

TACONY ACADEMY CHARTER SCHOOL
Financial Statements
June 30, 2021
With Independent Auditor's Reports

Tacony Academy Charter School
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June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Tacony Academy Charter School:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of Tacony Academy Charter School (the "School") as of and for the year ended June 30, 2021 and the related notes to 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.

Auditor's 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, the aggregate discretely presented component unit, and each major fund of Tacony Academy Charter School as of June 30, 2021, 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 management's discussion and analysis, the schedule of revenues, expenditures and change in fund balances budget and actual – governmental funds, the schedule of proportionate share of Public School Employees' Retirement System ("PSERS") net pension liability and contributions, and the schedule of proportionate share of PSERS postemployment benefits other than pensions ("OPEB") liability and OPEB contributions on pages 4 through 7 and pages 35 through 37 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 Tacony Academy Charter School's basic financial statements. The schedule of expenditures of Federal awards, as required by the audit 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"), is presented for purposes of additional analysis and is not a required as 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 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021 on our consideration of Tacony Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of Tacony Academy Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tacony Academy Charter School's internal control over financial reporting and compliance.

Withum Smith + Brown, PC

December 15, 2021

Tacony Academy Charter School Management's Discussion and Analysis (Unaudited) June 30, 2021

The Board of Trustees of Tacony Academy Charter School (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, 2021. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

Financial Highlights

- During the year ended June 30, 2015, the School was required to adopt GASB 68 relative to its participation in the Commonwealth of Pennsylvania's Public Employees' Retirement System ("PSERS"). Charter Schools are required to offer this retirement plan to their employees as a condition of their charter. The Commonwealth controls all aspects of the plan including assets and administration. The School makes contributions as defined by the Commonwealth. With the adoption of GASB 68, the School is required to record a liability for its proportionate share of the PSERS plan and expenses related to the performance of plan administration against its goals. The School also recorded \$43,523 in non-cash income related to plan administrative performance in addition to the required contributions of \$1,239,623. PSERS is reporting a total pension liability of \$49,239,016,000 as of June 30, 2020. All public schools in Pennsylvania are required to record a proportionate share of the liability in their financial statements. Management is of the opinion that it is highly unlikely the School will ever be required to pay this liability.
- During the year ended June 30, 2018, the School was required to adopt GASB 75 relative to its participation in the PSERS' Health Insurance Premium Assistance Program. The Commonwealth controls all aspects of the plan including assets and administration. The School makes contributions as defined by the Commonwealth. With the adoption of GASB 75, the School is required to record a liability for its proportionate share of the PSERS other postemployment benefit plan ("OPEB") and expenses related to the performance of plan administration against its goals. The School also recorded \$10,015 in non-cash income related to plan administrative performance in addition to the required cash contributions of \$31,214. PSERS' Health Insurance Premium Assistance Program is reporting a total net OPEB liability of \$2,160,697,000 as of June 30, 2020. All public schools in Pennsylvania are required to record a proportionate share of the liability in their financial statements. Management is of the opinion that it is highly unlikely the School will ever be required to pay this liability.
- At the close of the current fiscal year, the School reported ending net position of (\$6,939,884) for the year ending June 30, 2021, mainly due to the required adjustments of GASB 68 and GASB 75. This represents an increase in net position of \$778,212 for the year ended June 30, 2021.
- The School's cash balance at June 30, 2021 was \$5,241,319 representing an increase of \$175,938 from June 30, 2020.

Overview of the Financial Statements

The 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 five components: management's discussion and analysis (this section), the basic financial statements, required supplementary schedules, report required under *Government Auditing Standards* and uniform guidance requirements.

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.

**Tacony Academy Charter School
Management's Discussion and Analysis (Unaudited)
June 30, 2021**

The *statement of net position* presents information on all of the School's assets, deferred outflows, liabilities and deferred inflows, with the difference between them 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. However, with the implementation of GASB 68 and GASB 75 and the entries required to record PSERS pension and OPEB liabilities, the net position is being negatively skewed.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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.

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 finance-related legal requirements. The School has two fund types: the governmental general fund and the proprietary fund.

Notes to 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.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. However, in the case of the School, as a result of the application of GASB 68 and GASB 75, net position is not a useful indicator of the School's financial position. As of June 30, 2021, liabilities and deferred inflows exceeded assets and deferred outflows by \$6,939,884. The deficit in the School's net position is due to the required recording of its proportionate share of the entire PSERS plan and expenses related to the performance of plan administration in fiscal year 2020 with the application of GASB 68. Historically, these liabilities were recorded by PSERS in its financial statements.

Total assets	\$ 8,552,616
Total deferred outflows	2,093,966
Total liabilities	(16,511,466)
Total deferred inflows	<u>(1,075,000)</u>
 Total net position	 <u>\$ (6,939,884)</u>

The School's revenues are predominately from the School District of Philadelphia, based on the student enrollment.

**Tacony Academy Charter School
Management's Discussion and Analysis (Unaudited)
June 30, 2021**

Revenues

Local educational agencies	\$ 15,333,329
State sources	265,765
Federal sources	2,821,010
Food service	238,608
Other revenue	<u>312,213</u>
Total revenues	<u>18,970,925</u>

Expenditures

Instruction	8,430,811
Student support services	324,259
Instructional staff support	365,805
Administration support	2,857,261
Pupil health	209,207
Business services	352,529
Operations and maintenance	4,678,620
Student transportation	6,009
Food service	215,373
Student activities	72,856
System wide tech services	424,810
School sponsored athletics	15,214
Other community services	13,997
Debt service	1,167
Depreciation and amortization expense	<u>224,795</u>
	<u>18,192,713</u>

Change in net position 778,212

Net position

Beginning of year	<u>(7,718,096)</u>
Ending	<u>\$ (6,939,884)</u>

Governmental Fund

The focus of the School's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing 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 funds reported an ending fund balance of \$4,678,653. For the year ended June 30, 2021, the School's expenses of \$18,776,920 exceeded the revenue of \$18,732,317 by \$44,603.

Governmental Fund Budgetary Highlights

Some categories of revenue and expenditures varied from budgeted amounts. This was primarily due to the items discussed under the financial highlights section.

Tacony Academy Charter School Management's Discussion and Analysis (Unaudited) June 30, 2021

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2021, the School's investment in capital assets for its governmental activities, net of accumulated depreciation is \$1,596,598. The capital assets include leasehold improvements and furniture and equipment.

Major capital asset purchases during the year included the following:

- Capital expenditures of \$639,823 for furniture and equipment
- Capital expenditures of \$396,685 for leasehold improvements

Additional information on the School's capital assets can be found in Note 4 of the financial statements. There were capital lease obligations related to the investment in capital assets amounting to \$14,734 at June 30, 2021.

Economic Factors and Next Year's Budgets and Rates

The School's enrollment will remain consistent in the 2020-2021 school year at around 1,075 students. The enrollment cap outlined in the School's charter is 1,075. The per student payments received from the School District will increase to \$10,639 per regular education student and \$31,099 per special education student.

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 the Chief Executive Officer, Tacony Academy Charter School, 1330 Rhawn St, Philadelphia, PA 19111.

Component Unit

Frankford Valley Foundation for Literacy II (the "Foundation") is a component unit of the School and is reported in a separate column in the government-wide financial statements to emphasize that the Foundation is legally separate from the School. Complete financial statements of Frankford Valley Foundation for Literacy II can be obtained at: Santilli & Thomson, 601 Route 73 North, Suite 302 Marlton, NJ 08053.

Tacony Academy Charter School
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Assets				
Current assets				
Cash	\$ 5,238,381	\$ 2,938	\$ 5,241,319	\$ 174,528
Restricted cash equivalents	-	-	-	512,477
State subsidies receivable	175,070	1,059	176,129	-
Federal subsidies receivable	650,885	121,531	772,416	-
Other receivables	163,819	46,970	210,789	-
Due from other funds	219,231	-	219,231	-
Prepaid expenses	<u>335,926</u>	<u>208</u>	<u>336,134</u>	<u>51,125</u>
Total current assets	<u>6,783,312</u>	<u>172,706</u>	<u>6,956,018</u>	<u>738,130</u>
Noncurrent assets				
Capital assets, net	1,588,778	7,820	1,596,598	24,431,097
Restricted cash and cash equivalents, net of current portion	-	-	-	2,593,094
Accrued rent	<u>-</u>	<u>-</u>	<u>-</u>	<u>905,873</u>
Total noncurrent assets	<u>1,588,778</u>	<u>7,820</u>	<u>1,596,598</u>	<u>27,930,064</u>
Deferred outflows				
Deferred outflows of resources (SEE FOOTNOTES 11 and 13)	<u>2,093,966</u>	<u>-</u>	<u>2,093,966</u>	<u>-</u>
	<u>\$ 10,466,056</u>	<u>\$ 180,526</u>	<u>\$ 10,646,582</u>	<u>\$ 28,668,194</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 690,313	\$ 7,972	\$ 698,285	\$ 112,225
Accrued expenses	1,355,236	-	1,355,236	-
Due to other funds	-	219,231	219,231	-
Current maturities of bonds payable	-	-	-	550,000
Current portion of obligations under capital lease	<u>14,734</u>	<u>-</u>	<u>14,734</u>	<u>-</u>
Total current liabilities	<u>2,060,283</u>	<u>227,203</u>	<u>2,287,486</u>	<u>662,225</u>
Long-term liabilities				
Net OPEB liability (SEE FOOTNOTE 13)	555,000	-	555,000	-
Net pension liability (SEE FOOTNOTE 11)	12,704,000	-	12,704,000	-
Unearned revenue	59,107	-	59,107	-
Bonds payable	-	-	-	28,390,000
Accrued rent	<u>905,873</u>	<u>-</u>	<u>905,873</u>	<u>-</u>
Total long-term liabilities	<u>14,223,980</u>	<u>-</u>	<u>14,223,980</u>	<u>28,390,000</u>
Total liabilities	<u>16,284,263</u>	<u>227,203</u>	<u>16,511,466</u>	<u>29,052,225</u>
Deferred inflows				
Deferred inflows of resources (SEE FOOTNOTES 11 AND 13)	<u>1,075,000</u>	<u>-</u>	<u>1,075,000</u>	<u>-</u>
Net position				
Invested in capital assets, net of related debt	1,574,044	7,820	1,581,864	-
Unrestricted	<u>(8,467,251)</u>	<u>(54,497)</u>	<u>(8,521,748)</u>	<u>(384,031)</u>
Total net position	<u>(6,893,207)</u>	<u>(46,677)</u>	<u>(6,939,884)</u>	<u>(384,031)</u>
	<u>\$ 10,466,056</u>	<u>\$ 180,526</u>	<u>\$ 10,646,582</u>	<u>\$ 28,668,194</u>

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

**Tacony Academy Charter School
Statement of Activities
Year Ended June 30, 2021**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities							
Instruction	\$ 8,430,811	\$ -	\$ 2,891,548	\$ (5,539,263)	\$ -	\$ (5,539,263)	\$ -
Student Support Services	324,259	-	-	(324,259)	-	(324,259)	-
Instructional Staff Support	365,805	-	-	(365,805)	-	(365,805)	-
Administration Support	2,857,261	-	-	(2,857,261)	-	(2,857,261)	-
Pupil Health	209,207	-	39,776	(169,431)	-	(169,431)	-
Business Services	352,529	-	-	(352,529)	-	(352,529)	-
Operations and Maintenance	4,678,620	-	155,451	(4,523,169)	-	(4,523,169)	-
Student Transportation	6,009	-	-	(6,009)	-	(6,009)	-
Student Activities	72,856	-	-	(72,856)	-	(72,856)	-
System Wide Tech Services	424,810	-	-	(424,810)	-	(424,810)	-
School Sponsored Athletics	15,214	-	-	(15,214)	-	(15,214)	-
Other Community Services	13,997	-	-	(13,997)	-	(13,997)	-
Debt Service	1,167	-	-	(1,167)	-	(1,167)	-
Depreciation and Amortization Expense	224,795	-	-	(224,795)	-	(224,795)	-
	<u>\$ 17,977,340</u>	<u>\$ -</u>	<u>\$ 3,086,775</u>	<u>\$ (14,890,565)</u>	<u>\$ -</u>	<u>\$ (14,890,565)</u>	<u>\$ -</u>
Business-type activities							
Food Service	\$ 215,373	\$ -	\$ 238,608	\$ -	\$ 23,235	\$ 23,235	\$ -
Component Unit							
Frankford Valley Foundation for Literacy II	\$ 2,946,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,946,530)
General revenues							
Local educational agencies				\$ 15,333,329	\$ -	\$ 15,333,329	\$ -
Rental income				-	-	-	2,865,098
Other revenue				312,213	-	312,213	543,487
				<u>15,645,542</u>	<u>-</u>	<u>15,645,542</u>	<u>3,408,585</u>
Change in net position				754,977	23,235	778,212	462,055
Net position							
Beginning of year				(7,648,184)	(69,912)	(7,718,096)	(846,086)
End of year				<u>\$ (6,893,207)</u>	<u>\$ (46,677)</u>	<u>\$ (6,939,884)</u>	<u>\$ (384,031)</u>

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

**Tacony Academy Charter School
Balance Sheet Governmental Funds
June 30, 2021**

Assets

Cash	\$ 5,238,381
State subsidies receivable	175,070
Federal subsidies receivable	650,885
Other receivables	163,819
Due from other funds	219,231
Prepaid expenses	<u>335,926</u>
 Total assets	 <u>\$ 6,783,312</u>

Liabilities and Fund Balances

Liabilities

Accounts payable	\$ 690,313
Accrued expenses	1,355,236
Unearned revenue	<u>59,107</u>
Total liabilities	<u>2,104,656</u>

Fund balances

Nonspendable	335,926
Committed	<u>4,342,730</u>
Total fund balances	<u>4,678,656</u>

Total liabilities and fund balances	<u>\$ 6,783,312</u>
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The Notes to Financial Statements are an integral part of this statement.

**Tacony Academy Charter School
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
 Net Position
 June 30, 2021**

Total Fund Balance for Governmental Funds \$ 4,678,656

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

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

Furniture and equipment	\$ 1,121,450	
Leasehold improvements	962,238	
Accumulated depreciation	<u>(494,910)</u>	1,588,778

Long-term liabilities, including capital lease obligations and accrued rent, in governmental funds are not financial resources and, therefore, are not reported in the fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Obligations under capital leases	(14,734)
Accrued rent	(905,873)

On the statement of net position, the school's net pension liability and net OPEB liability for the defined benefit plan and the other postemployment retirement benefit plan are reported as non-current liabilities. Additionally, deferred outflows and deferred inflows of resources related to these plans are also reported.

Net pension liability	(12,704,000)	
Net OPEB liability	(555,000)	
Deferred outflows of resources related to pensions and OPEB	2,093,966	
Deferred inflows of resources related to pensions and OPEB	<u>(1,075,000)</u>	<u>(12,240,034)</u>

Total Net Position of Governmental Activities \$ (6,893,207)

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

Tacony Academy Charter School
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
Year Ended June 30, 2021

Revenues

Local educational agency assistance	\$ 15,333,329
Other local sources	312,213
State sources	265,765
Federal sources	<u>2,821,010</u>
	<u>18,732,317</u>

Expenditures

Instruction	8,692,824
Support services	8,534,738
Non-instructional services	72,856
System wide tech services	424,810
Capital outlays	1,036,508
Debt service	<u>15,181</u>
	<u>18,776,917</u>

Deficiency of revenues over expenditures (44,600)

Fund balances

Beginning of year	<u>4,723,256</u>
End of year	<u>\$ 4,678,656</u>

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

**Tacony Academy Charter School
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 Year Ended June 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (44,600)

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

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. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	1,036,508	
Depreciation expense	<u>(224,795)</u>	811,713

Governmental funds do not report deferred rent as expenditures. However, in the statement of activities, deferred rent is reported as an expense, as

Rent expense		(79,688)
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Governmental funds report capital lease obligations proceeds as financing sources, while repayment is reported as expenditures. In the statement of net position, however, the capital lease obligations increase liabilities and do not affect the statement of activities and repayment of principal reduces the obligations. The net effect of those differences in the treatment of the capital lease obligations is as follows:

Payments under capital leases		14,014
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures or income in governmental funds.

Change in OPEB expense	10,015	
Change in pension expense	<u>43,523</u>	<u>53,538</u>

Change in Net Position of Governmental Activities \$ 754,977

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

Tacony Academy Charter School
Statement of Net Position – Proprietary Fund – Food Service Fund
June 30, 2021

Assets

Current assets		
Cash	\$	2,938
State subsidies receivable		1,059
Federal subsidies receivable		121,531
Other receivables		46,970
Prepaid expenses		<u>208</u>
		<u>172,706</u>
Capital assets, net		<u>7,820</u>
Total assets	\$	<u><u>180,526</u></u>

Liabilities and Net Position

Liabilities		
Accounts payable	\$	7,972
Due to other funds		<u>219,231</u>
Total liabilities		<u>227,203</u>
Net position		
Invested in capital assets		7,820
Unrestricted		<u>(54,497)</u>
Total net position		<u>(46,677)</u>
Total liabilities and net position	\$	<u><u>180,526</u></u>

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

Tacony Academy Charter School
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund – Food
Service Fund
Year Ended June 30, 2021

Revenues	
Revenue from federal sources	\$ 233,785
Revenue from state sources	<u>4,823</u>
Total revenues	<u>238,608</u>
Expenses	
Depreciation	9,190
Dues and fees	390
Food service management	159,707
Professional services	2,500
Repairs and maintenance	9,337
Supplies	4,300
Salaries and benefits	<u>29,949</u>
Total expenses	<u>215,373</u>
Net income	23,235
Net position	
Beginning	<u>(69,912)</u>
Ending	<u>\$ (46,677)</u>

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

Tacony Academy Charter School
Statement of Cash Flows – Proprietary Fund – Food Service Fund
Year Ended June 30, 2021

Operating activities

Receipts from federal sources	\$ 112,254
Receipts from state sources	3,764
Payments to suppliers for goods and services	<u>(202,305)</u>
Net cash used in operating activities	<u>(86,287)</u>

Noncapital Financing activities

Due to other funds	<u>86,287</u>
Net cash provided by noncapital financing activities	<u>86,287</u>

Net change in cash

-

Cash

Beginning	<u>2,938</u>
Ending	<u>\$ 2,938</u>

Reconciliation of net income from operations to net cash used in operating activities

Net income	<u>\$ 23,235</u>
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation	9,190
Changes in assets and liabilities	
Federal subsidies receivable	(121,531)
State subsidies receivable	(1,059)
Prepaid expenses	(208)
Accounts payable	<u>4,086</u>
Total adjustments	<u>(109,522)</u>

Net cash used in operating activities	<u>\$ (86,287)</u>
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The Notes to Financial Statements are an integral part of this statement.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

1. ORGANIZATION AND PURPOSE

Tacony Academy Charter School (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 K-12. The School is located in Philadelphia, Pennsylvania and began operations in September 2008. 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, they are operating without a renewed 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. The decision to include the component unit in the School's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Component Unit

Frankford Valley Foundation for Literacy II (the "Foundation") is a legally separate, tax-exempt component unit of the School. The Foundation was organized to acquire and construct the School's facilities. Although the School does not control the timing or amounts of receipts from the Foundation, most of the resources and income thereon that the that the Foundation holds is restricted to the activities of the School. Because these restricted resources held by the Foundation can only be used by or for the benefit of the School, the Foundation is considered a component of the School and is discretely presented in the School's financial statements.

Basis of Presentation

The financial statements of the School have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The GASB is the accepted standard setting body for establishing government accounting and financial reporting principles. GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

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 statement of governmental fund revenues, expenditures and changes in fund balances) report on the School's governmental funds.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

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.
- Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.
- 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 Services 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 net revenues, (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on pricing policy designed to recover similar costs.

The following is a nonmajor fund of the School included in other 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.

Method of Accounting

Accounting standards require a statement of net position. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These are defined as follows:

Invested in Capital Assets, Net of Related Debt – This component of net position 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 debt 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 position component as the unspent proceeds.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School presently has no restricted net position.
- *Unrestricted Net Position* – This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”
- *In the Fund Financial Statements* – Governmental funds report non-spendable portions of fund balance related to such items as prepaid expenses and long-term receivables. Restricted funds are constrained from outside parties (statute, grantors bond agreements, etc.). Committed fund balances represent amounts constrained for a specific purpose by a governmental entity using its highest level of decision making authority. Committed fund balances are established and modified by a resolution approved by the Board of Trustees. Assigned fund balances are intended by the School to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balances are considered to be the remaining amounts.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the General Fund.

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the reporting period. The School only has a general fund budget. The original budget was filed with the Labor, Education and Community Services Comptroller’s Office. A final budget was adopted during the fiscal year and approved by the Board of Trustees. There is no requirement to submit the revised budget to the Labor, Education and Community Services Comptroller’s Office. The budget is required supplementary information.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Periodically, the School may maintain deposits in excess of the Federal Deposit Insurance Corporation’s limit of \$250,000, with financial institutions in interest bearing accounts. In addition, contributions and grants receivable potentially subject the School to concentrations of credit risk.

Cash

The School’s cash is considered to be cash on hand and demand deposits.

Restricted Cash Equivalents

Highly liquid investments purchased with original maturities of three months or less are considered to be cash equivalents.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

Accounts Receivable

Accounts receivable primarily consist of amounts due from the Pennsylvania Department of Education for federal and state subsidy programs and local area school districts for students' subsidies and transportation costs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. As of June 30, 2021, no allowance for doubtful accounts was deemed warranted based on historical experience.

Prepaid Expenses

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

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. The School does not possess any infrastructure. Improvements are capitalized; 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 not. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or useful life.

Accrued Rent

The School leases its facilities from the Foundation under a thirty (30) year lease which began in February 2014. The School recognizes rent on a straight-line basis over the lease term beginning with the date of inception. The cumulative difference between lease expense recognized under the straight line method and contractual lease payment terms are recorded as accrued rent on the statement of net position.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. Accordingly, no provision or liability for income taxes has been recorded in the financial statements.

The School adopted the accounting pronouncement related to uncertain tax positions effective July 1, 2011. Upon adoption of this accounting pronouncement, the School had no unrecognized tax benefits. Furthermore, the School had no unrecognized tax benefits at June 30, 2021. In addition, the School has no income tax related penalties or interest for the periods reported in these financial statements.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

3. CASH

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a policy for custodial credit risk. As of the years ended June 30, 2021, \$5,238,381, \$2,938, and \$3,280,099 of the School's bank balance was exposed to custodial credit risk for Governmental Activities, Business-Type Activities, and the Component Unit, respectively, as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>
Uninsured and uncollateralized	\$ 5,270,425	\$ 2,938	\$ 3,280,099
Plus: Insured amount	250,000	-	-
Less: Outstanding checks	<u>(282,044)</u>	<u>-</u>	<u>-</u>
Carrying amount - bank balances	<u>5,238,381</u>	<u>2,938</u>	<u>3,280,099</u>
Total cash per financial statements	<u>\$ 5,238,381</u>	<u>\$ 2,938</u>	<u>\$ 3,280,099</u>

4. RESTRICTED CASH AND CASH EQUIVALENTS

The Foundation maintains certain accounts which are for the purpose of repaying principal and interest on the long-term debt (see Note 9). Total restricted cash and cash equivalents as of June 30, 2021 was \$3,105,571 of which \$512,477 is considered current portion.

5. CAPITAL ASSETS

Capital assets are stated at cost. Depreciation has been calculated on such assets using the straight-line method over the lesser of the estimated lives or lease term:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture and equipment	3-7
Leasehold improvements	5-40
Buildings and improvements	39

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance July 1, 2020</u>	<u>Deletions</u>	<u>Additions</u>	<u>Balance June 30, 2021</u>
Governmental activities:				
Furniture and equipment	\$ 481,627	\$ -	\$ 639,823	\$ 1,121,450
Leasehold improvements	<u>565,553</u>	<u>-</u>	<u>396,685</u>	<u>962,238</u>
	1,047,180	-	1,036,508	2,083,688
Less: Accumulated depreciation	<u>270,115</u>	<u>-</u>	<u>224,795</u>	<u>494,910</u>
Capital assets, net	<u>\$ 777,065</u>	<u>\$ -</u>	<u>\$ 811,713</u>	<u>\$ 1,588,778</u>

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

	<u>Balance</u> <u>July 1,</u> <u>2020</u>	<u>Deletions</u>	<u>Additions</u>	<u>Balance</u> <u>June 30,</u> <u>2021</u>
Business-type activities:				
Furniture and equipment	\$ 98,775	\$ (15,619)	\$ -	\$ 83,156
	98,775	(15,619)	-	83,156
Less: Accumulated depreciation	81,765	15,619	9,190	75,336
Capital assets, net	\$ 17,010	\$ -	\$ (9,190)	\$ 7,820
	<u>Balance</u> <u>July 1,</u> <u>2020</u>	<u>Deletions</u>	<u>Additions</u>	<u>Balance</u> <u>June 30,</u> <u>2021</u>
Component unit:				
Buildings and improvements	\$ 27,777,942	\$ -	\$ -	\$ 27,777,941
Land	1,380,712	-	-	1,380,712
	29,158,654	-	-	29,158,653
Less: Accumulated depreciation	4,015,301	-	712,255	4,727,556
Capital assets, net	\$ 25,143,353	\$ -	\$ (712,255)	\$ 24,431,097

Depreciation expense for the years ended June 30, 2021 was \$224,795, \$9,190, and \$712,255 for Governmental Activities, Business-Type Activities, and the Component unit, respectively.

6. LOCAL EDUCATIONAL AGENCY REVENUE

Charter schools are funded by the local public school district in which each student resides. The rate per student is determined annually and is based on the budgeted total expenditure per average daily membership of the prior school year for each school district. The majority of the students of the School reside in Philadelphia. For the year ended June 30, 2021, the rate for the School District of Philadelphia was \$10,788 for regular education students plus additional funding for special education students. The annual rate is paid monthly by the School District of Philadelphia and is prorated if a student enters or leaves during the year. Total revenue from local sources was \$15,333,329 for the fiscal year ended June 30, 2021.

7. GOVERNMENT GRANTS AND REIMBURSEMENT PROGRAMS

The School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

8. CAPITAL LEASE

The School entered into a loan agreement with a financial institution for the purchase of transportation equipment, with a total cost of \$42,061. The loan matures in June 2022 with a fixed interest rate of 5.14% and annual principal and interest payments of \$14,734. The transportation equipment is included in property and equipment in the statement of net position at June 30, 2021 as follows:

Furniture and equipment	\$ 42,061
Less: Accumulated depreciation	<u>12,518</u>
	<u>\$ 29,543</u>

Changes obligations under capital lease for the year ended June 30, 2021 are as follows:

	<u>Balance July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Capital lease	<u>\$ 28,748</u>	<u>\$ -</u>	<u>\$ 14,014</u>	<u>\$ 14,734</u>	<u>\$ 14,734</u>

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments for the year ending June 30 are as follows:

2022	<u>\$ 15,150</u>
	15,150
Less: Amounts representing interest	<u>416</u>
Total future minimum payments	14,734
Less current portion	<u>14,734</u>
Capital lease payable long-term	<u>\$ -</u>

9. LONG-TERM DEBT

During the fiscal year ended June 30, 2014, the Foundation issued \$14,820,000 of Revenue Bonds (Series A-1 of 2013) and \$180,000 of Taxable Revenue Bonds (Series A-2 of 2013). The 2013 Series A-1 Revenue Bonds will mature on June 15th in the following principal amounts, percentages and years: \$1,460,000 at 6.250% in 2021, \$4,120,000 at 6.70% in 2033 and \$9,240,000 at 7% in 2043. The 2013 Series A-2 Taxable Revenue Bonds matured on December 15 at an interest rate of 6.250% in 2015. The bonds were issued for the expansion and renovation of the school facility, for use by the School.

On February 20, 2014, the Foundation issued \$16,300,000 of 2014 Series A Revenue Bonds. The 2014 Series Revenue Bonds will mature on June 15th in the following principal amounts, percentages and years: \$1,855,000 at 6.125% in 2023, \$4,375,000 at 6.875% in 2033 and \$10,070,000 at 7.375% in 2043. The bonds are subject to mandatory sinking fund redemption on June 15 of each respective year. The bonds were issued to acquire a property and for the construction, renovation, furnishing and equipping of the High School facility.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

The School is a co-borrower with the Foundation on long-term debt used for the construction and improvement of a building to be used by the School as its facilities.

Changes in long-term debt for the year ended June 30 are as follows:

	<u>Balance July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Long-term debt	\$ 29,455,000	\$ -	\$ 515,000	\$ 28,940,000	\$ 550,000

Future maturities of long-term debt for the year ended June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 550,000	\$ 2,038,556	\$ 2,588,556
2023	585,000	2,004,531	2,589,531
2024	620,000	1,968,344	2,588,344
2025	665,000	1,926,094	2,591,094
2026	710,000	1,880,781	2,590,781
2027-2031	4,325,000	8,611,050	12,936,050
2032-2036	6,040,000	6,907,094	12,947,094
2037-2041	8,525,000	4,415,963	12,940,963
2042-2043	6,920,000	845,619	7,765,619
	<u>\$ 28,940,000</u>	<u>\$ 30,598,031</u>	<u>\$ 59,538,031</u>

10. PENSION PLAN

Plan Description

PSERS is a governmental cost sharing multi-employer defined benefits pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include 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.

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").

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

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, or 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.

Member contributions are as follows:

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (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 7.5% (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 7.5% (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 10.3% (base rate) of the member's qualifying compensation.
- Membership T-E and Class T-F are affected by the "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's contractually required contribution rate for fiscal years ended June 30, 2021 was 34.29% 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 for the fiscal year ended June 30, 2021 was \$1,240,919. As a result of the changes in the net pension liability the GASB 68 (income)/pension expense for the years ended June 30, 2021 was \$(43,523).

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

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, 2021 were \$127,245.

11. PENSION LIABILITIES, EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2021, the School reported a liability of \$12,704,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The employer's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the employer's proportion was 0.0258%, a decrease of 0.0018% from its proportion as of June 30, 2019.

For the year ended June 30, 2021, the employer recognized pension expense of \$1,196,100. At June 30, 2021, the employer 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>
Net difference between projected and actual investment earnings	\$ 558,000	\$ -
Changes in proportions	213,000	717,000
Difference between expected and actual experience	33,000	304,000
Contributions subsequent to the measurement date	<u>1,216,338</u>	<u>-</u>
	<u>\$ 2,020,338</u>	<u>\$ 1,021,000</u>

The amount of \$1,216,338 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended June 30 as follows:

2021	\$ 969,339
2022	(86,000)
2023	(50,000)
2024	<u>166,000</u>
	<u>\$ 999,339</u>

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25% includes inflation at 2.75%.
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 2.25%, and merit or seniority increases of 2.25%.
- Mortality rates were based on 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 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 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 1% age 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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	100.0%	

The above was PSERS' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projections 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 as contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net asset 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.

**Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021**

Sensitivity of the Employer’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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School's proportionate share of the net pension liability	<u>\$ 15,717,000</u>	<u>\$ 12,704,000</u>	<u>\$ 10,151,000</u>

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.

12. OTHER POSTEMPLOYMENT BENEFITS

Tacony Academy Charter School offers a post-retirement health insurance premium assistance plan option through the PSERS.

General Information about the Other Postemployment Benefits

Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multi-employer other postemployment benefit plan (“OPEB”) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2012 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS’ Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

See description of PSERS in Footnote 9.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 plan for the fiscal years ended June 30, 2021 was \$31,214

As a result of the changes in the net pension liability, the GASB 75 income for the years ended June 30, 2021 was \$10,015.

13. OTHER POSTEMPLOYMENT BENEFITS LIABILITIES, EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS

At June 30, 2021, the School reported a liability of \$555,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total actuarial determined OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was .0275%, which was a decrease of .0001% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB income of \$10,015. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 1,000	\$ -
Changes in proportions	14,000	42,000
Difference between expected and actual experience	5,000	-
Changes of assumptions	23,000	12,000
Contributions subsequent to the measurement date	<u>30,628</u>	<u>-</u>
	<u>\$ 73,628</u>	<u>\$ 54,000</u>

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

\$30,628 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the year ending June 30 as follows:

2021	\$ 27,628
2022	(4,000)
2023	(4,000)
2024	3,000
2025	(3,000)
	<u>\$ 19,628</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2021 was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method – Entry Age Normal – level percent of pay

- Investment return – 2.79% – S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on 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.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

Investments consists primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments were determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	50.3%	-1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fixed	3%	-0.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200. As of June 30, 2020, 688 members were receiving less than the \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimum impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2021. Calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School's proportionate share of the System net OPEB liability	\$ 555,000	\$ 555,000	\$ 555,000

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the System net OPEB liability, calculated using the discount rate of 2.79%, as well as what the System net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.79%	2.79%	3.79%
School's proportionate share of the System net OPEB liability	\$ <u>633,000</u>	\$ <u>555,000</u>	\$ <u>491,000</u>

OPEB 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.pa.gov.

14. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

15. CONCENTRATIONS AND COMMITMENTS

The School receives a significant amount of funding under grants and contracts from the School District of Philadelphia amounting to 81% of total revenue for the year ending June 30, 2021.

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 expenses which may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

16. NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions in Statement No. 87 are effective for reporting periods beginning after June 15, 2021. The School has not yet completed the process of evaluating the impact of GASB 87 on its financial statements.

Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021

The School implemented GASB Statement No. 84, Fiduciary Activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. Upon implementation, funds deposited with the School for student activities were to be reclassified out of the fiduciary activities and into the School's general fund. Since the School already accounted for these funds under the general fund, there was no reclass of funds required and there was no prior period restatement of fund balance required at July 1, 2020. As a result, the Statement of Fiduciary Net Position has been eliminated for June 30, 2021. Former fiduciary funds amounts were \$11,372 for both cash and cash equivalents and due to student groups at June 30, 2020.

17. RELATED PARTY ARRANGEMENTS

In February 2014, the School entered into a 30-year lease with the Foundation. All costs of the building such as utilities, assessments, and taxes are paid by the School. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 840, *Accounting for Leases*, rental payments are recognized on a straight-line basis over the term of the lease. The difference between the actual rent paid and the expense charged is an increase or decrease to accrued rent in the accompanying statement of net position.

The Foundation leases 100% of its rental facility to the School under a long-term operating lease.

Future minimum rentals for the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 550,000	\$ 2,038,556	\$ 2,588,556
2023	585,000	2,004,531	2,589,531
2024	620,000	1,968,344	2,588,344
2025	665,000	1,926,094	2,591,094
2026	710,000	1,880,781	2,590,781
2027-2031	4,325,000	8,611,050	12,936,050
2032-2036	6,040,000	6,907,094	12,947,094
2037-2041	8,525,000	4,415,963	12,940,963
2042-2043	<u>6,920,000</u>	<u>845,619</u>	<u>7,765,619</u>
	<u>\$ 28,940,000</u>	<u>\$ 30,598,031</u>	<u>\$ 59,538,031</u>

Rent expense was \$2,585,413 for the year ended June 30, 2021.

Total cost of leased assets and accumulated depreciation are \$29,158,653 and \$4,727,556 respectively, at June 30, 2021.

**Tacony Academy Charter School
Notes to Financial Statements
June 30, 2021**

18. 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, 2021, the Board of Trustees has established fund balance designations as follows:

	Governmental Funds
Fund Balances:	
Nonspendable	\$ 335,926
Committed to:	
Future PSERS contributions	300,000
Available for appropriation	900,000
Non liquid assets	800,000
Working capital	<u>2,342,730</u>
Total fund balances	<u>\$ 4,678,656</u>

19. SUBSEQUENT EVENTS

The School has evaluated subsequent events occurring after the statement of net position date through the date of December 15, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, the School has determined that no subsequent events have occurred which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Tacony Academy Charter School
Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual-
General Fund
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over</u>
	<u>(Unaudited) Original</u>	<u>(Unaudited) Final</u>		<u>(Under) Final (Unaudited) Budget</u>
Revenues				
Local educational agency assistance	\$ 14,712,102	\$ 15,097,000	\$ 15,333,329	\$ 236,329
Other local sources	156,895	198,300	312,213	113,913
State sources	217,454	307,000	265,765	(41,235)
Federal sources	1,278,000	2,011,265	2,821,010	809,745
	<u>16,364,451</u>	<u>17,613,565</u>	<u>18,732,317</u>	<u>1,118,752</u>
Expenditures				
Instruction	7,847,915	9,343,335	8,692,824	(650,511)
Support services	8,104,077	7,956,527	8,534,738	578,211
Non-instructional services	212,459	113,703	72,856	(40,847)
System wide tech services	200,000	200,000	424,810	224,810
Capital outlays	-	-	1,036,508	1,036,508
Debt service	-	-	15,181	15,181
	<u>16,364,451</u>	<u>17,613,565</u>	<u>18,776,917</u>	<u>1,163,352</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(44,600)</u>	<u>(44,600)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(44,600)</u>	<u>\$ (44,600)</u>
Fund balances				
Beginning of year	<u>4,915,707</u>	<u>4,915,707</u>	<u>4,723,256</u>	
End of year	<u>\$ 4,915,707</u>	<u>\$ 4,915,707</u>	<u>\$ 4,678,656</u>	

See Independent Auditor's Report.

**Tacony Academy Charter School
Schedule of Proportionate Share of PSERS Net Pension Liability
and Contributions (Unaudited)
Year Ended June 30, 2021**

Fiscal Year	PSERS Net Pension Liability		School's Covered Employee Payroll	School's Proportion	PSERS Fiduciary
	School's Proportion	School's Proportion Share		Share of NPL as a % of Employee Payroll	Net Position as a % of Total Pension Liability
2014/15	0.0325%	\$ 12,863,000	\$ 4,145,262	310%	57.2%
2015/16	0.0283%	12,258,000	3,645,200	336%	54.4%
2016/17	0.0275%	13,628,000	3,566,359	382%	50.1%
2017/18	0.0267%	13,187,000	3,554,756	371%	51.8%
2018/19	0.0267%	12,817,000	3,600,946	356%	54.0%
2019/20	0.0276%	12,912,000	3,807,608	339%	55.7%
2020/21	0.0258%	12,704,000	1,240,919 (A)	1024%	54.3%

(A) Note for the year ended June 30, 2020 the Pennsylvania Public School Employee's Retirement System Pension Plan changed the employer allocation from covered payroll to reported contributions.

PSERS Schedule of Contributions (Unaudited)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PSERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2014/15	\$ 955,000	\$ 955,000	\$ -	\$ 3,568,628	26.8%
2015/16	751,000	751,000	-	3,743,700	20.1%
2016/17	958,000	958,000	-	3,893,719	24.6%
2017/18	1,213,000	1,213,000	-	4,222,243	28.7%
2018/19	1,205,000	1,205,000	-	3,828,583	31.5%
2019/20	1,227,000	1,227,000	-	3,784,426	32.4%
2020/21	1,300,000	1,300,000	-	1,240,919 (A)	104.8%

PSERS Schedule of Employers' Changes in Proportion (Unaudited)

Fiscal Year	Original	Pension Expense	Deferred Outflow/ (Inflow)
2017/18	\$ (363,000)	\$ (73,000)	\$ (73,000)
2018/19	-	-	-
2019/20	425,000	106,000	213,000
2020/21	(860,000)	(215,000)	(645,000)

Note: Ten years are required, additional years will be added as they become available.

See Independent Auditor's Report.

**Tacony Academy Charter School
Schedule of Proportionate Share of PSERS OPEB Liability
and OPEB Contributions (Unaudited)
Year Ended June 30, 2021**

<u>Fiscal Year</u>	<u>PSERS OPEB Liability</u>			<u>School's Proportion</u>	<u>PSERS Fiduciary</u>
	<u>School's Proportion</u>	<u>School's Proportion Share</u>	<u>School's Covered Employee Payroll</u>	<u>Share of NPL as a % of Employee Payroll</u>	<u>Net Position as a % of Total OPEB Liability</u>
2016/17	0.0275%	\$ 592,000	\$ 3,566,359	17%	50.14%
2017/18	0.0267%	544,000	3,554,756	15%	51.84%
2018/19	0.0267%	557,000	3,600,946	15%	54.00%
2019/20	0.0276%	587,000	3,807,608	15%	55.66%
2020/21	0.0275%	555,000	3,613,494	15%	5.69%

PSERS OPEB Schedule of Contributions (Unaudited)

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions Recognized by PSERS</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a % of Covered-Employee Payroll</u>
2016/17	\$ 29,644	\$ 29,644	\$ -	\$ 3,566,359	0.83%
2017/18	30,098	30,098	-	3,554,756	0.85%
2018/19	31,516	31,516	-	3,600,946	0.88%
2019/20	29,613	29,613	-	3,807,608	0.78%
2020/21	30,000	30,000	-	3,600,946	0.83%

PSERS OPEB Schedule of Employers' Changes in Proportion (Unaudited)

<u>Fiscal Year</u>	<u>Original</u>	<u>Pension Expense</u>	<u>Deferred Outflow/ (Inflow)</u>
2017/18	\$ 62,000	\$ 9,000	\$ 27,000
2018/19	(55,000)	(8,000)	(32,000)
2019/20	(61,000)	(9,000)	(44,000)
2020/21	(82,000)	(12,000)	(70,000)

Note: Ten years are required, additional years will be added as they become available.

See Independent Auditor's Report.

**Tacony Academy Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Federal Grantor/ Pass-Through Grantor Program Title	Source Code	Assistance Listing Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award	Total Received for the Year	Accrued or (Unearned) Revenue at 7/1/20	Receipts or Revenue Recognized	Federal Expenditures	Subrecipient Expenditures	Accrued or (Unearned) Revenue at 6/30/21
<u>U.S. Department of Education</u>											
Pass-Through Pennsylvania											
Department of Education											
Title I - Improving Basic Programs	I	84.010	013-21-1082	7/1/20-9/30/21	\$ 1,012,957	\$ 953,254	\$ -	\$ 1,015,304	\$ 1,015,304	\$ -	\$ 62,050
Title I - Improving Basic Programs	I	84.010	013-20-1082	7/1/19-9/30/20	936,945	188,962	188,962	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-21-1082	7/1/20-9/30/21	77,447	46,441	-	77,447	77,447	-	31,006
Title II - Improving Teacher Quality	I	84.367	020-20-1082	7/1/19-9/30/20	70,451	27,938	27,938	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-21-1082	7/1/20-9/30/21	123,852	43,000	-	71,667	71,667	-	28,667
Title IV - Student Support and Academic Enrichment	I	84.424	144-20-1082	7/1/19-9/30/20	72,080	28,832	28,832	-	-	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-21-1082	3/13/20-9/30/23	780,398	776,165	4,233	771,932	771,932	-	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-1082	3/13/20-9/30/21	3,749,519	261,594	-	577,039	577,039	-	315,445
COVID-19 - Governor's Emergency Education Relief Fund	I	84.425C	253-20-1082	3/13/20-9/30/21	24,000	3,903	-	24,000	24,000	-	20,097
COVID-19 - SECIM	I	84.027	252-20-1082	7/1/20-9/30/21	5,000	-	-	5,000	5,000	-	5,000
						<u>2,330,089</u>	<u>249,965</u>	<u>2,542,389</u>	<u>2,542,389</u>	<u>-</u>	<u>462,265</u>
Pass-Through School District of Philadelphia											
IDEA	I	84.027	N/A	7/1/20-6/30/21	188,621	-	-	188,621	188,621	-	188,621
IDEA	I	84.027	N/A	7/1/19-6/30/20	173,014	173,014	173,014	-	-	-	-
						<u>173,014</u>	<u>173,014</u>	<u>188,621</u>	<u>188,621</u>	<u>-</u>	<u>188,621</u>
Total U.S. Department of Education						<u>2,503,103</u>	<u>422,979</u>	<u>2,731,010</u>	<u>2,731,010</u>	<u>-</u>	<u>650,886</u>
<u>U.S. Department of Treasury</u>											
Pass-Through Pennsylvania Commission											
On Crime and Delinquency											
COVID-19 - Coronavirus Relief Fund	I	21.019	2020-CS-01-34291	6/30/20-10/30/20	90,000	90,000	-	90,000	90,000	-	-
Total U.S. Department of Treasury						<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>											
Pass-Through Pennsylvania											
Department of Education											
National School Lunch Program	I	10.555	362	7/1/20-6/30/21		61,607	-	172,674	172,674	-	111,067
School Breakfast Program	I	10.553	365	7/1/20-6/30/21		38,675	-	49,139	49,139	-	10,464
						<u>100,282</u>	<u>-</u>	<u>221,813</u>	<u>221,813</u>	<u>-</u>	<u>121,531</u>
Pass-Through Pennsylvania											
Department of Agriculture											
USDA Commodities	I	10.555	2-08-51-302	7/1/20-6/30/21	11,972	11,972	-	11,972	11,972	-	-
Total U.S. Department of Agriculture						<u>112,254</u>	<u>-</u>	<u>233,785</u>	<u>233,785</u>	<u>-</u>	<u>121,531</u>
Totals						<u>\$ 2,705,358</u>	<u>\$ 422,979</u>	<u>\$ 3,054,795</u>	<u>\$ 3,054,795</u>	<u>\$ -</u>	<u>\$ 772,416</u>
D - Direct Funding											
I - Indirect Funding											

See Independent Auditor's Report.
See accompanying Notes to Schedule of Expenditures of Federal Awards.

Tacony Academy Charter School
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

1. GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities of the federal financial assistance programs of Tacony Academy Charter School (the "School"). Financial awards received directly from federal agencies, as well as financial assistance passed through other governmental agencies or non-profit organizations, are included in the schedule.

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

3. RELATIONSHIP TO FINANCIAL STATEMENTS

The schedule of expenditures of federal awards presents only a selected portion of the activities of the School. It is not intended to and does not present either the balance sheet, revenue, expenditures, or changes in fund balances of governmental funds. The financial activity for the aforementioned awards is reported in the School's statement of revenues, expenditures, and changes in fund balances - governmental funds.

4. SUBRECIPIENTS

The School provided no Federal awards to subrecipients for the year ended June 30, 2021.

5. INDIRECT COST RATE

The School has not made an election pursuant to 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* to receive a 10% de minimis indirect cost rate. Furthermore, the School does not receive any federal indirect costs.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Tacony Academy Charter School:

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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of Tacony Academy Charter School (the "School"), and the related notes to financial statements, as of and for the year ended June 30, 2021, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tacony Academy Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tacony Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Tacony Academy 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 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 those 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 School's basic 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 School'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 School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Withum Smith + Brown, PC

December 15, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Tacony Academy Charter School:

Report on Compliance for Each Major Federal Program

We have audited Tacony Academy Charter School'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 Tacony Academy Charter School's major Federal programs for the year ended June 30, 2021. Tacony Academy Charter 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tacony Academy Charter 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 Tacony Academy Charter School'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 on Tacony Academy Charter School's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Tacony Academy Charter School 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, 2021.

Report on Internal Control Over Compliance

Management of Tacony Academy Charter School 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 Tacony Academy Charter 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 Tacony Academy Charter School'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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC". The signature is written in a cursive, flowing style.

December 15, 2021

**Tacony Academy Charter School
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? No

Identification of major program:

CFDA/Award Number Name of Federal Program

84.425 Education Stabilization Fund

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

Auditee qualifies as a low-risk auditee. Yes

Section 2 – Financial Statement Findings

None reported.

Section 3 – Summary of Findings and Questioned Costs

None reported.

Section 4 – Follow Up Prior Year Audit Findings

There were no prior year audit findings.