cost

NOT APPLICABLE FOR 2023

Part III – State Financial Assistance Findings and Questioned Cost

NONE

DISCOVERY CHARTER SCHOOL
(County of Essex)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2023

There were no prior year's audit findings.