

# MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES

FINANCIAL STATEMENTS, SUPPLEMENTARY SCHEDULES AND  
UNIFORM GUIDANCE REQUIREMENTS  
(WITH INDEPENDENT AUDITORS' REPORT THEREON)  
JUNE 30, 2017

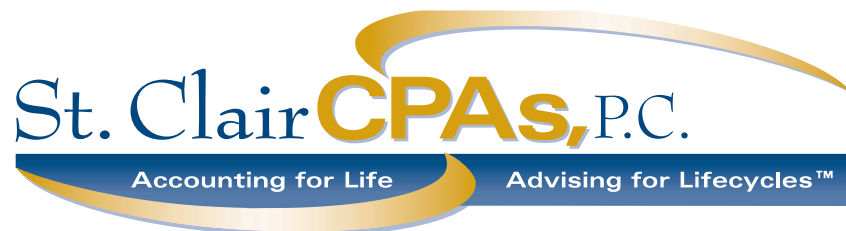
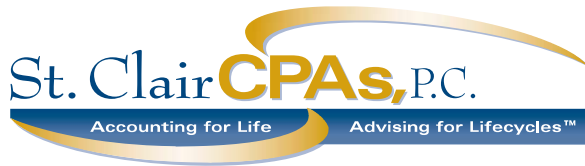


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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Memphis Street Academy Charter School at J.P. Jones  
Philadelphia, Pennsylvania

### Report on the Financial Statements

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 Memphis Street Academy Charter School at J.P. Jones, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Memphis Street Academy Charter School at J.P. Jones, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Memphis Street Academy Charter School at J.P. Jones's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of Memphis Street Academy Charter School at J.P. Jones'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 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 Memphis Street Academy Charter School at J.P. Jones's internal control over financial reporting and compliance.

*At. Clair CPA3, P.C.*

Certified Public Accountants

Merchantville, New Jersey  
December 8, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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The Board of Trustees of Memphis Street Academy Charter School at J.P. Jones (the School) offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

**FINANCIAL HIGHLIGHTS**

- Total governmental fund revenues for the fiscal year ended June 30, 2017 were \$12,391,124, representing a decrease of \$616,078 from June 30, 2016.
- At June 30, 2017, the School reported an ending fund balance of \$9,756,615, representing an increase of \$2,197,901 from June 30, 2016.
- The results of operations and the increase in net position of \$1,253,932, which is \$154,116 less than the \$1,408,048 increase in the prior year.
- The School's cash balance at June 30, 2017, was \$10,706,699, representing an increase of \$2,371,722 from June 30, 2016.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements as presented comprise four (4) components: (1) management's discussion and analysis, (2) the basic financial statements, and (3) the notes to the financial statements, and (4) the supplementary information.

***Government-wide financial statements:*** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. expenditures accrued in one fiscal year but paid in subsequent years, and depreciation).

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School. The School's function is to provide an alternative educational opportunity.

***Fund financial statements:*** A fund is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental-type entities, utilizes fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The School has one (1) fund type, the governmental general fund.



**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Supplementary Information**

The governmental fund budgetary comparison schedule is presented for purposes of additional analysis and is prepared using a basis other than accounting principles generally accepted in the United States of America (GAAP) for state reporting requirements.

**Uniform Guidance Requirements**

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 US. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**Government-Wide Financial Analysis**

Management has adopted Governmental Accounting Standards Board (GASB) Statement 34, *Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which requires a comparative analysis of current and prior year balances.

	June 30,	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 11,972,591	\$ 9,264,071
Noncurrent assets	<u>285,857</u>	<u>532,112</u>
Total assets	<u>12,258,448</u>	<u>9,796,183</u>
Deferred outflows of resources	<u>3,988,754</u>	<u>3,155,641</u>
Total assets and deferred outflows of resources	<u>\$ 16,247,202</u>	<u>\$ 12,951,824</u>
Total liabilities	<u>\$ 14,983,448</u>	<u>\$ 13,188,098</u>
Deferred inflow of resources	<u>1,639,000</u>	<u>1,478,444</u>
Net position:		
Invested in capital assets, net of related debt	285,857	512,493
Unrestricted	<u>(661,103)</u>	<u>(2,227,211)</u>
Total net position (deficit)	<u>(375,246)</u>	<u>(1,714,718)</u>
Total liabilities and deferred inflows of resources	<u>\$ 16,247,202</u>	<u>\$ 12,951,824</u>

As noted earlier, net position may service over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows were less than liabilities and deferred inflows by \$375,246 as of June 30, 2017.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

**Government-Wide Financial Analysis** (continued)

The School's revenues are predominately received from the School District of Philadelphia and based on student enrollment. For the year ended June 30, 2017, the School's revenues (\$12,990,438) exceeded its expenditures (\$11,650,996) by \$1,339,442.

	<u>2017</u>	<u>2016</u>
Revenues:		
Local educational agencies	\$ 10,414,505	\$ 10,325,439
State sources	71,023	84,686
Federal sources	1,864,981	2,377,129
Food service	599,314	581,344
Other revenue	<u>40,615</u>	<u>219,949</u>
Total Revenues	<u>12,990,438</u>	<u>13,588,547</u>
Expenditures:		
Other instructional programs	5,621,365	6,018,942
Pupil personnel services	789,212	718,947
Instructional staff services	475,196	538,273
Administrative services	2,043,122	2,079,968
Pupil health	90,000	92,633
Business services	187,369	195,069
Operation and maintenance of plant services	1,248,642	1,166,110
Other support services	259,345	237,902
Student activities	27,480	162,265
Community service	55,914	67,758
Food services	513,804	518,692
Interest expense	295	9,634
Depreciation expense	<u>339,252</u>	<u>311,654</u>
Total expenditures	<u>11,650,996</u>	<u>12,117,847</u>
Change in net position	1,339,442	1,470,700
Net position (deficit) - beginning	<u>(1,714,688)</u>	<u>(3,185,388)</u>
NET POSITION (DEFICIT) - ENDING	<u>\$ (375,246)</u>	<u>\$ (1,714,688)</u>

**Governmental Fund**

The focus of the School's governmental fund (the general fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financial requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental fund (the general fund) reported an ending fund balance of \$9,756,615 at June 30, 2017.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the School revised the annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for programs, supplies and equipment. There were no formal budget amendments made that were required to be submitted to the Commonwealth of Pennsylvania.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2017, the School's investment in capital assets for its governmental activities totaled \$276,470 (net of accumulated depreciation and related debt). This investment in capital assets includes computers, furniture and fixtures, leasehold improvements, and vehicles.

**Long-Term Debt**

As of June 30, 2017, the School has no outstanding long-term debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The School's major source of revenue is the School District of Philadelphia. The Subsidy rates increased 5.1% for regular education and 3.6% for special education in fiscal year 2016-2017. The School is not forecasting subsidy rates for the future.

**FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE SCHOOL**

The School does not foresee any future events at this time that will financially impact the School.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to: Chief Executive Officer, Memphis Street Academy Charter School at J.P. Jones, 2950 Memphis Street, Philadelphia, PA 19134, or call (215) 291-4709.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 10,706,699	\$ 1,405	\$ 10,708,104
Federal subsidies receivable	527,186	141,724	668,910
State subsidies receivable	16,523	6,230	22,753
Other receivables	240,598	-	240,598
Due from other funds	-	146,090	146,090
Prepaid expenses	<u>186,136</u>	<u>-</u>	<u>186,136</u>
<b>TOTAL CURRENT ASSETS</b>	<u>11,677,142</u>	<u>295,449</u>	<u>11,972,591</u>
NON CURRENT ASSETS			
Capital assets, net	<u>276,470</u>	<u>9,387</u>	<u>285,857</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,988,754</u>	<u>-</u>	<u>3,988,754</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 15,942,366</u>	<u>\$ 304,836</u>	<u>\$ 16,247,202</u>

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF NET POSITION (continued)**  
**JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 304,611	\$ 78,921	\$ 383,532
Accrued salaries and benefits	1,018,639	-	1,018,639
Due to other funds	<u>146,090</u>	<u>-</u>	<u>146,090</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,469,340</u>	<u>78,921</u>	<u>1,548,261</u>
<b>LONG-TERM LIABILITIES</b>			
Deferred revenue	451,187	-	451,187
Net pension liability	<u>12,984,000</u>	<u>-</u>	<u>12,984,000</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>13,435,187</u>	<u>-</u>	<u>13,435,187</u>
<b>TOTAL LIABILITIES</b>	<u>14,904,527</u>	<u>78,921</u>	<u>14,983,448</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>1,639,000</u>	<u>-</u>	<u>1,639,000</u>
<b>NET POSITION</b>			
Invested in capital assets	276,470	9,387	285,857
Unrestricted	<u>(877,631)</u>	<u>\$ 216,528</u>	<u>(661,103)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>(601,161)</u>	<u>225,915</u>	<u>(375,246)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 15,942,366</u>	<u>\$ 304,836</u>	<u>\$ 16,247,202</u>

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS</b>						
<b>PRIMARY GOVERNMENT</b>						
Governmental activities						
Other instructional programs	\$ 5,621,365	\$ -	\$ 1,933,222	\$ (3,688,143)	\$ -	\$ (3,688,143)
Pupil personnel services	789,212	-	-	(789,212)	-	(789,212)
Instructional staff services	475,196	-	-	(475,196)	-	(475,196)
Administrative services	2,043,122	-	-	(2,043,122)	-	(2,043,122)
Pupil health	90,000	-	2,782	(87,218)	-	(87,218)
Business services	187,369	-	-	(187,369)	-	(187,369)
Operation and maintenance						
of plant services	1,248,642	-	-	(1,248,642)	-	(1,248,642)
Other support services	259,345	-	-	(259,345)	-	(259,345)
Student activities	27,480	-	-	(27,480)	-	(27,480)
Community service	55,914	-	-	(55,914)	-	(55,914)
Interest expense	295	-	-	(295)	-	(295)
Depreciation expense	339,252	-	-	(339,252)	-	(339,252)
Total governmental activities	<u>\$ 11,137,192</u>	<u>\$ -</u>	<u>\$ 1,936,004</u>	<u>(9,201,188)</u>	<u>-</u>	<u>(9,201,188)</u>
Business-type activities						
Business services						
Total business-type activities	<u>\$ 513,804</u>	<u>\$ 1,000</u>	<u>\$ 598,314</u>	<u>-</u>	<u>85,510</u>	<u>85,510</u>
General revenues						
Local educational agencies				10,414,505	-	10,414,505
Other revenue				40,615	-	40,615
Total general revenues				<u>10,455,120</u>	<u>-</u>	<u>10,455,120</u>
Changes in net position				1,253,932	85,510	1,339,442
Net position (deficit) - beginning				<u>(1,855,093)</u>	<u>140,405</u>	<u>(1,714,688)</u>
Net position (deficit), ending				<u>\$ (601,161)</u>	<u>\$ 225,915</u>	<u>\$ (375,246)</u>

See accompanying notes.



**FUND FINANCIAL STATEMENTS**

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

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ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Cash	\$ 10,706,699
Federal subsidies receivable	527,186
State subsidies receivable	16,523
Other receivables	240,598
Prepaid expenses	<u>186,136</u>
<b>TOTAL ASSETS</b>	<b><u>11,677,142</u></b>

DEFERRED OUTFLOWS OF RESOURCES

-

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**\$ 11,677,142**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 304,611
Accrued salaries and benefits	1,018,639
Due to other funds	<u>146,090</u>

**TOTAL LIABILITIES**

**1,469,340**

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	<u>451,187</u>
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FUND BALANCE

Nonspendable	186,136
Restricted	-
Committed	4,000,000
Assigned	-
Unassigned	<u>5,570,479</u>

**TOTAL FUND BALANCE**

**9,756,615**

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND FUND BALANCE**

**\$ 11,677,142**

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

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**TOTAL FUND BALANCE, GOVERNMENTAL FUNDS** \$ 9,756,615

Total net position reported for governmental activities in the statement of net position is different because:

Long-term liabilities that pertain to governmental funds, including notes payable, capitalized lease obligations and accrued rent, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position. Balances at year end are:

    Net pension liability (12,984,000)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

    Deferred outflows of resources related to pensions 3,988,754  
    Deferred inflows of resources related to pensions (1,639,000)

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of :

Computers	368,915	
Furniture and fixtures	234,408	
Leasehold improvements	1,127,384	
Vehicles	72,736	
Less accumulated depreciation	<u>(1,526,973)</u>	
		<u>276,470</u>

**TOTAL NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES**  
**IN THE STATEMENT OF NET POSITION** \$ (601,161)

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2017**

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REVENUES

Local educational agencies	\$ 10,414,505
Other local sources	40,615
State sources	71,023
Federal resources	<u>1,864,981</u>

**TOTAL REVENUES** 12,391,124

EXPENDITURES

Instructional	5,150,176
Support services	4,870,719
Non-instructional services	81,752
Capital outlays	<u>90,576</u>

**TOTAL EXPENDITURES** 10,193,223

NET CHANGE IN FUND BALANCE 2,197,901

FUND BALANCE, BEGINNING 7,558,714

**FUND BALANCE, ENDING** \$ 9,756,615

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

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**NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** \$ 2,197,901

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense.

School pension contributions	871,058	
Costs of pension benefits earned, net of employee contributions	<u>(1,586,000)</u>	<u>(714,942)</u>

The governmental fund reports capital lease proceeds as financing sources, while repayment of capital lease principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities, and repayment of principal reduces the liability. The net effect of these differences in the treatment of capital lease payable is as follows:

Repayment of capital lease principal	<u>19,649</u>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense, as follows:

Capital outlays	90,576	
Depreciation expense	<u>(339,252)</u>	<u>(248,676)</u>

**CHANGES IN NET POSITION OF GOVERNMENTAL  
ACTIVITIES - STATEMENT OF ACTIVITIES** \$ 1,253,932

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND - FOOD SERVICE FUND**  
**JUNE 30, 2017**

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ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash	\$ 1,405
Federal subsidies receivable	141,724
State subsidies receivable	6,230
Due from other funds	<u>146,090</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>295,449</u></b>

CAPITAL ASSETS, NET

9,387

DEFERRED OUTFLOWS OF RESOURCES

-

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**\$ 304,836**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 78,921
<b>TOTAL LIABILITIES</b>	<b><u>78,921</u></b>

DEFERRED INFLOWS OF RESOURCES

-

NET POSITION

Invested in capital assets	9,387
Unrestricted	<u>216,528</u>
<b>TOTAL NET POSITION</b>	<b><u>225,915</u></b>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

**\$ 304,836**

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF ACTIVITIES**  
**PROPRIETARY FUND - FOOD SERVICE FUND**  
**YEAR ENDED JUNE 30, 2017**

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<b>REVENUES</b>	
Revenue from students	\$ 1,000
Revenue from federal sources	573,601
Revenue from state sources	<u>24,713</u>
<b>TOTAL REVENUES</b>	<u>599,314</u>
<b>EXPENSES</b>	
Depreciation	1,578
Equipment	1,069
Food service management	499,394
Professional service	7,499
Repairs and maintenance	512
Salaries and benefits	423
Supplies	<u>3,329</u>
<b>TOTAL EXPENSES</b>	<u>513,804</u>
NET INCOME BEFORE TRANSFERS	85,510
OPERATING TRANSFERS	<u>-</u>
CHANGE IN NET POSITION	85,510
NET POSITION, BEGINNING	<u>140,405</u>
<b>NET POSITION, ENDING</b>	<u>\$ 225,915</u>

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - FOOD SERVICE FUND**  
**YEAR ENDED JUNE 30, 2017**

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CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from students	\$ 1,000
Receipts from federal sources	447,283
Receipts from state sources	19,614
Payments to suppliers for goods and services	(447,180)
Payments to employees	<u>(423)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 20,294

CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES

Due from other funds	<u>(16,325)</u>
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**NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES** (16,325)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>(3,969)</u>
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**NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES** (3,969)

**TOTAL CHANGE IN CASH** -

CASH, BEGINNING 1,405

**CASH, ENDING** \$ 1,405

RECONCILIATION OF CHANGE IN NET POSITION FROM OPERATIONS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in net position	<u>\$ 85,510</u>
Adjustment to reconcile change in net position to net cash provided by operating activities	
Depreciation	1,578
Changes in assets and liabilities	
Federal subsidies receivable	(112,824)
State subsidies receivable	(5,099)
Accounts payable	<u>51,129</u>
Total adjustments	<u>(65,216)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 20,294

See accompanying notes.



**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 24,620
<b>TOTAL ASSETS</b>	<u>\$ 24,620</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 24,620
<b>TOTAL LIABILITIES</b>	<u>\$ 24,620</u>

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Memphis Street Academy Charter School at J.P. Jones (the School) is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997 (the Act), whereby a charter is granted for a five-year period and may be renewed for additional five-year periods under expiration. The mission of the school is to provide a high quality public education to students in grades 5 - 8. The School is located in Philadelphia, Pennsylvania and began operations during the 2012-2013 school year. The School has submitted all the required applications in order to renew their charter agreement however the application has not been approved by the City of Philadelphia at this time, and they are currently operating without a charter.

The School has financial accountability and control over all activities related to the students' education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The reporting entity of the School is based upon criteria set forth by Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School. The School is not a component unit of another reporting entity.

Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's function are offset by program revenues.

The fund financial statements (governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance) report on the School's general fund.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

*Government-Wide Financial Statements*

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

*Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The School reports the following major governmental fund:

General Fund – The general fund is the operating fund of the School and accounts for all revenues and expenditures of the School.

The School reports the following proprietary fund:

Food Service Fund – Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that the cost of provide services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The following fund is a nonmajor fund of the School included in governmental funds:

Student Activities Fund – Used to account for assets held by the School for student groups and are available to the students. The student activities fund is custodial in nature and does not have a measurement focus.

On occasion, the General Fund loans funds to the Food Service Fund to support operations.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Method of Accounting

The School applies the provision of GASB Statement No. 34 (Statement 34), *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the classification of net assets into three (3) components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted – This component of net assets consists of constraints placed on the use of net assets through external constraints imposed by creditors such as through debt covenants, grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In accordance with the provisions of GASB Statement 65, certain items previously reported as assets and liabilities are now reported as deferred outflows of resources and deferred inflows of resources. Specifically, grant revenue previously reported as deferred revenue is now reported as a deferred inflow of resources.

Fund Balance Classification Policies and Procedures

The School follows the provisions of GASB Statement No. 54, *Fund Balances* (Statement 54). Statement 54 requires the classification of the School’s fund balance into five (5) components: nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as follows:

- Nonspendable – This category is for amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to remain intact.
- Restricted – This category is the part of the fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by enabling legislation.
- Committed – This category is the portion of the fund balance that can only be used for specific purposes as a result of action (resolution) by the School’s highest level of authority, the Board of Trustees.
- Assigned – this category reflects funds that the School intends to use for a specific purpose but are not considered restricted or committed.
- Unassigned – This category represents the part of the spendable fund balance that has not been categorized as nonspendable, restricted, committed, or assigned.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The School adopts an annual budget on a basis consistent with GAAP for the general fund. The School is required to present the adopted and final budgeted revenues and expenditures for the general fund that were filed and accepted by the Labor, Education, and Community Services Comptroller's Office. The general fund budget is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) – (Unaudited) - General Fund.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities, and deferred resources of inflows, disclosure of contingent assets and liabilities and reported revenues and expenses. Accordingly, actual results could differ from estimates.

Cash

The School's cash consists of cash on hand and demand deposits.

Prepaid Expenses

Prepaid expenses include payments to vendors for services applicable to future accounting periods such as insurance premiums.

Receivables

Receivables primarily consist of amounts due from the Pennsylvania Department of Education for federal and state grants and subsidies. Receivables are stated at the amount management expects to collect. As of June 30, 2017, based on historical experience, no allowance has been established.

Capital Assets

Capital assets, which will include leasehold improvements, furniture and equipment, computers and vehicles, are reported in the government-wide financial statements. All capital assets will be capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. The School's capital assets are depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to seven years.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

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 Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. 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.

Advertising Costs

All costs associated with advertising and promotion are expenses in the year incurred.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

Uncertain Tax Positions

The School accounts for uncertainty in income taxes in which tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by taxing authorities. As of June 30, 2017, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, there was no interest and penalties related to income taxes.

The School files Federal Form 990 (Return of Organization Exempt from Income Tax). With few exceptions they are no longer subject to U.S. federal and state examinations by taxing authorities for years before fiscal year ended June 30, 2014.

NOTE 2 CASH

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School monitors custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's (FDIC) limits and published credit ratings of its depository bank(s). Accounts are insured by the FDIC up to \$250,000. Under Pennsylvania Act 72, financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. The School has not elected for its accounts to be covered under this act.

As of June 30, 2017 the total cash balance per the financial statements is \$10,706,699 and \$1,405, which are net of outstanding checks for Governmental Activities and Business-Type Activities, respectively.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 2 CASH (continued)

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Uncollateralized	\$ -	\$ -
Collateralized by securities held by the pledging financial institution	-	-
Collateralized by securities held by the pledging financial institution's trust department or agent but not in the depositor School's name	<u>10,579,904</u>	<u>-</u>
Total	<u>\$ 10,579,904</u>	<u>\$ -</u>

NOTE 3 RECEIVABLES

Receivables as of June 30, 2017, consisted of subsidies from federal, state, and other sources. All receivables are considered collectible due to the stable condition of the federal, state, and local programs. Other sources consist mainly of funds due from the School District of Philadelphia.

A summary of receivables is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>
Federal	\$ 527,186	141,724
State	16,523	6,230
Other sources	<u>240,598</u>	<u>-</u>
	<u>\$ 784,307</u>	<u>\$ 147,954</u>

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**NOTE 4 LOCAL EDUCATIONAL AGENCY ASSISTANCE (REVENUE)**

The School receives funding from the School District of Philadelphia on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis.

Charter schools are funded by the local public school district. For non-special education students, a charter school receives for each student enrolled no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2017, the rate for the majority of the students was \$8,142 per year per student, plus additional funding for special education students and transportation. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$10,414,505 for the year ended June 30, 2017.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
<b>Governmental activities:</b>				
Computers	\$ 278,339	\$ 90,576	\$ -	\$ 368,915
Furniture and equipment	234,408	-	-	234,408
Leasehold improvements	1,127,384	-	-	1,127,384
Vehicles	72,736	-	-	72,736
Less: accumulated depreciation	<u>(1,187,721)</u>	<u>(339,252)</u>	<u>-</u>	<u>(1,526,973)</u>
Governmental capital assets, net	<u>\$ 525,146</u>	<u>\$ (248,676)</u>	<u>\$ -</u>	<u>\$ 276,470</u>
	Balance			Balance
<b>Business-type activities:</b>	July 1, 2016	Additions	Disposals	June 30, 2017
Computer equipment	\$ 9,063	\$ 3,969	\$ -	\$ 13,032
Less: accumulated depreciation	<u>(2,067)</u>	<u>(1,578)</u>	<u>-</u>	<u>(3,645)</u>
Business-type activities capital assets, net	<u>\$ 6,996</u>	<u>\$ 2,391</u>	<u>\$ -</u>	<u>\$ 9,387</u>

As of June 30, 2017, depreciation expense was \$339,252 and \$1,578 for Governmental Activities and Business-Type Activities, respectively.



**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 6 RETIREMENT PLAN

The School contributes to the Public School Employees' Retirement System (PSERS).

*General Information about the Pension Plan*

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 6 RETIREMENT PLAN (continued)

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 30.03% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$871,058 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of \$12,984,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .0262 percent, which was a decrease of .0014 percent from its proportion measured as of June 30, 2015.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 6 RETIREMENT PLAN (continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,586,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 108,000
Net difference between projected and actual investment earnings	724,000	-
Changes in proportion	1,589,000	1,531,000
Difference between employer contributions and proportionate share of total contributions	804,696	-
Contributions subsequent to the measurement date	<u>871,058</u>	<u>-</u>
	<u>\$ 3,988,754</u>	<u>\$ 1,639,000</u>

\$871,058 was reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date which will be recognized as reduction of the net pension liability in the year ended June 30, 2017,. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized and will be recognized in pension expense for future actuarial calculations as follows:

<u>Years ending June 30,</u>	
2017	\$ 478,000
2018	478,000
2019	35,000
2020	151,000
Thereafter	<u>-</u>
	<u>\$ 1,142,000</u>

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 6 RETIREMENT PLAN (continued)

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016.

- The Investment Rate of Return was adjusted from 7.5% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	<u>-14.0%</u>	0.5%
	<u>100.0%</u>	

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 6 RETIREMENT PLAN (continued)

The table on the previous page was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major assets class as of June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
District's proportionate share of the net pension liability	\$ 15,883,000	\$ 12,984,000	\$ 10,548,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System’s website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Alternative Retirement Plan

During the fiscal year ended June 30, 2015 the School established an employer-sponsored deferred compensation defined contribution plan (the Plan). This retirement plan provides for salary deferrals pursuant to section 403(b) of the Internal Revenue Code. The Plan covers all full-time employees who are not participating in the PSERS Retirement Plan. Employees of the School contribute 5% of their salary and the School also contributes 5% to the Plan on the employee's behalf. Retirement Plan contributions by the School for the year ended June 30, 2017 were \$95,111.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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NOTE 7 FUND BALANCE DESIGNATIONS

A fund balance designation is used to indicate that a portion of the total fund balance is not appropriable for expenditures because some underlying assets are not available financial resources or are legally segregated for specific future uses. As of June 30, 2017, the Board of Trustees has established fund balance designations as follows:

	<u>Governmental Funds</u>
Fund Balances:	
Nonspendable	\$ 186,136
Committed to:	
Capital improvements	4,000,000
Unassigned	<u>5,570,479</u>
 Total fund balances:	 <u>\$ 9,756,615</u>

NOTE 8 GRANT CONTINGENCIES

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

NOTE 9 LITIGATION

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

NOTE 10 SUBSEQUENT EVENTS

The School has evaluated all events and transactions that have occurred after June 30, 2017 (the financial statement date) through December 8, 2017, the date that the financial statements were available to be issued. The School did not have any material recognizable subsequent events that would require adjustment to, or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL (BUDGETARY BASIS) - (UNAUDITED)**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local educational agencies	\$ 10,475,581	\$ 10,475,581	\$ 10,414,505	\$ (61,076)
Other sources	271,364	271,364	40,615	(230,749)
State sources	16,523	16,523	71,023	54,500
Federal sources	1,660,142	1,660,142	1,864,981	204,839
<b>TOTAL REVENUES</b>	<u>12,423,610</u>	<u>12,423,610</u>	<u>12,391,124</u>	<u>(32,486)</u>
<b>EXPENDITURES</b>				
Instructional	6,965,856	6,965,856	5,150,176	(1,815,680)
Support services	5,212,264	5,212,264	4,870,719	(341,545)
Non-instructional services	203,774	203,774	172,328	(31,446)
<b>TOTAL EXPENDITURES</b>	<u>12,381,894</u>	<u>12,381,894</u>	<u>10,193,223</u>	<u>(2,188,671)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>41,716</u>	<u>41,716</u>	<u>2,197,901</u>	<u>2,156,185</u>
<b>FUND BALANCE</b>				
Fund balance - beginning of year	<u>7,558,714</u>	<u>7,558,714</u>	<u>7,558,714</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,600,430</u>	<u>\$ 7,600,430</u>	<u>\$ 9,756,615</u>	<u>\$ 2,156,185</u>

See accompanying notes.



**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY - PSERS**

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Last 10 Fiscal Years\*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
School's proportion of the net pension liability	0.0262%	0.0276%	0.0317%	0.0224%
School's proportionate share of the net pension liability	\$ 12,984,000	\$ 11,955,000	\$ 12,548,000	\$ 9,170,000
School's covered-employee payroll	\$ 3,396,567	\$ 3,553,054	\$ 4,042,706	\$ 2,878,956
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	382%	336%	310%	319%
Plan fiduciary net position as a percentage of the total plan liability	50.14%	54.35%	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2016 fiscal year.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

See accompanying notes.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS - PSERS**

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Last 10 Fiscal Years\*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 871,058	\$ 876,808	\$ 758,173	\$ 679,947
Contributions in relation to the contractually required contribution	\$ (871,058)	\$ (876,808)	\$ (758,173)	\$ (679,947)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 3,396,567	\$ 3,553,054	\$ 4,042,706	\$ 2,878,956
Contributions as a percentage of covered-employee payroll	25.65%	24.68%	18.75%	23.62%

Amounts were determined as of the cost-sharing plan's June 30, 2016 fiscal year.

\* This schedule is presented to illustrate the requirement to show information for 10 years.  
However, until a full 10-year trend is complete, available information is presented.

See accompanying notes.

**UNIFORM GUIDANCE REQUIREMENTS**

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	June 30, 2016 Accounts Receivable	Receipts	Expenditures	June 30, 2017 Accounts Receivable
U.S. DEPARTMENT OF EDUCATION						
PASS-THROUGH						
PENNSYLVANIA DEPARTMENT OF EDUCATION						
Title I Grants to LEAs	84.010	013-161125	\$ 170,050	\$ 698,931	\$ 634,232	\$ 105,351
Title I Grants to LEAs	84.377	042-161125	-	474,669	890,004	415,335
Title II Improving Teacher Quality	84.367	020-171035	11,795	66,542	58,468	3,721
Title III	84.365	010-171035	-	38,900	41,679	2,779
			<u>181,845</u>	<u>1,279,042</u>	<u>1,624,383</u>	<u>527,186</u>
U.S. DEPARTMENT OF AGRICULTURE						
PASS-THROUGH						
PENNSYLVANIA DEPARTMENT OF EDUCATION						
National School Lunch Program	10.555	362	26,397	352,254	436,414	110,557
School Breakfast Program	10.553	367	2,503	95,029	123,693	31,167
Emergency Food Assistance Commodity Program	10.569	N/A	-	13,494	13,494	-
			<u>28,900</u>	<u>460,777</u>	<u>573,601</u>	<u>141,724</u>
<b>TOTAL FEDERAL AWARDS AND ASSISTANCE</b>			<u>\$ 210,745</u>	<u>\$ 1,739,819</u>	<u>\$ 2,197,984</u>	<u>\$ 668,910</u>

See notes to schedule of expenditures of federal awards and assistance.

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

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1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Memphis Street Academy Charter School at J.P. Jones under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Memphis Street Academy Charter School at J.P. Jones, it is not intended to and does not present the financial position, change in net position, or cash flows of Memphis Street Academy Charter School at J.P. Jones.

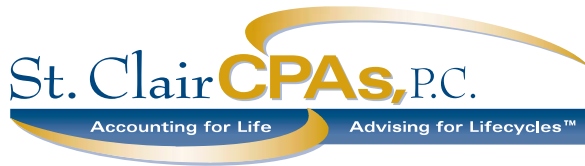
2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

Memphis Street Academy Charter School at J.P. Jones has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**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***

To the Board of Trustees  
Memphis Street Academy Charter School at J.P. Jones  
Philadelphia, Pennsylvania

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Memphis Street Academy Charter School at J.P. Jones, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 8, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Memphis Street Academy Charter School at J.P. Jones'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Memphis Street Academy Charter School at J.P. Jones's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

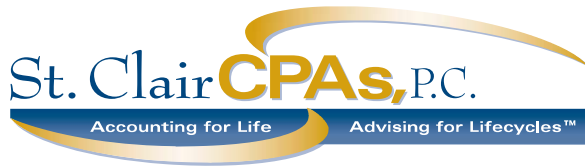
## **Purpose of this Report**

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

*At. Clair CPA3, P.C.*

Certified Public Accountants

Merchantville, New Jersey  
December 8, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Board of Trustees  
Memphis Street Academy Charter School at J.P. Jones  
Philadelphia, Pennsylvania

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

We have audited Memphis Street Academy Charter School at J.P. Jones's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Memphis Street Academy Charter School at J.P. Jones's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Memphis Street Academy Charter School at J.P. Jones, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



## Report on Internal Control over Compliance

Management of Memphis Street Academy Charter School at J.P. Jones is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Memphis Street Academy Charter School at J.P. Jones's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*At. Clair CPA3, P.C.*

Certified Public Accountants

Merchantville, New Jersey  
December 8, 2017

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Jones (the School) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies in internal control over major federal awards programs disclosed during the audit are reported in the Report on Compliance for Each Major Program and Report on Internal Control over Compliance requirements for Federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). No material weaknesses are reported.
5. The auditors' report on compliance for major federal award programs for the School expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The program tested as a major program is Title I Grants to LEAs, CFDA #84.010.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Memphis Street Academy Charter School at J.P. Jones was determined to be a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**MEMPHIS STREET ACADEMY CHARTER SCHOOL AT J.P. JONES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None