



Annual Financial Report

Northeast College Prep Charter School No. 4219

Minneapolis, Minnesota

For the year ended June 30, 2021



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 Charter School No. 4219
 Minneapolis, Minnesota
 Annual Financial Report
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INTRODUCTORY SECTION

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2021

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Jessica Waletski	Board Chair
Bill Graves	Board Treasurer
Joanna Schneider	Board Member
Josh Crosson	Board Member
Erica Ahlgren	Board Member
Carl Phillips	Director
Erika Sass	Assistant Director
Jenny Abbs	BKDV - Contracted Finance

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FINANCIAL SECTION

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Northeast College Prep, Charter School No. 4219
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northeast College Prep, Charter School No. 4219, (the Charter School), Minneapolis, Minnesota as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

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 of 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 Charter School'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 Charter School'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 financial statement presentation.

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, each major fund and the aggregate remaining fund information of the Charter School as of June 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions on page 58 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 the Charter School's basic financial statements. The introductory section and individual fund schedule and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the 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 the Charter School's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
November 23, 2021



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Management's Discussion and Analysis

As management of the Northeast College Prep Charter School No. 4219 (the Charter School), Minneapolis, Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the period ended June 30, 2021.

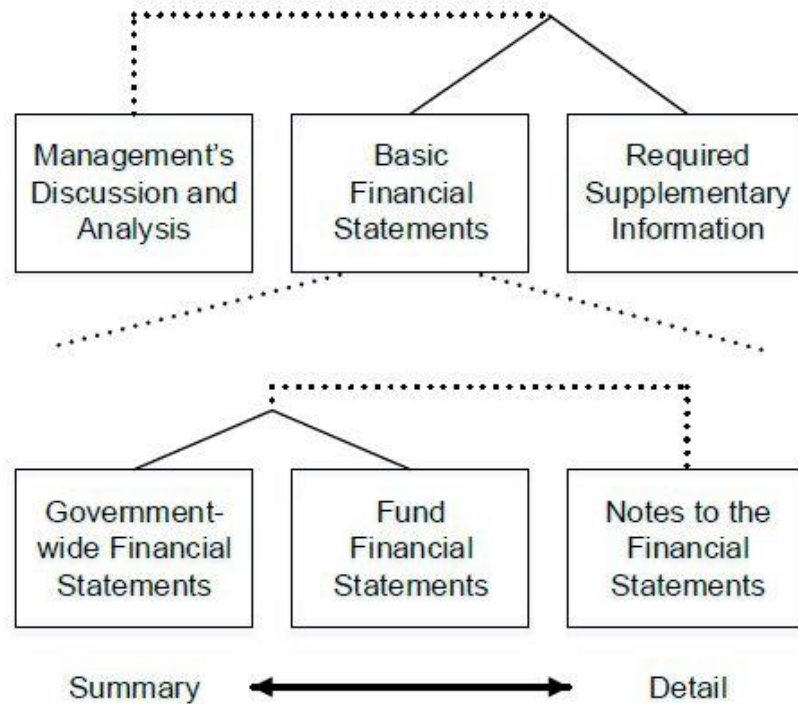
Financial Highlights

- The Charter School's total net position decreased by \$277,802 due primarily to recording the adjustment of pension liabilities and related deferred inflows and outflows of resources.
- As of the close of the current fiscal year, the Charter School's governmental funds reported an ending fund balance of \$2,106,404. Approximately 49.9 percent of this total amount, \$1,051,318 (*unassigned fund balance*), is available for spending at the Charter School's discretion, \$70,023 is nonspendable for prepaid items, \$264 is restricted in the General fund, and \$984,799 is restricted for the building Company.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,051,318 or 14.8 percent of total General fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of individual fund schedules that further explains and supports the information in the financial statements. The following chart shows how the various parts of this annual report are arranged and related to one another:



The following chart summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements
	Government-wide Statements	Governmental Funds
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

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

The *statement of net position* presents information on all of the Charter School's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements display functions of the Charter School that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, district support services, elementary and secondary regular instruction, special education instruction, instructional support services, pupil support services, sites and buildings, and fiscal and other fixed cost programs.

The government-wide financial statements can be found starting on page 24 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Building Company Fund which are considered to be major funds, and the Food Service special revenue fund, which is considered to be a nonmajor fund.

The Charter School adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 28 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 33 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's progress in funding its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found on page 58 of this report.

Other Information. The individual fund schedule and table can be found starting on page 66 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,289,081 at the close of the 2021 fiscal year.

A portion of the Charter School's net position, (\$192,718), reflects its net investment in capital assets (e.g., equipment); less any related debt used to acquire those assets that is still outstanding. The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Northeast College Prep Charter School No. 4219's Summary of Net Position

	Governmental Activities		
	2021	2020	Increase (Decrease)
Assets			
Current and other assets	\$ 2,977,742	\$ 2,128,952	\$ 848,790
Nondepreciable assets	1,067,929	1,078,909	(10,980)
Capital assets, net of depreciation	6,860,954	6,851,361	9,593
Total Assets	<u>10,906,625</u>	<u>10,059,222</u>	<u>847,403</u>
Deferred Outflows of Resources	<u>2,017,378</u>	<u>2,760,198</u>	<u>(742,820)</u>
Liabilities			
Noncurrent liabilities outstanding	12,354,801	11,648,043	706,758
Current and other liabilities	1,089,938	556,398	533,540
Total Liabilities	<u>13,444,739</u>	<u>12,204,441</u>	<u>1,240,298</u>
Deferred Inflows of Resources	<u>1,768,345</u>	<u>2,626,258</u>	<u>(857,913)</u>
Net Position			
Net investment in capital assets	(192,718)	(137,936)	(54,782)
Restricted	985,063	908,839	76,224
Unrestricted	<u>(3,081,426)</u>	<u>(2,782,182)</u>	<u>(299,244)</u>
Total Net Position	<u>\$ (2,289,081)</u>	<u>\$ (2,011,279)</u>	<u>\$ (277,802)</u>

At the end of the current fiscal year, the Charter School is able to report a positive balance in one of three categories of net position.

The Charter School's net position decreased by \$277,802. Key elements of this decrease are shown in the table below.

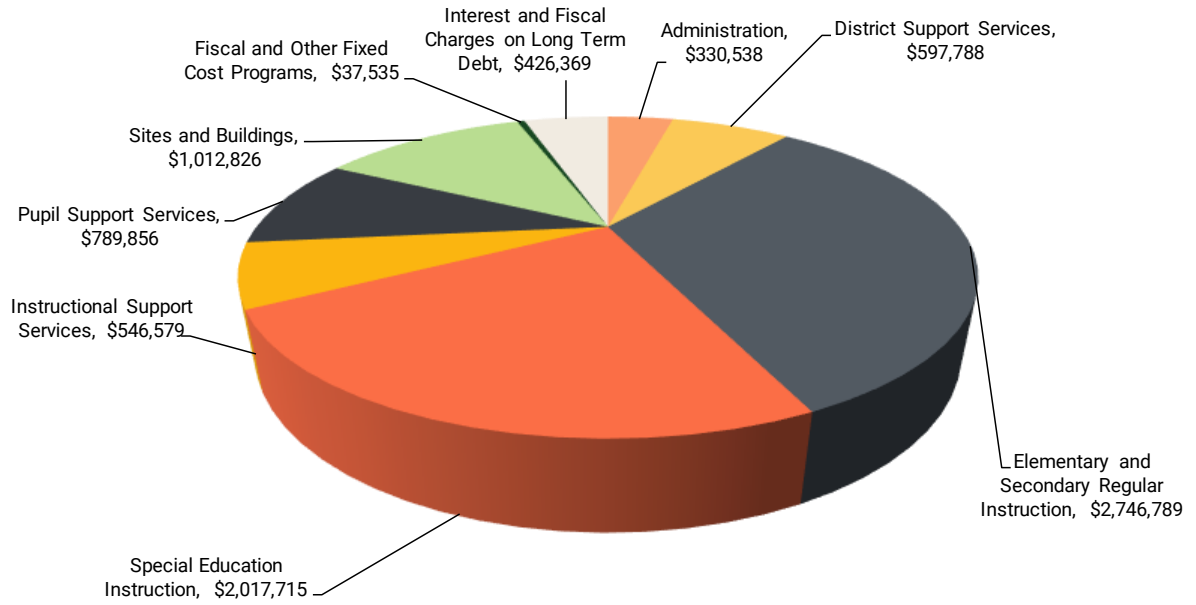
Northeast College Prep Charter School No. 4219's Changes in Net Position

	Governmental Activities		
	2021	2020	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 585,918	\$ 197,061	\$ 388,857
Operating grants and contributions	2,795,743	2,584,796	210,947
General revenues			
State aid-formula grants	3,877,542	3,790,507	87,035
Other general revenues	968,334	155,033	813,301
Unrestricted investment earnings	656	593	63
Total Revenues	<u>8,228,193</u>	<u>6,727,990</u>	<u>1,500,203</u>
Expenses			
Administration	330,538	356,749	(26,211)
District support services	597,788	423,009	174,779
Elementary and secondary regular instruction	2,746,789	2,464,754	282,035
Special education instruction	2,017,715	1,934,633	83,082
Instructional support services	546,579	374,718	171,861
Pupil support services	789,856	751,415	38,441
Sites and buildings	1,012,826	699,703	313,123
Fiscal and other fixed cost programs	37,535	47,618	(10,083)
Interest and fiscal charges on long term debt	426,369	508,741	(82,372)
Total Expenses	<u>8,505,995</u>	<u>7,561,340</u>	<u>944,655</u>
Change in Net Position	(277,802)	(833,350)	555,548
Net Position, July 1	<u>(2,011,279)</u>	<u>(1,177,929)</u>	<u>(833,350)</u>
Net Position, June 30	<u>\$ (2,289,081)</u>	<u>\$ (2,011,279)</u>	<u>\$ (277,802)</u>

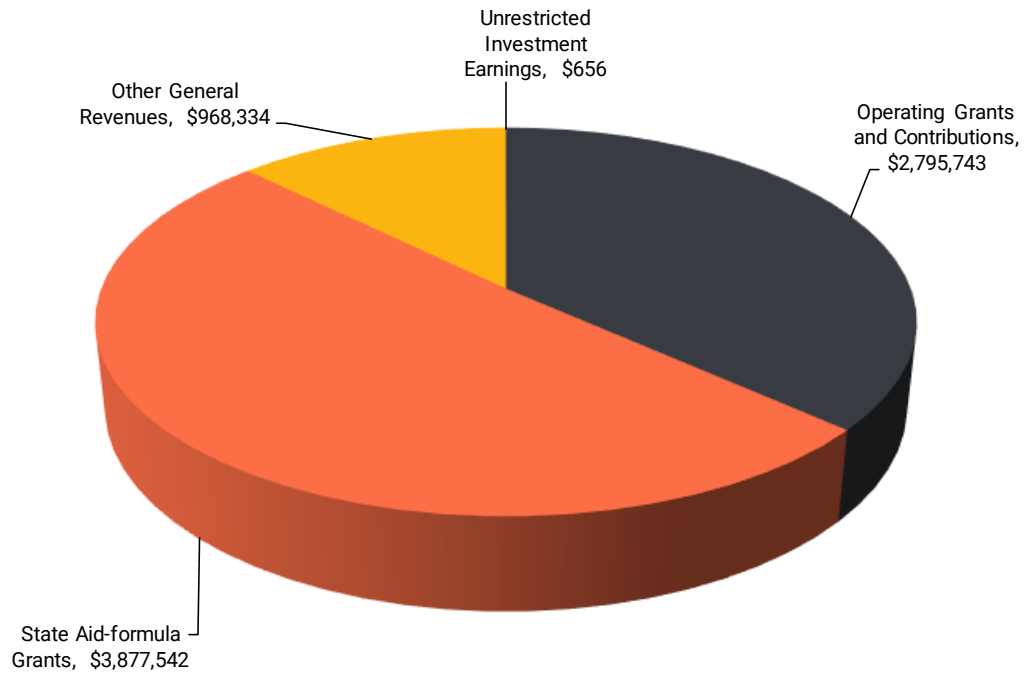
- State aid formula grants increased \$87,035 from 2020, operating grants and contributions increased \$210,947 from prior year, and charges for services increased \$388,857 from prior year.
- Other general revenues increased mainly due to \$666,000 of loan forgiveness related to the paycheck protection program.
- Sites and buildings expenses increased substantially from 2020 (\$313,123).

The following graph depicts various governmental activities and shows the expenses directly related to those activities.

Expenses by Program - Governmental Activities Graph



Revenue by Source - Governmental Activities Graph



Financial Analysis of the Charter School's Funds

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Charter School's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Charter School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter School's governmental funds reported combined ending fund balances of \$2,106,404. Approximately 49.9 percent of this total amount, \$1,051,318, constitutes unassigned fund balance. The remainder of fund balance (\$1,055,086) is not available for new spending because it is either 1) nonspendable for prepaids (\$70,023), or 2) restricted (\$985,063).

The General fund is the primary operating fund of the Charter School. At the end of the current year, the fund balance of the General fund was \$1,121,605. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 15.7 percent of fund expenditures. The fund balance of the Charter School's General fund increased \$194,523 during the current fiscal year.

The Building Company fund accounts for all the activities of the Affiliated Building Company for the Charter School. At the end of the current year, the fund balance of the Building Company fund was \$984,799. The fund balance of the Charter School's Building Company fund decreased \$97,276 during the current fiscal year due to the Building Company being established in the current year.

General Fund Budgetary Highlights

The Charter School did amend their budget during the year. The original General fund budget called for an increase of \$155,088 in fund balance, while the final budget called for an increase of \$497,583 in fund balance.

Overall, total revenues were \$96,414 more than budgeted. The largest revenue variance was revenue from state sources which was \$65,517 more than anticipated.

On the expenditure side, expenditures were \$337,688 more than budgeted. The largest variance was pupil support services which was \$197,610 over budget.

Capital Assets and Debt Administration

Capital Assets. The Charter School's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$7,928,883 (net of accumulated depreciation). This investment in capital assets includes equipment, land, construction in progress, and the school building. The total depreciation for the year was \$243,493. The following is a schedule of capital assets as of June 30, 2021.

Additional information on the Charter School's capital assets can be found in Note 3B on page 42 of this report.

Northeast College Prep Charter School No. 4219's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	\$ 1,067,929	\$ 1,067,929	-
Construction in Progress	-	10,980	(10,980)
Buildings and Improvements	6,426,745	6,578,265	(151,520)
Equipment	434,209	273,096	161,113
Total	<u>\$ 7,928,883</u>	<u>\$ 7,930,270</u>	<u>\$ (1,387)</u>

The large increase in capital assets from the prior year is due to the Charter School Building Company purchasing land and undertaking a large construction project.

Northeast College Prep Charter School No. 4219's Outstanding Debt

Noncurrent Liabilities

The Charter School's noncurrent liabilities consisted of loans payable and bonds payable. Balances of the loans and bonds as of June 30, 2021 and 2020 are shown below.

	Governmental Activities		
	2021	2020	Increase (Decrease)
Bonds Payable	<u>\$ 8,660,000</u>	<u>\$ 8,660,000</u>	<u>\$ -</u>

Additional information of the Charter School's noncurrent liabilities can be found in Note 3E on page 44 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Charter School anticipates enrollment of 360 students for the 2021-2022 school year.
- The Charter School has received federal CARES Act funds of \$18,429 and Coronavirus Relief Funds of \$126,929 to help with distance learning and COVID-19 related expenditures during the 2020-2021 school year.
- The Charter School received a Payroll Protection Program loan of \$665,988 in July 2020 to help with the uncertainties of this upcoming school year. They will use these funds to keep staff employed, pay rent and utilities without disruption.

These factors were considered in preparing the Charter School's budget for the 2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Carl Phillips, School Director, Northeast College Prep Charter School No. 4219, 2511 Taylor Street NE, Minneapolis, Minnesota 55418.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and temporary investments	\$ 1,425,001
Cash held with Escrow	888,953
Receivables	
Accounts	30
Due from the Minnesota Department of Education	525,294
Due from the Federal Government	68,441
Prepaid items	70,023
Capital assets	
Nondepreciable assets	1,067,929
Depreciable assets, net of accumulated depreciation	6,860,954
Total Assets	10,906,625
Deferred Outflows of Resources	
Deferred pension resources	2,017,378
Liabilities	
Accounts and other payables	468,107
Accrued salaries payable	394,456
Accrued interest payable	218,600
Unearned revenue	8,775
Noncurrent liabilities	
Due in more than one year	
Bonds payable, net	9,022,851
Net pension liability	3,331,950
Total Liabilities	13,444,739
Deferred Inflows of Resources	
Deferred pension resources	1,768,345
Net Position	
Net investment in capital assets	(192,718)
Restricted for	
School Success Improvement Program	264
Building Company	984,799
Unrestricted	(3,081,426)
Total Net Position	\$ (2,289,081)

The notes to the financial statements are an integral part of this statement.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 330,538	\$ -	\$ -	\$ -	\$ (330,538)
District support services	597,788	-	-	-	(597,788)
Elementary and secondary regular instruction	2,746,789	-	201,536	-	(2,545,253)
Special education instruction	2,017,715	-	1,659,160	-	(358,555)
Instructional support services	546,579	-	145,389	-	(401,190)
Pupil support services	789,856	-	241,075	-	(548,781)
Sites and buildings	1,012,826	585,918	548,583	-	121,675
Fiscal and other fixed cost programs	37,535	-	-	-	(37,535)
Interest and fiscal charges on debt	426,369	-	-	-	(426,369)
Total Governmental Activities	\$ 8,505,995	\$ 585,918	\$ 2,795,743	\$ -	(5,124,334)
General Revenues					
State aid formula grants					3,877,542
Other general revenues					968,334
Unrestricted investment earnings					656
Total General Revenues					<u>4,846,532</u>
Change in Net Position					(277,802)
Net Position, July 1					<u>(2,011,279)</u>
Net Position, June 30					<u>\$ (2,289,081)</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Northeast College Prep
 Charter School No. 4219
 Minneapolis, Minnesota
 Balance Sheet
 Governmental Funds
 June 30, 2021

	General	Building Company	Non-Major Food Service	Funds
Assets				
Cash and temporary investments	\$ 1,420,569	\$ -	\$ 4,432	\$ 1,425,001
Cash held with Escrow	-	888,953	-	888,953
Receivables				
Accounts	30	-	-	30
Due from other funds	25,679	95,846	-	121,525
Due from the Minnesota Department of Education	525,294	-	-	525,294
Due from the Federal Government	21,478	-	46,963	68,441
Prepaid items	70,023	-	-	70,023
	<u>2,063,073</u>	<u>984,799</u>	<u>51,395</u>	<u>3,099,267</u>
Total Assets	\$ 2,063,073	\$ 984,799	\$ 51,395	\$ 3,099,267
Liabilities				
Accounts and other payables	\$ 449,372	\$ -	\$ 18,735	\$ 468,107
Accrued salaries payable	387,475	-	6,981	394,456
Due to other funds	95,846	-	25,679	121,525
Unearned revenue	8,775	-	-	8,775
Total Liabilities	941,468	-	51,395	992,863
Fund Balances				
Nonspendable				
Prepaid items	70,023	-	-	70,023
Restricted				
Medical assistance	264	-	-	264
Building company	-	984,799	-	984,799
Unassigned	1,051,318	-	-	1,051,318
Total Fund Balances	1,121,605	984,799	-	2,106,404
Total Liabilities and Fund Balances	\$ 2,063,073	\$ 984,799	\$ 51,395	\$ 3,099,267

The notes to the financial statements are an integral part of this statement.

Northeast College Prep
 Charter School No. 4219
 Minneapolis, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 June 30, 2021

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

Total Fund Balances - Governmental Funds	\$ 2,106,404
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>	
Cost of capital assets	8,500,670
Less accumulated depreciation	(571,787)
<p>Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>	
<p>Noncurrent liabilities at year end consist of</p>	
Bonds payable	(8,660,000)
Bonds premium	(362,851)
Net pension liability	(3,331,950)
<p>Governmental funds do not report long-term amounts related to pensions.</p>	
Deferred outflow of resources	2,017,378
Deferred inflow of resources	(1,768,345)
Governmental funds do not report a liability for accrued interest until due and payable.	(218,600)
Total Net Position - Governmental Activities	\$ (2,289,081)

The notes to the financial statements are an integral part of this statement.

Northeast College Prep
 Charter School No. 4219
 Minneapolis, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2021

	General	Building Company	Non-Major Food Service	Funds
Revenues				
Other local and county revenue	\$ 336,327	\$ 585,918	\$ -	\$ 922,245
Interest earned on investments	607	49	-	656
Revenue from state sources	5,959,019	-	21,641	5,980,660
Revenue from federal sources	417,776	-	219,434	637,210
Total Revenues	6,713,729	585,967	241,075	7,540,771
Expenditures				
Current				
Administration	274,405	-	-	274,405
District support services	588,255	-	-	588,255
Elementary and secondary regular instruction	2,383,387	-	-	2,383,387
Special education instruction	1,856,474	-	-	1,856,474
Instructional support services	460,035	-	-	460,035
Pupil support services	477,457	-	302,873	780,330
Sites and buildings	726,875	59,420	-	786,295
Fiscal and other fixed cost programs	37,535	-	-	37,535
Capital outlay				
District support services	3,754	-	-	3,754
Elementary and secondary regular instruction	39,765	-	-	39,765
Instructional support services	213,124	-	-	213,124
Sites and buildings	62,342	237,630	-	299,972
Debt service				
Bond interest and other	-	386,193	-	386,193
Total Expenditures	7,123,408	683,243	302,873	8,109,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	(409,679)	(97,276)	(61,798)	(568,753)
Other Financing Sources (Uses)				
Transfers in	-	-	61,798	61,798
Loan proceeds	666,000	-	-	666,000
Transfers out	(61,798)	-	-	(61,798)
Total Other Financing Sources (Uses)	604,202	-	61,798	666,000
Net Change in Fund Balance	194,523	(97,276)	-	97,247
Fund Balance, July 1	927,082	813,065	-	1,740,147
Prior Period Adjustment (Note 7)	-	269,010	-	269,010
Fund Balance, June 30	\$ 1,121,605	\$ 984,799	\$ -	\$ 2,106,404

The notes to the financial statements are an integral part of this statement.

Northeast College Prep
 Charter School No. 4219
 Minneapolis, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2021

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

Net Change in Fund Balances - Governmental Funds	\$	97,247
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital outlays		511,116
Depreciation expense		(243,493)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The amounts below are the effects of these differences in the treatment of long-term debt and related items.</p>		
Loan issuance		(666,000)
Loan forgiveness		666,000
Current year amortization of bond premium		10,831
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		(51,007)
<p>Long-term pension activity is not reported in governmental funds.</p>		
Pension expense		(623,918)
Direct aid contributions		21,422
		21,422
Change in Net Position - Governmental Activities	\$	(277,802)

The notes to the financial statements are an integral part of this statement.

Northeast College Prep
Charter School No. 4219
 Minneapolis, Minnesota
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Other local and county revenue	\$ 127,936	\$ 330,240	\$ 336,327	\$ 6,087
Interest earned on investments	-	-	607	607
Revenue from state sources	5,867,801	5,893,502	5,959,019	65,517
Revenue from federal sources	241,400	393,573	417,776	24,203
Total Revenues	<u>6,237,137</u>	<u>6,617,315</u>	<u>6,713,729</u>	<u>96,414</u>
Expenditures				
Current				
Administration	242,318	271,738	274,405	(2,667)
District support services	528,347	608,339	588,255	20,084
Elementary and secondary regular instruction	1,926,715	2,477,941	2,383,387	94,554
Special education instruction	1,721,070	1,784,433	1,856,474	(72,041)
Instructional support services	316,873	433,414	460,035	(26,621)
Pupil support services	580,518	279,847	477,457	(197,610)
Sites and buildings	703,380	749,684	726,875	22,809
Fiscal and other fixed cost programs	37,828	40,324	37,535	2,789
Capital outlay				
District support services	2,000	2,000	3,754	(1,754)
Elementary and secondary regular instruction	9,000	9,000	39,765	(30,765)
Instructional support services	13,000	108,000	213,124	(105,124)
Sites and buildings	1,000	21,000	62,342	(41,342)
Total Expenditures	<u>6,082,049</u>	<u>6,785,720</u>	<u>7,123,408</u>	<u>(337,688)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>155,088</u>	<u>(168,405)</u>	<u>(409,679)</u>	<u>(241,274)</u>
Other Financing Sources (Uses)				
Loan issued	-	665,988	666,000	12
Transfers out	-	-	(61,798)	(61,798)
Total Other Financing Sources (Uses)	<u>-</u>	<u>665,988</u>	<u>604,202</u>	<u>(61,786)</u>
Net Change in Fund Balances	155,088	497,583	194,523	(303,060)
Fund Balances, July 1	<u>927,082</u>	<u>927,082</u>	<u>927,082</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 1,082,170</u>	<u>\$ 1,424,665</u>	<u>\$ 1,121,605</u>	<u>\$ (303,060)</u>

The notes to the financial statements are an integral part of this statement.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Northeast College Prep Charter School No. 4219, (the Charter School), Minneapolis, Minnesota is a nonprofit that was incorporated on April 12, 2013 as a non-profit corporation under section 501(c)3 of the Internal Revenue Code of 1954, for the purpose of providing educational services to individuals within the area. The Charter School is authorized by Student Achievement of Minnesota. The permanent governing body consists of a five-member Board of Directors.

The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the GASB criteria.

Aside from its authorization, Student Achievement of Minnesota has no authority, control, power, or administrative responsibilities over the Charter School. Therefore, the Charter School is not considered a component unit of Student Achievement of Minnesota.

The Charter School has no student activity funds.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid formula grants and other internally dedicated resources are reported as general revenues rather than as program revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlement and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The Charter School funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in the report are as follows:

Major Governmental Funds

The *General fund* is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School, except those required to be accounted for in another fund.

The *Building Company fund* accounts for all activities of the Affiliated Building Company. This includes accounting for the proceeds and used of resources borrowed for the purpose of purchasing and building the school site, the receipt of lease payments from Northeast College Prep, as well as the debt service payments under the terms of the related long-term mortgage loans.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Nonmajor Governmental Fund

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. The Food Service fund receives revenue from state and federal sources.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The Charter School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Charter School may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Charter School does not have a formal investment policy.

The Charter School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Charter School's recurring fair value measurements are listed in detail on page 41 and are valued using quoted market prices (Level 1 inputs).

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Due from Federal Government

Due from Federal Government include amounts for expenditures that have been incurred before year end and will be reimbursed with Federal funding. No substantial losses are anticipated from present balances, therefore no allowance for uncollectible has been recorded.

Due from the Minnesota Department of Education

Due from Minnesota Department of Education include amounts for expenditures that have been incurred before year end and will be reimbursed with State funding. No substantial losses are anticipated from present balances, therefore no allowance for uncollectible has been recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets include equipment. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets of the Charter School are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 20 years for equipment and 40 years for buildings and improvements.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Northeast College Prep
 Charter School No. 4219
 Minneapolis, Minnesota
 Notes to the Financial Statements
 June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employees Plan (GERP) and TRA is as follows:

	GERP	TRA	Total Pension Expense
Pension Expense	\$ 195,319	\$ 691,618	\$ 886,937

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Charter School has one type of item, which arises only under a full accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position of the government-wide statements and results from actuarial calculations.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Charter School is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items and deposits receivable.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the Charter School's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the governing body delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Program Coordinator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The Charter School considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Charter School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and related debt.
- b. Restricted net position - Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed.

Northeast College Prep
 Charter School No. 4219
 Minneapolis, Minnesota
 Notes to the Financial Statements
 June 30, 2021

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for Charter School funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the General fund.

The Charter School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Director to be adopted by the Board of Education.
2. Budgets for the General fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The Charter School does not use encumbrance accounting.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 6,785,720	\$ 7,123,408	\$ 337,688

The excess of expenditures over appropriations were funded by revenues received in excess of budget and loan proceeds.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Charter School's deposits and investments may not be returned or the Charter School will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the Charter School maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Charter School deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Charter School.

At year end, the Charter School's carrying amount of deposits was \$1,495,630 and the bank balance was \$1,425,035. The entire bank balance was covered by federal depository insurance. The Charter School carries cash on hand of \$500.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of June 30, 2021, the Charter School had the following investments that are insured or registered, or securities held by the Charter School's agent in the Charter School's name:

Type of Investments	Credit Quality/ Ratings (1)	Segmented time Distribution (2)	Carrying Amount	Fair Value Level 1
Pooled Investments at Fair Value				
Government Obligation Mutual Fund	AAA	Less than 6 months	\$ 817,824	\$ 817,824

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

The investments of the Charter School are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the Charter School's investments to the list on page 35 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

A reconciliation of cash and temporary investments as shown on the financial statements for the Charter School follows:

Carrying Amount of Deposits	\$ 1,495,630
Cash on Hand	500
Investments	<u>817,824</u>
Total	<u>\$ 2,313,954</u>
Cash and Temporary Investments	
Unrestricted	\$ 1,425,001
Cash held with Escrow	<u>888,953</u>
	<u>\$ 2,313,954</u>

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

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

	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
Governmental Activities					
Capital Assets, not Being Depreciated					
Land	\$ 1,067,929	\$ -	\$ -	\$ -	\$ 1,067,929
Construction in progress	10,980	-	-	(10,980)	-
Total Capital Assets not Being Depreciated	<u>1,078,909</u>	<u>-</u>	<u>-</u>	<u>(10,980)</u>	<u>1,067,929</u>
Capital Assets Being Depreciated					
Buildings and improvements	6,647,510	(269,010)	284,823	-	6,663,323
Equipment	532,145	-	237,273	-	769,418
Total Capital Assets Being Depreciated	<u>7,179,655</u>	<u>(269,010)</u>	<u>522,096</u>	<u>-</u>	<u>7,432,741</u>
Less Accumulated Depreciation for					
Buildings and improvements	(69,245)	-	(167,333)	-	(236,578)
Equipment	(259,049)	-	(76,160)	-	(335,209)
Total Accumulated Depreciation	<u>(328,294)</u>	<u>-</u>	<u>(243,493)</u>	<u>-</u>	<u>(571,787)</u>
Total Capital Assets Being Depreciated, Net	<u>6,851,361</u>	<u>(269,010)</u>	<u>278,603</u>	<u>-</u>	<u>6,860,954</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,930,270</u>	<u>\$ (269,010)</u>	<u>\$ 278,603</u>	<u>\$ (10,980)</u>	<u>\$ 7,928,883</u>

Depreciation expense was charged to functions/programs of the Charter School as follows:

Governmental Activities	
District Support Services	\$ 1,161
Elementary and Secondary Regular Instruction	13,152
Pupil Support Services	498
Food Service	469
Instructional Support	31,904
Sites and Buildings	<u>196,309</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 243,493</u>

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Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables, and Transfers

Due to/from funds represent reclassifications of temporary cash deficits in individual fund and other short term loans expected to be repaid within one year. The amount owing between funds represents reclassification of temporary cash deficits between. At year end, the balances were as follows:

Receivable Fund	Payable Fund	Amount
Primary Government		
Building Company fund	General fund	\$ 95,846
General fund	Food Service fund	25,679
Total		\$ 121,525

A transfer of \$61,798 was completed from the General fund to the Food Service special revenue fund to eliminate the fund balance deficit.

D. Operating Lease

On May 5, 2016, the Charter School entered into an agreement with CSDC Facilities Corporation, of District of Columbia to lease space at 300 Industrial Boulevard, Minneapolis, Minnesota 55413 for a period commencing July 1, 2016 and ending June 30, 2041. For Lease Years One and Two (July 1, 2016 to June 30, 2018), the Base Annual Rent will be the greater of: (a) 1.22x the Debt Service for the Property, as may be adjusted from time to time as the loans may be refinanced; or (b) the amount equal to the product of the number of pupils projected for the forthcoming Lease Year on Tenant's MARSS Average Daily Membership report filed with the Minnesota Department of Education ("MDE") multiplied by the rental amount per pupil that results in Tenant's receipt of the maximum amount of Building Lease Aid, as defined under Minnesota law (Statute 124D.11 subdivision 4), available to Tenant from MDE pursuant to applicable Minnesota law ("Maximum Lease Aid") for that lease year. For Lease Year Three (commencing July 1, 2018) and for each Lease Year thereafter, the Lease Payments shall be the greater of: (a) the immediately prior year's Base Annual Rent multiplied by 1.01; or (b) the Maximum Lease Aid for that Lease Year. The Charter School paid rent of \$553,713 under the agreements during the year ended June 30, 2021.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2022	\$ 565,019
2023	570,669
2024	576,376
2025	582,140
2026	587,961
2027 - 2031	3,029,184
2032 - 2036	3,183,703
2037 - 2041	3,346,104
2042 - 2044	2,089,044
Total	\$ 14,530,199

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Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Liabilities

Bonds Payable

The Charter School issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Charter School. General obligation bonds currently outstanding are as follows:

Description	Amount Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Charter School Lease Revenue Bonds, Series 2020A	\$ 7,820,000	5.00 - 5.50 %	02/01/20	07/01/55	\$ 7,820,000
Taxable Charter School Lease Revenue Bonds, Series 2020B	840,000	5.50 %	02/01/20	07/01/29	<u>840,000</u>
Total					<u>\$ 8,660,000</u>

Annual debt service requirements to maturity for the bonds are as follows:

Year Ending June 30,	Bonds Payable		
	Principal	Interest	Total
2022	\$ -	\$ 437,200	\$ 437,200
2023	95,000	434,588	529,588
2024	100,000	429,225	529,225
2025	105,000	423,588	528,588
2026	110,000	417,675	527,675
2027 - 2031	655,000	1,988,275	2,643,275
2032 - 2036	855,000	1,796,375	2,651,375
2037 - 2041	1,105,000	1,552,375	2,657,375
2042 - 2046	1,425,000	1,238,125	2,663,125
2047 - 2051	1,835,000	832,375	2,667,375
2052 - 2056	<u>2,375,000</u>	<u>309,374</u>	<u>2,684,374</u>
Total	<u>\$ 8,660,000</u>	<u>\$ 9,859,175</u>	<u>\$ 18,519,175</u>

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Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021~~2021~~ was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current
Governmental Activities					
Loans Payable	\$ -	\$ 666,000	\$ (666,000)	\$ -	\$ -
Bonds Payable					
Revenue bonds	8,660,000	-	-	8,660,000	-
Bond premium	373,682	-	(10,831)	362,851	-
Total bonds payable	<u>9,033,682</u>	<u>-</u>	<u>(10,831)</u>	<u>9,022,851</u>	<u>-</u>
Total	<u>\$ 9,033,682</u>	<u>\$ 666,000</u>	<u>\$ (676,831)</u>	<u>\$ 9,022,851</u>	<u>\$ -</u>

On July 23, 2020, the Charter School was issued a \$666,000 loan through the Paycheck Protection Program. The full balance of the loan was forgiven on January 13, 2021. No principal or interest payments were due or paid.

Note 4: Defined Benefit Pension Plans - Statewide

Substantially all employees of the Charter School are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Teacher Retirement Association (TRA)

1. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota statutes, chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

2. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age and a formula multiplier based on years of credit at termination of service.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before **July 1, 1989** receive the greater of the Tier I or Tier II as described: **Tier I:**

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. Three percent per year early retirement reduction factors for all years under normal retirement age.
3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after **June 30, 1989** receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans, that have survivorship features. Vested members may also leave their contributions in the TRA fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contribution Rate

Minnesota statutes, chapter 354 sets the rates for the employee and employer contributions. Rates for each fiscal year were:

Plan	Ending June 30, 2019		Ending June 30, 2020		Ending June 30, 2021	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.71%	11.00%	11.92%	11.00%	12.13%
Coordinated	7.50%	7.71%	7.50%	7.92%	7.50%	8.13%

The Charter School's contributions to TRA for the years ending June 30, 2021, 2020 and 2019 were \$177,544, \$156,210 and \$134,426, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA's Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer Contributions Reported in TRA's Comprehensive Annual Financial Report	
Statement of Changes in Fiduciary Net Position	\$ 425,223,000
Add Employer Contributions not Related to Future Contribution Efforts	(56,000)
Deduct TRA's Contributions not Included in Allocation	<u>(508,000)</u>
Total Employer Contributions	424,659,000
Total Non-employer Contributions	<u>35,587,000</u>
Total contributions reported in schedule of employer and non-employer pension allocations	<u>\$ 460,246,000</u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

4. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation Date	July 1, 2020
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.5% to 9.25% thereafter
Cost of Living Adjustment	1% for January 2020 through January 2023 then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP - 2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP - 2015 scale.
Post-retirement	RP - 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP - 2015 scale.
Post-disability	RP - 2014 disabled retiree mortality table, without adjustments.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	<u>2.00</u>	-
Total	<u><u>100.00</u></u> %	

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2019 valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. Net Pension Liability

On June 30, 2021, the Charter School reported a liability of \$2,504,577 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 an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the Charter School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The Charter School's proportionate share was 0.0339 percent at the end of the measurement period which was an increase of 0.0039 percent from its proportion measured as of June 30, 2019.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the Charter School as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the Charter School were as follows:

Charter's Proportionate Share of Net Pension Liability	\$ 2,504,577
State's Proportionate Share of Net Pension Liability Associated with the Charter School	209,657

For the year ended June 30, 2021, the District recognized pension expense of \$672,412. It also recognized \$19,206 as an increase to pension expense for the support provided by direct aid.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

On June 30, 2021, the Charter School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 55,377	\$ 31,969
Net Difference between Projected and Actual Earnings on Plan Investments	80,622	-
Changes in Assumptions	811,229	1,704,870
Changes in Proportion	606,432	-
Contributions to TRA Subsequent to the Measurement Date	177,544	-
Total	\$ 1,731,204	\$ 1,736,839

Deferred outflows of resources totaling \$177,544 related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

2022	\$ 332,667
2023	(307,712)
2024	(325,093)
2025	106,531
2026	10,428

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Charter's Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 3,834,482	\$ 2,504,577	\$ 1,408,804

The Charter School's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

8. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651) 296-2409 or (800) 657-3669.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

The Charter School participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota statutes*, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Plan (GERP)

All full-time and certain part-time employees of the Charter School, other than teachers, are covered by the General Employees Plan (GERP). General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated-Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the Charter School was required to contribute 7.50 percent for Coordinated Plan members. The Charter School's contributions to the General Employees Fund for the year ended June 30, 2021, 2020 and 2019 were \$85,475, \$73,609 and \$67,180, respectively. The Charter School's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the Charter School reported a liability of \$827,373 for its proportionate share of the General Employees Fund's net pension liability. The Charter School's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Charter School totaled \$25,467. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportionate share of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Charter School's proportion was 0.0138 percent which was an increase of 0.0011 percent from its proportion measured as of June 30, 2020.

Charter's Proportionate Share of Net Pension Liability	\$ 827,373
State's Proportionate Share of Net Pension Liability Associated with the Charter School	<u>25,467</u>
Total	<u><u>\$ 852,840</u></u>

For the year ended June 30, 2021, the Charter School recognized pension expense of \$193,103 for its proportionate share of the General Employees Plan's pension expense. In addition, the Charter School recognized \$2,216 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At June 30, 2021, the Charter School reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,912	\$ 3,131
Changes in Actuarial Assumptions	1	28,375
Net Difference Between Projected and Actual Earnings on Plan Investments	34,641	-
Changes in Proportion	159,145	-
Contributions to PERA Subsequent to the Measurement Date	85,475	-
	\$ 286,174	\$ 31,506
Total		

The \$85,475 reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ 75,609
2023	40,909
2024	32,695
2025	19,980

5. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employee Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	35.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.50	5.30
Cash	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	

6. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund were 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.

7. Pension Liability Sensitivity

The following presents the Charter School's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

<u>Charter's Proportionate Share of NPL</u>		
<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
\$ 1,325,992	\$ 827,373	\$ 416,052

8. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 5: Other Information

A. Risk Management

The Charter School is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Charter School carries commercial insurance. Settled claims have not exceeded this commercial coverage in fiscal year 2021.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Charter School's management is not aware of any incurred but not reported claims.

B. Income Taxes

The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School also qualifies as a tax-exempt organization under applicable statutes of the State of Minnesota.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of June 30, 2021, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

The Charter School files informational returns in the U.S. federal jurisdiction, and in the Minnesota state jurisdiction. U.S. federal returns and Minnesota returns for the prior three fiscal years are closed. No returns are currently under examination in any tax jurisdiction.

Note 6: Subsequent Event

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the Charter School cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the Charter School's financial condition, liquidity, and future results of its revenue collections is uncertain.

Note 7: Prior Period Adjustment

A prior period adjustment of \$269,010 was made for the reduction of building construction expenditures recognized in fiscal year 2020 which should have been and are currently recorded as fiscal year 2021 expenditure and cash held with escrow.

The result of the prior period adjustment increased beginning fund balance in the Building Construction fund by \$269,010.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of Teachers Retirement Association Net Pension Liability

Fiscal Year End	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2020	0.0339 %	\$ 2,504,577	\$ 209,657	\$ 2,714,234	\$ 1,972,344	127.0 %	75.5 %
6/30/2019	0.0300	1,912,206	169,458	2,081,664	1,743,525	109.7	78.2
6/30/2018	0.0275	1,726,363	162,369	1,888,732	1,518,560	113.7	78.1
6/30/2017	0.0229	4,571,255	441,648	5,012,903	1,286,453	355.3	51.6
6/30/2016	0.0178	4,245,725	426,450	4,672,175	927,733	457.6	44.9
6/30/2015	0.0124	767,063	93,946	861,009	675,080	113.6	76.8
6/30/2014	0.0013	59,903	4,240	64,143	66,414	90.2	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's Teachers Retirement Association Contributions

Fiscal Year End	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2021	\$ 177,544	\$ 177,544	\$ -	\$ 2,183,817	8.13 %
6/30/2020	156,210	156,210	-	1,972,344	7.92
6/30/2019	134,426	134,426	-	1,743,525	7.71
6/30/2018	113,008	113,008	-	1,506,773	7.50
6/30/2017	96,484	96,484	-	1,286,453	7.50
6/30/2016	69,580	69,580	-	927,733	7.50
6/30/2015	47,133	47,133	-	628,440	6.98

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - Teachers Retirement Association

Changes in Actuarial Assumptions

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - Teachers Retirement Association (Continued)

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the plan becomes fully funded.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability

Year	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the School (b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2020	0.0138 %	\$ 827,373	\$ 25,467	\$ 981,455	84.3 %	79.0 %
6/30/2019	0.0127	702,155	21,832	895,727	78.4	80.2
6/30/2018	0.0113	626,878	20,614	759,978	82.5	79.5
6/30/2017	0.0073	466,027	5,860	478,600	97.4	75.9
6/30/2016	0.0038	308,541	3,978	249,440	123.7	68.9
6/30/2015	0.0015	77,738	-	92,987	83.6	78.2
6/30/2014	0.0002	9,395	-	8,787	106.9	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's Public Employees Retirement Association Contributions

Fiscal Year End	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2021	\$ 85,475	\$ 85,475	\$ -	\$ 1,139,661	7.5 %
6/30/2020	73,609	73,609	-	981,455	7.5
6/30/2019	67,180	67,180	-	895,727	7.5
6/30/2018	56,998	56,998	-	759,978	7.5
6/30/2017	35,894	35,894	-	478,600	7.5
6/30/2016	18,708	18,708	-	249,440	7.5
6/30/2015	6,974	6,974	-	92,987	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - Public Employees Retirement Association

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information - Public Employees Retirement Association (Continued)

Changes in Plan Provisions

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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INDIVIDUAL FUND SCHEDULE AND TABLE

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenue	\$ 127,936	\$ 330,240	\$ 336,327	\$ 6,087	\$ 209,288
Interest earned on investments	-	-	607	607	65
Revenue from state sources	5,867,801	5,893,502	5,959,019	65,517	5,753,931
Revenue from federal sources	241,400	393,573	417,776	24,203	243,672
Total Revenues	<u>6,237,137</u>	<u>6,617,315</u>	<u>6,713,729</u>	<u>96,414</u>	<u>6,206,956</u>
Expenditures					
Current					
Administration					
Salaries	166,234	180,412	181,555	(1,143)	222,039
Fringe benefits	53,084	66,426	54,805	11,621	67,646
Purchased services	900	600	11,777	(11,177)	-
Other	22,100	24,300	26,268	(1,968)	25,752
Total administration	<u>242,318</u>	<u>271,738</u>	<u>274,405</u>	<u>(2,667)</u>	<u>315,437</u>
District support services					
Salaries	154,990	152,800	171,235	(18,435)	105,934
Fringe benefits	115,157	132,599	85,858	46,741	60,212
Purchased services	208,500	264,840	231,453	33,387	162,087
Supplies and materials	30,700	37,400	75,878	(38,478)	66,686
Other	19,000	20,700	23,831	(3,131)	7,035
Total district support services	<u>528,347</u>	<u>608,339</u>	<u>588,255</u>	<u>20,084</u>	<u>401,954</u>
Elementary and secondary regular instruction					
Salaries	1,421,810	1,803,339	1,646,219	157,120	1,440,202
Fringe benefits	404,684	503,345	477,984	25,361	453,960
Purchased services	32,781	19,167	19,899	(732)	22,691
Supplies and materials	67,340	152,090	239,193	(87,103)	139,375
Other	100	-	92	(92)	-
Total elementary and secondary regular instruction	<u>1,926,715</u>	<u>2,477,941</u>	<u>2,383,387</u>	<u>94,554</u>	<u>2,056,228</u>
Special education instruction					
Salaries	915,800	965,110	1,126,659	(161,549)	928,103
Fringe benefits	307,965	310,474	347,113	(36,639)	291,025
Purchased services	488,305	488,985	366,304	122,681	526,747
Supplies and materials	9,000	19,864	16,398	3,466	32,282
Other	-	-	-	-	940
Total special education instruction	<u>1,721,070</u>	<u>1,784,433</u>	<u>1,856,474</u>	<u>(72,041)</u>	<u>1,779,097</u>

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 175,250	\$ 186,628	\$ 187,558	\$ (930)	\$ 173,434
Fringe benefits	59,023	65,269	57,066	8,203	53,164
Purchased services	60,300	86,100	74,543	11,557	37,082
Supplies and materials	22,300	95,417	140,868	(45,451)	49,968
Total instructional support services	<u>316,873</u>	<u>433,414</u>	<u>460,035</u>	<u>(26,621)</u>	<u>313,648</u>
Pupil support services					
Salaries	50	-	51	(51)	6,836
Fringe benefits	8	-	8	(8)	1,532
Purchased services	578,800	277,297	475,670	(198,373)	383,980
Supplies and materials	1,660	2,550	1,728	822	354
Total pupil support services	<u>580,518</u>	<u>279,847</u>	<u>477,457</u>	<u>(197,610)</u>	<u>392,702</u>
Sites and buildings					
Salaries	37,150	34,372	36,335	(1,963)	39,766
Fringe benefits	21,107	21,107	19,649	1,458	20,460
Purchased services	625,283	668,156	655,858	12,298	617,450
Supplies and materials	19,840	26,049	15,033	11,016	13,576
Other	-	-	-	-	420
Total sites and buildings	<u>703,380</u>	<u>749,684</u>	<u>726,875</u>	<u>22,809</u>	<u>691,672</u>
Fiscal and other fixed cost programs					
Purchased services	16,592	19,088	16,300	2,788	17,353
Debt service	21,236	21,236	21,235	1	30,265
Total fiscal and other fixed cost programs	<u>37,828</u>	<u>40,324</u>	<u>37,535</u>	<u>2,789</u>	<u>47,618</u>
Total current	<u>6,057,049</u>	<u>6,645,720</u>	<u>6,804,423</u>	<u>(158,703)</u>	<u>5,998,356</u>
Capital outlay					
District support services	2,000	2,000	3,754	(1,754)	-
Elementary and secondary regular instruction	9,000	9,000	39,765	(30,765)	-
Instructional support services	13,000	108,000	213,124	(105,124)	25,930
Sites and buildings	1,000	21,000	62,342	(41,342)	1,702
Total capital outlay	<u>25,000</u>	<u>140,000</u>	<u>318,985</u>	<u>(178,985)</u>	<u>27,632</u>
Total Expenditures	<u>6,082,049</u>	<u>6,785,720</u>	<u>7,123,408</u>	<u>(337,688)</u>	<u>6,025,988</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>155,088</u>	<u>(168,405)</u>	<u>(409,679)</u>	<u>(241,274)</u>	<u>180,968</u>
Other Financing Sources (Uses)					
Loan issued	-	665,988	666,000	12	350,000
Transfers out	-	-	(61,798)	(61,798)	(31,459)
Total Other Financing Sources (Uses)	<u>-</u>	<u>665,988</u>	<u>604,202</u>	<u>(61,786)</u>	<u>318,541</u>
Net Change in Fund Balances	155,088	497,583	194,523	(303,060)	499,509
Fund Balances, July 1	<u>927,082</u>	<u>927,082</u>	<u>927,082</u>	<u>-</u>	<u>427,573</u>
Fund Balances, June 30	<u>\$ 1,082,170</u>	<u>\$ 1,424,665</u>	<u>\$ 1,121,605</u>	<u>\$ (303,060)</u>	<u>\$ 927,082</u>

Fiscal Compliance Report - 6/30/2021

District: NORTHEAST COLLEGE PREP (4219-7)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$6,713,729	<u>\$6,713,743</u>	(\$14)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$7,123,408	<u>\$7,123,406</u>	\$2	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$70,023	<u>\$70,023</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	08 TRUST			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$264	<u>\$264</u>	\$0	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	18 CUSTODIAL			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$1,051,318	<u>\$1,051,319</u>	(\$1)				
				20 INTERNAL SERVICE			
02 FOOD SERVICES				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$241,075	<u>\$241,075</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$302,873	<u>\$302,872</u>	\$1	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>							
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	25 OPEB REVOCABLE TRUST			
<i>Restricted / Reserved:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0	45 OPEB IRREVOCABLE TRUST			
<i>Unassigned:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
04 COMMUNITY SERVICE							
Total Revenue	\$0	<u>\$0</u>	\$0				

Minnesota Department of Education

Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REQUIRED REPORTS

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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**INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE**

Members of the Board of Education
Northeast College Prep, Charter School No. 4219
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Northeast College Prep, Charter School No. 4219 (the Charter School), Minneapolis, Minnesota as of June 30, 2021 and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 23, 2021.

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minnesota statute § 6.65, contains two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools. In connection with our audit, nothing came to our attention that caused us to believe that the School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Charter School's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Abdo
Minneapolis, Minnesota
November 23, 2021

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

Members of the Board of Education
Northeast College Prep, Charter School No. 4219
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the major fund and the aggregate remaining fund information of the Northeast College Prep, Charter School No. 4219, (the Charter School), Minneapolis, Minnesota, as of June 30, 2021 and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Charter 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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Charter School's Response to the Findings

The Charter School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



Abdo
Minneapolis, Minnesota
November 23, 2021



Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Schedule of Findings and Responses
June 30, 2021

<u>Finding</u>	<u>Description</u>
2021-001	Prior Period Adjustment
<i>Condition:</i>	A prior period adjustment of \$269,010 was made for the reduction of building construction expenditures recognized in fiscal year 2020, which should have been and are currently recorded as fiscal year 2021 expenditures and cash with fiscal agent.
<i>Criteria:</i>	Expenditures and capital asset balances were overstated in the prior year.
<i>Cause:</i>	In fiscal year 2020, the Charter School's affiliated building company deposited construction related bond proceeds in an escrow account, to be used for future project costs. At the time of the transaction, it was not clear the deposit was made to an escrow account held in the affiliated building company's name.
<i>Effect:</i>	In the Building Company fund, beginning fund balance was understated.
<i>Recommendation:</i>	We recommend the Charter School develop a clear understanding of each transaction related to bond sales and capital projects.

Management Response:

For the 2021 audit, the Charter School has properly reviewed project related transactions and has recorded the prior period adjustment.



Following is our response to findings in the audit as of June 30, 2021:

FINDING 2021-001

A prior period adjustment of \$269,010 was made for the reduction of building construction expenditures recognized in fiscal year 2020, which should have been and are currently recorded as fiscal year 2021 expenditures and cash with fiscal agent.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

Management is aware of the issue and will implement the suggested procedures.

3. Official Responsible for Ensuring CAP:

Carl Phillips, Executive Director, would be responsible for procedures.

4. Planned Completion Date for CAP:

Procedures will be implemented in the current fiscal year.

5. Plan to Monitor Completion of CAP:

Carl Phillips, Executive Director, will review the process for recording transactions and ensure compliance.

Sincerely,

Carl Phillips
Executive Director
Northeast College Prep
Minneapolis, Minnesota